

Report to:	EXECUTIVE
Relevant Officer:	Alan Cavill, Director of Communications and Regeneration
Relevant Cabinet Member :	Councillor Mark Smith, Cabinet Member for Business, Enterprise and Job Creation
Date of Meeting:	27 February 2023

MULTIVERSITY AND LEVELLING UP FUND ROUND 2

1.0 Purpose of the report:

1.1 This report provides an update on the Levelling Up Fund (LUF) Round 2 bid submissions subsequent to the 25 April 2022 Executive decision (EX19/2022) which agreed to “delegate to the Chief Executive, after consultation with the Leader of the Council, the submission of the final bids by the deadline of 6th July 2022 and for the Executive to receive a report on the final submissions”. An update report (EX33/2022) was also provided to the 5 September 2022, Executive. In addition the report seeks authority to take forward the next stages of the Multiversity project in the light of the successful £40m Levelling Up Fund 2 bid.

2.0 Recommendation(s):

- 2.1 To note the report and the success of attracting £40m towards the Multiversity.
- 2.2 To authorise the £16million Prudential Borrowing, the costs of which are to be covered by Blackpool and the Fylde College, as incorporated within the Levelling Up Fund bid and to delegate to the Chief Executive the agreement of the final terms after consultation with the relevant Cabinet Member.
- 2.3 To note that pursuant to Executive decision EX35/2022 that the voluntary acquisition of properties for the Multiversity is continuing and that a further report will be brought to the Executive to authorise the making of a Compulsory Purchase Order should such powers be required.
- 2.4 To authorise the Head of Legal to enter into such contracts as are necessitated by the successful approval to deliver the scheme.

3.0 Reasons for recommendation(s):

3.1 Round 2 of Levelling Up Fund was referred to in the Levelling Up White Paper launched 2 February 2022 with full detail released on the 23 March 2022. Blackpool had the opportunity to submit 3 bids into the Fund by 6 July 2022 closing date. This was later extended to 2 August 2022 due to delays in the application portal going live.

The 3 bids were for the Multiversity, Hotel Indigo former Post Office Redevelopment and the Town Centre Access Scheme (TCAS). The Council has been at the forefront of Blackpool's ongoing regeneration for over a decade now, leading on a number of major development projects across the town that are catalysing longer term economic growth. The selection of three projects provided two additional major redevelopment opportunities, including the improvement to significant elements of the built environment, improved learning prospects for local residents and provision of direct employment opportunities, as well as an improved transport and travel network to allow better access to these and other key regeneration sites in the central area.

On 19 January 2023 the Council was informed that the Multiversity application had been successful with its request for £40m of funding with the Secretary of State choosing to make the national announcement about successful bids in Blackpool.

This approval is subject to satisfactory compliance with the subsidy control regime requirements. DWF LLP, the Council's legal advisers, have already provided full guidance at submission stage. A meeting was held with DWF on 24 January 2023 to confirm that their original guidance still held true.

On 25 January 2023 a further "welcome pack" of key information was provided. This noted that a Memorandum of Understanding would be provided soon which sets out the terms of the Levelling Up Fund programme. Where projects have passed the Subsidy Control check and return the Memorandum of Understanding by 28 February 2023, first payments will be based on profiles provided in the application and made in March 2023.

As the project is a large bid over £20 million a full business case review will also be required but this is standard practice. This is to be undertaken by Department of Levelling Up, Homes and Communities and any queries raised with the Council.

Notwithstanding this great news about the Multiversity, the Council also received confirmation, disappointingly, that the Town Centre Access Scheme and Hotel Indigo schemes were unsuccessful. Department of Levelling Up, Homes and Communities confirmed that written feedback will be provided on these applications in due course. A third bidding round for Levelling Up Fund has been confirmed by Government but no dates have as yet been released and consideration will be given in the light of feedback received whether these applications merit resubmission.

Detailed information on the approach undertaken to determine schemes to be approved is available at the following web link. Suffice to say a total of 529 Levelling Up Fund bids with a total value of £8.8 billion were received on or before 2 August 2022 and were assessed in line with the three-staged approach set out in the Levelling Up Fund Round 2 technical note. Across the UK, 111 bids were selected at a value of just under £2.09 billion.

[Levelling Up Fund Round 2: explanatory note on the assessment and decision-making process - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/111111/levelling-up-fund-round-2-explanatory-note-on-the-assessment-and-decision-making-process.pdf)

As the September 2022 Executive report stated, the Multiversity application for the maximum amount of £40m would also require a *“Blackpool Council loan of £16m to be Prudentially Borrowed and repaid by the College via a lease, the terms of which are in the process of being agreed. The College have also committed to make a £5m cash contribution to the Project which will offset the size of the loan and Blackpool Council are currently clarifying the most tax efficient method of achieving this.”*

With the success of the Levelling Up Fund bid it is now essential that authority is given to prudentially borrow the £16m subject to terms being agreed with The Blackpool and Fylde College.

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| 3.2 | Is the recommendation contrary to a plan or strategy adopted or approved by the Council? | No |
| 3.3 | Is the recommendation in accordance with the Council’s approved budget? | Yes |

4.0 Other alternative options to be considered:

- 4.1 Following a review of potential projects that most strongly met the Levelling Up Fund criteria (and hence the chances of success) and the Council’s strategic objectives, the 3 schemes were the only options at the time sufficiently developed to provide what were believed to be strong bids. The Council could have chosen not to bid. However, the Levelling Up Fund posed a major funding opportunity which, despite being a competitive bidding process, Blackpool had to take advantage of to support its ambitious Growth and Prosperity Programme agenda and address its many challenges. There were no guaranteed future rounds at the time so it was imperative that Blackpool took full advantage of the opportunity in this second round.

The only other options to be considered were alternative projects but a review of the most eligible and viable projects was undertaken as part of the process. All funding provided from the Fund has to be spent by 31 March 2025 and by 2025-26 on an exceptional basis which also had a major influencing factor upon scheme choice.

5.0 Council priority:

5.1 The relevant Council priority is both:

- “The economy: Maximising growth and opportunity across Blackpool”
- “Communities: Creating stronger communities and increasing resilience”

6.0 Background information

6.1 As part of the 2021 Budget the Chancellor announced a broad package of complementary UK-wide interventions one of which included the Levelling Up Fund, which was revisited in the light of the “Levelling Up White Paper” launched on 2 February 2022. The White Paper articulated how government policy interventions will improve opportunity and boost livelihoods across the country as we recover from the pandemic and contained many specific references to Blackpool.

The first round of Levelling Up Fund was launched in March 2021 and supported £1.7 billion of projects in over 100 local areas across the UK. In June 2021, Blackpool submitted a Round 1 bid which was unsuccessful. The application was for the maximum of £20m focused on 3 schemes:

- The Town Centre Access Scheme (TCAS) with a £8.91m Levelling Up Fund request;
- A grant of £6.93m Levelling Up Fund to private sector developer Ashall Projects for the redevelopment of the Abingdon Street Post Office into an Indigo brand hotel;
- The refurbishment of the Winter Gardens on Coronation Street for exhibition space with a Levelling Up Fund request of £4.16m.

The second round of the Levelling Up Fund was launched in March 2022 and on 25 April 2022 the Executive resolved, amongst other things *“To agree the proposed approach to developing up to 3 bids as set out in the report with the Multiversity being the core transformational project of a joint bid for the Blackpool North and Cleveleys, and Blackpool South constituencies and to continue consultations with both MPs, Wyre Council and other key stakeholders to ensure that the strongest bid(s) are submitted with the best chances of success”*.

6.2 Round 2 bidding

Levelling Up is at the heart of the government’s agenda to build back better after the pandemic and to deliver for citizens in every part of the UK. The second round of the Fund focused on the same three investment themes as the first round, i.e.: local transport projects that make a genuine difference to local areas; town centre and high street regeneration; and support for maintaining and expanding the UK’s world-leading portfolio of cultural and heritage assets.

Key points of note which applied to Round 2 and supported the rationale for the schemes chosen were :-

- Investment proposals should focus on supporting **high priority and high impact projects** that will make a visible positive difference to local areas.
- Schemes should look to be **transformational** in nature with a clear demonstrable impact provided to communities.
- Projects need to demonstrate how proposed investments would **support relevant local strategies** and show why the proposed investment or set of investments represented the **highest value local priorities**.
- Projects should be aligned to and **support net zero goals**
- Clear **demonstration of engagement and support** was a key requirement.
- Minimum of **10% co-funding**
- Projects must be able to **demonstrate spend in 2022/23 and begin delivery on the ground early**.
- **Support of the MPs** in whose constituency the proposals lie is expected but they do not have power of veto.

The assessment process focused on the following key criteria:

- **Characteristics of the place** – the local authority category representing the highest identified need (Blackpool is in the highest Category 1).
- **Deliverability**
- **Strategic fit with local and Fund priorities**
- **Economic Case** - Value for money should be demonstrated to outline and explain the benefits of the bid and how it represents value for money.

Following publication of the decisions the Department of Levelling Up, Homes and Communities published an explanatory note on the assessment and decision-making process in which it states:

“In reference to funding advice prepared by officials and turning to the Great Britain shortlist there was a large volume of high-quality bids in this round, and a target quantum of £2.1 billion to allocate in total (including Northern Ireland). As detailed in the prospectus, at the third stage of the decision-making process, ministers had discretion to make funding decisions on the basis of additional considerations. Ministers agreed to apply the additional considerations of ensuring a fair spread of approved projects across Great Britain and considering investment from the first round to ensure the Fund reaches as many local authorities as possible across the first and second rounds. To achieve this, ministers took the following sequential decisions:

- **ministers took account of which local authorities had received funding in the first round, noting that this would help maximise the geographical spread of investment across rounds one and two – in line with the following wider considerations (“Taking into account other investment in a local area, including investment made from the first round of the Fund to encourage a spread of**

levelling up funds across places” and “Ensuring a fair spread of approved projects across Great Britain within, and between, individual nations and regions, and between rural and urban areas”;

- ***then each local authority was capped at one successful bid (the highest scoring) in round two***, noting that this would also help to focus resources for delivery in a challenging economic environment; then
- *the highest-scoring projects remaining in Scotland and Wales were funded to ensure a fair spread of projects within Scotland and Wales until the minimum public commitments of 9% and 5% respectively over the first and second round were met; and*
- *the highest-scoring projects remaining in Great Britain were funded until funding any more projects would have exhausted the funding available for Great Britain or resulted in multiple projects with the same score being treated differently.*

This means that Multiversity was Blackpool’s highest scoring bid, not that the other two bids were not strong and it is disappointing that the likelihood of this approach was not articulated as a possibility in the guidance before the expense and effort of submitting three bids was known. Feedback is promised on the two unsuccessful bids.

6.3 Bid Submissions

The following successful bid was submitted by the revised 2 August 2022 deadline.

Multiversity (£65m scheme with £40m Levelling Up Fund – joint supported bid with Wyre Council)

Via the acquisition of land (£9m Town Deal) and Levelling Up Fund monies (£40m), a £65m world- class university experience would be delivered, facilitating higher level upskilling, reskilling and lifelong learning. The scheme, town centre based and close to the train station and tram interchange, will free up the existing College site for residential development. The new build will be carbon neutral in operation.

- The Multiversity Campus will be delivered through a partnership involving Blackpool Council and Blackpool and the Fylde College in association with Lancaster University. It will be a unique proposition, providing a cutting-edge response to local, regional, and national priorities, designed to accommodate up to 3000 learners. Key benefits include:
- Improving skills and opportunities – The investment in a new, high-quality, purpose-built educational facility will provide an unrivalled learning environment, encouraging more learners to choose to continue with their education in Blackpool. A tailored curriculum, catering for needs of employers in order to fill skills gaps across the Fylde Coast, means the Multiversity, by virtue of what is taught there, will link directly to employment opportunities.
- Supporting town centre regeneration – The development of the Multiversity adjacent to the town centre will complement other major developments, including the

developments at Talbot Gateway, the extension to the Houndshell Shopping Centre and the new Winter Gardens Conference and Exhibition Centre, in providing year-round footfall into the town centre, reducing the impacts of seasonality.

- Built environment uplift – The Multiversity’s development will provide uplift to an area that has not previously benefitted from significant investment, improving the built environment significantly, and supporting the creation of high-quality, pedestrianised, public open space.

The overall project to deliver the Multiversity is underpinned by six key project objectives:

- Injection of a new life to the heart of Blackpool;
- Embed holistically into the town centre;
- Allow people to up-skill through life through enabling more people to gain higher level qualifications each year;
- Raise the college profile in the town and beyond;
- Create an iconic building that sings Blackpool; and
- Increased footfall in the town centre to encourage regeneration

There is currently £16m of gap funding after all the grant monies are taken into account. This will be funded/repaid by the college and a range of models are being explored with the College including, loan, lease and forward funding. At the time of writing this report external advice is awaited by the College and the Council and once this is known terms will be negotiated and agreed with the College. The College have also committed to make a £5m cash contribution to the Project which would offset the £16m gap funding, the Council and the College are currently clarifying the most tax efficient method of achieving this.

The following unsuccessful bids were also submitted:

Hotel Indigo : Former Post Office Redevelopment (£26m scheme with £8m Levelling Up Fund)
This scheme aimed to directly address the need for further hotel provision in Blackpool via a new 4-star 144 room Indigo hotel in a derelict listed former post office building right in the heart of the town centre, including 48 family suites to appeal to both the business and family leisure markets.

The hotel would have created through a comprehensive £26m (£8m Levelling Up Fund) package of refurbishment and conversion of a Grade II listed building a significant viability gap given the complex nature of the works. The project would have been led by Ashall Projects acting as developer and owner who will put in equity combined with a loan to be sourced from the Council and potentially with a private loan facility.

The balance of the scheme would have been met by equity from Ashalls (£2.9m) and a Council loan of up to £15.1m although this could have been offset by a private facility secured by Ashalls.

The development would have created new job opportunities and would have been sited just 50 metres from the new tram route on Talbot Road, which adjoins the transport interchange at Blackpool North Train Station, with obvious accessibility benefits for all.

The New Indigo Hotel would have helped Blackpool break its current dependency on short-stay tourism and will attract visitors with greater spending power by providing a unique addition to Blackpool's hotel stock.

Town Centre Access Scheme (TCAS) (£17.1m scheme with £15.4 LUF, £1.7m Council funding via the Local Transport Plan)

The scheme proposed to transform Blackpool town centre's transport network, providing better traffic circulation within an improved public realm, benefiting walking, cycling and bus access and improving transport interchange whilst also incorporating additional bus priority measures.

Measures proposed were designed to complement Blackpool's other Levelling Up Fund regeneration proposals (Multiversity and Hotel Indigo developments). Specifically, they include pedestrianisation in the Multiversity environs and interventions to enable sustainable transport access, with efficient traffic control, in turn improving air quality.

The project looked to encourage economic growth by reducing travel times into the town centre, as well as providing space for social activity through pedestrianisation. Other aims included reducing general congestion, cutting greenhouse gas emissions, and improving safety for those walking and cycling.

6.4 Management and Governance Arrangements

As the Council has been successful with the Multiversity bid it is now required to directly enter into a separate funding agreement for the project with Department of Levelling Up, Homes and Communities. The Council will also need to enter into legal agreements as outlined below which was approved previously by the Executive (EX33/2022).

The Council will also now need to enter into separate legal agreement with Blackpool and The Fylde College in line with the existing MoU approved by the Executive (EX19/2022) which set out the terms under which Blackpool Borough Council and Blackpool and the Fylde College will manage the delivery of the Multiversity and to establish a relationship that promotes the achievement of the project objectives in the most productive and cost-effective manner

The scheme will be led by the Growth and Prosperity team with support from a variety of Council departments including legal and highways. The project will be subject to a Service Level Agreement setting out their delivery requirements which will require legal support. A quarterly claims process is proposed which will require Finance team support around

payment of grant etc. Procurement team support will also be required.

Moving forward the project monitoring and assurance will be led by the Council's Growth and Prosperity team who will be required to report to Department of Levelling Up, Homes and Communities on performance. As the accountable body, Blackpool Council will retain overall responsibility for the delivery of the projects with reports to the Corporate Leadership Team, Executive and Government as required. The Town Deal Board and Town Deal Investment Panel will also be provided with updates

6.5 Does the information submitted include any exempt information? No

7.0 List of Appendices:

7.1 None.

8.0 Financial considerations:

8.1 Without the now approved Levelling Up Funding for the Multiversity, the scheme would not be pursued. Where co-funding is required, this has already been agreed at bid submission stage Multiversity

The total development cost for the Multiversity is estimated at £65m to be met by:

- £40m - Levelling Up Fund 2
- £9m of site assembly costs already approved as part of the Town Deal
- £16m – Whilst the amount is known the method of delivery is not yet confirmed pending advice and once the advice is clear the College and the Council will agree terms for the preferred development model which could be a loan, lease or forward funding arrangement. The amount required will be re-paid by the College over the agreed period. Nb: the College have also committed to make a £5m cash contribution to the Project which will offset the size of the loan and we are currently clarifying the most tax efficient method of achieving this. As the final decision is proposed to be delegated to the Chief Executive a separate report will be submitted to the Chief Executive once negotiations have concluded.

9.0 Legal considerations:

9.1 The Multiversity scheme has undertaken the provision of specific detailed legal advice on matters such as Subsidy Control, both from Blackpool Council's legal team and from DWF as external legal advisors. A review of that advice was the subject of a meeting with DWF LLP on the 24 January 2023 where they confirmed that original advice provided was still correct.

9.2 The Council has a general power under the Localism Act 2011 to do anything an individual can do provided that it is not provided it is not prohibited by other legislation and

the power is exercised in accordance with the limitations specified in the Act which enables the Council to accept the funding.

- 9.3 The Council, as noted in 6.5 above, is now required to enter into a separate funding agreement (MoU) for the Multiversity project with Department of Levelling Up, Homes and Communities and a separate legal agreement with Blackpool and The Fylde College in due course.

10.0 Risk management considerations:

- 10.1 With all major schemes there are risks, and the Multiversity scheme will need a detailed risk assessment developed, which will be required to be monitored. Project risk management will be applied throughout the life of each of the scheme and this will include ongoing risk assessment, analysis, evaluation and monitoring. As part of this, all key risks and opportunities will be considered and appropriate controls will be implemented to reduce any unacceptable level of risk.

11.0 Equalities considerations:

- 11.1 There are no anticipated equalities issues with the proposal outlined. With the Multiversity scheme being capital based, any development will require new build and full equalities and accessibility requirements will be taken into account at the full design stage and in line with building control requirements.

12.0 Sustainability, climate change and environmental considerations:

- 12.1 Reducing the impact of climate change and ensuring sustainability has been taken into account as projects needed to evidence how they will work towards the aims of the government "Net Zero" policy as a requirement of the bid submissions. The Multiversity has an ambition to be a net zero carbon in operation building.

13.0 Internal/external consultation undertaken:

- 13.1 With the Levelling Up Fund the Town Deal Board and its engagement processes alongside Corporate Leadership and MPs have provided an established method of consultation on projects. Internally this includes Corporate Leadership Team, the Growth and Prosperity Board, Legal and Finance.

14.0 Background papers:

- 14.1 EX23/2021 Levelling Up and Community Renewal Fund : 12th April 2021

EX37/2021 Levelling Up Fund Bid 12th July 2021
EX19/2022 Levelling Up Fund Round 2 : 25th April 2022
EX33/2022 Levelling Up Fund 5th September 2022
EX35/2022 The Acquisition of Land for the Multiversity 5th September 2022

15.0 Key decision information:

- 15.1 Is this a key decision? Yes
- 15.2 If so, Forward Plan reference number: 1/2023
- 15.3 If a key decision, is the decision required in less than five days? No
- 15.4 If **yes**, please describe the reason for urgency:

16.0 Call-in information:

- 16.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No
- 16.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

17.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 17 February 2023 Date approved:

18.0 Declarations of interest (if applicable):

18.1

19.0 Summary of Discussion:

19.1

20.0 Executive decision:

20.1

21.0 Date of Decision:

21.1

22.0 Reason(s) for decision:

22.1

23.0 Date Decision published:

23.1

24.0 Alternative Options Considered and Rejected:

24.1

25.0 Executive Members in attendance:

25.1

26.0 Call-in:

26.1

27.0 Notes:

27.1