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Committee of Public Accounts

Local economic growth

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to the report*

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The Committee of Public Accounts

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Contents

Summary	3
Introduction	4
Conclusions and recommendations	5
1 Design and Delivery	8
Uncertainty for local authorities	9
Devolved responsibilities	10
Decision-making when awarding funds	11
Delays to Levelling Up Fund projects	13
2 Monitoring, evaluation and oversight	14
Accountability for Levelling Up Outcomes	14
Approach to evaluation	14
Measuring performance on a consistent basis	16
Formal minutes	17
Witnesses	18
Published written evidence	19
List of Reports from the Committee during the current Parliament	20

Summary

In November 2021, the Department for Levelling Up, Housing & Communities awarded £1.7 billion through 105 awards in the first round of the £4.8 billion Levelling Up Fund. However, principles for awarding funding were only finalised by Ministers after they knew who, from the 170 shortlisted bidders, would win and who would not as a result of those principles. In future, the committee recommends principles for awarding funding must be determined before shortlisted bidders are disclosed to ministers. We are also concerned that some bidders may have been successful on the basis of unrealistic claims about how ready their projects were to deliver, at the expense of other, more realistic, bids from elsewhere.

Despite billions spent on local growth policies over many years, the Government still does not have a strong understanding of what works. Local authorities have faced a confusion of different funding pots and have had to respond piecemeal to each new announcement over the years. What is needed is greater certainty so local authorities can plan and deliver the right investments that make a difference in their areas. We welcome the Department's belated plans to put proper evaluations in place and to improve coordination between central and local government. But these plans are long overdue and much work remains. The Department also needs to demonstrate how the priorities of the devolved administrations will be addressed in the context of administering these local growth funds on a UK-wide basis.

Introduction

In the decade to 2020, government committed £18 billion in domestic funding to local economic growth policies in England. Since 2014, a further £10.3 billion or so has been directed to the UK through EU structural funding. Despite efforts by successive governments to tackle longstanding spatial disparities, the UK remains less productive than its main competitors, shows regional disparities that are among the largest in the OECD and inequality within the UK's regions is even greater than it is between them. The COVID-19 pandemic has hit some of the country's most deprived areas hardest. Government has pledged to level up the country and published its Levelling Up White Paper in February 2022.

The Department for Levelling Up, Housing & Communities (DLUHC), has a coordinating role for Levelling Up and leads on the design and delivery of central government's place-based local growth interventions. At the November 2020 Spending Review, government announced or furthered a series of interventions to support the regeneration of towns and communities across the country. These included the £3.2 billion Towns Fund in England and three UK-wide schemes: the £4.8 billion Levelling Up Fund, the one-year £220 million Community Renewal Fund to replace European Funding in advance of the UK Shared Prosperity Fund, and the creation of Freeports. As at November 2021, and including the £2.6 billion for the UK Shared Prosperity Fund announced at the 2021 Spending review, central government had committed £11 billion through these schemes over the period 2020–21 to 2025–26.

Conclusions and recommendations

1. **It is unsatisfactory that Ministers finalised principles for awarding the first round of the Levelling Up Fund only once they knew the identities and scores of shortlisted bidders.** The Department has past form with this. In November 2020, we reported that the selection process for awarding the Towns Fund had not been impartial and we raised concerns about the lack of transparency over the selection process. The Department's efforts to improve transparency over decision making for the Levelling Up Fund, for example, by publishing an explanatory note alongside the list of 105 successful bidders is welcome. However, we remain concerned over the timing of Ministerial input for final awards. Following an initial pass/fail gateway, officials scored and ranked bids against published criteria and passed a shortlist of the highest-scoring bids to Ministers. Ministers then made final decisions after taking into account the scores as assessed by officials. The process allowed them some discretion in how bids met a pre-defined list of 'other considerations' but Ministers decided on the principles for awarding funding only after they knew who, from the 170 shortlisted bidders, would win and who would not as a result of those principles. The Department's explanatory note did not list unsuccessful bidders or contain any thematic or distributional analysis of bids and awards. There is no transparency over the location and type of unsuccessful versus successful bids.

Recommendation: *The Department should:*

- *Determine principles for awarding funding before the identities of shortlisted bidders are disclosed to ministers.*
 - *Provide thematic and geographic transparency of successful and unsuccessful bidders in line with other targeted local growth funding.*
2. **The Department does not yet have a strong understanding of what works for local growth but we welcome its belated commitment to evaluating local growth interventions.** It is disappointing that, despite billions spent on local growth over many decades, government does not yet have a strong understanding of what works. In 2019, the committee highlighted how the Department did not understand what impacts its £12 billion Local Growth Fund had had on local economic growth and yet had also decided not to evaluate it. While we are pleased that it has now reversed that decision, designing an evaluation at the end of a scheme is not ideal. Activities, such as establishing a baseline against which to assess impact, will be extremely difficult. It is inherently complicated to understand the impact of place-based policies and central government funding is only one part of the wider levelling up agenda. But understanding what part these policies play will be essential to ensuring continued improvement and value for money. It is encouraging that evaluation features prominently in government's Levelling Up White Paper and that the Department is committed to improving its track record in this area, but it is disappointing that it has not yet developed the promised overarching monitoring and evaluation framework for local growth.

Recommendation: *The Department should update us on progress with its local growth evaluation commitments (including for the Local Growth Fund) and set out how it intends to feed evaluation findings back into its ongoing local growth activity and to the wider levelling up agenda.*

3. **We are concerned that optimism bias has meant realistic bids to the Levelling Up Fund have missed out at the expense of ‘shovel-ready’ projects that have since been beset with delays.** The Department told us that, four weeks from year end, it had paid out around £100 million of the “up to” £600 million it made available in 2021–22 for the first round of the Levelling Up Fund. Since deliverability was one of the criteria for the first round (£1.7 billion) and the Department required bidders to be able to spend some funding in the 2021–22 financial year (through a pass/fail gateway criteria), this figure should be higher. We are concerned that some bidders may have got through the selection process by being overoptimistic about how ‘shovel ready’ their projects were, while other—more realistic—bidders may have missed out. Local authorities unused to presenting bids in this way, such as those in the devolved administrations, may have been at a particular disadvantage.

Recommendation: *The Department should set out:*

- *Spending profiles for the first round of funding, confirming how much have spent in 2021–22 against the £600 million it anticipated paying; and*
 - *Its assessment of optimism bias in authorities’ deliverability plans.*
4. **There remains considerable uncertainty for Local Authorities around funding, structures and responsibilities for local economic growth.** The Department extols the virtues of local plans for coordinating and achieving value for money from central government funding. However local authorities’ attempts at long-term planning have been frustrated by the timing, co-ordination, and unpredictability of the “alphabet soup” of funding pots to support regeneration in recent years. Unlike Whitehall departments, local authorities do not know what is coming next and have to dedicate time and resource to respond piecemeal to each new announcement, with no guarantee of success. Further uncertainty arises from delays in awarding some of this funding, and the patchy integration of Local Enterprise Partnerships (LEPs) into existing structures. While the Department is now consolidating funding and says there are now “indicative allocations” for the UK Shared Prosperity Fund, the scheme itself has yet to be announced. The Department plans to introduce Levelling Up Directors to improve relations between central and local government. However there is, as yet, no clarity on when they will be in place, and limited information on what they will be doing.

Recommendation: *In its Treasury Minute response, the Department and HM Treasury should set out how they intend to provide greater certainty to Local Authorities to enable them to plan the integrated capital, skills and community investment needed to drive growth in their areas.*

5. **It is unclear how the Department is reconciling tensions between devolved responsibilities and administering local growth funding on a UK-wide basis.** Economic development is a devolved power but the Department is administering the Levelling Up and UK Shared Prosperity funds (UKSPF) on a UK-wide basis. We

are concerned that decisions were taken without sufficient consideration of devolved governments' priorities. These include on how much to allocate, what the criteria were, when to open and close bidding, and how to score bids. The Department assures us that it is expecting significant collaboration with the devolved governments and with the local bodies responsible for delivery. However, it has not yet convinced us that that this collaboration will be effective in ensuring that priorities of the devolved administrations are adequately taken on board.

Recommendation: *The Department should set out:*

- ***How it will ensure that the processes for awarding funding for future rounds of Levelling Up Fund and the UKSPF will address the prioritisation of devolved nations.***
- ***How it plans to ensure ongoing engagement with the devolved administrations.***

6. **Accountability for levelling up outcomes remains unsatisfactory.** This Committee has reported before that government's accountability arrangements had failed to keep pace with increasingly complex ways of delivering policies and services, and that this had weakened accountability to Parliament for the use of public funds. The cross-government nature of the levelling up ambition makes accountability more complicated, and the Levelling Up outcomes (or 'missions') in the White Paper relating to pay, productivity, and employment are inherently cross-cutting. While accountabilities for the Levelling Up fund and UK Shared Prosperity fund are clear, the Department told us that those for the 12 Levelling Up missions are still being worked through.

Recommendation: *HM Treasury and the Department should write to the committee alongside the Treasury Minute response to clarify departmental accountabilities for levelling up outcomes and in particular for cross-cutting missions.*

7. **The Department does not yet know how it will measure performance on a consistent basis across different geographical areas and timescales.** We are concerned that data availability and quality is not yet adequate to track progress against the Levelling Up missions, either at a local level or to allow comparison across the UK's nations. For example, it is not clear how the Department will measure sub-regional productivity, as an outcome measure around living standards, since Gross Domestic Product data is not available at a local level. We welcome the steps the Department is taking to improve its data quality, but we are not convinced that there is sufficient capacity at a local level to make the data quality improvements needed there. We are also concerned that data quality improvements may not be delivered in time to allow year-on-year comparisons or to establish a baseline against which to measure progress.

Recommendation: *The Department should clarify how it intends to provide performance information on a consistent basis (both year on year and across different geographical areas) and how, in the absence of good quality local data, it intends to establish a baseline against which to measure progress.*

1 Design and Delivery

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Department for Levelling Up, Housing & Communities (the Department), HM Treasury, the Department for Transport and the Department for Business, Energy & Industrial Strategy about Supporting local economic growth.¹

2. In the decade to 2020, government committed £18 billion in domestic funding to local economic growth policies in England, including £12 billion distributed by LEPs through the Local Growth Fund and £3.2 billion through the Regional Growth Fund. Since 2014, a further £10.3 billion or so has been directed to the UK through EU structural funding. Total expenditure on local growth also includes spending by local government and other central government departments on, for example, skills, transport and housing. Despite efforts by successive governments to tackle longstanding spatial disparities, the UK remains less productive than its main competitors, shows regional disparities that are among the largest in the OECD and inequality within the UK's regions is even greater than it is between them. The COVID-19 pandemic has hit some of the country's most deprived areas hardest.²

3. At the November 2020 Spending Review, government announced or furthered a series of interventions to support the regeneration of towns and communities across the country. These included the £3.2 billion Towns Fund in England and the following UK-wide schemes: the £4.8 billion Levelling Up Fund, the one-year £220 million Community Renewal Fund to replace European Funding in advance of the UK Shared Prosperity Fund, and the creation of Freeports. As at November 2021, and including the £2.6 billion for the UK Shared Prosperity Fund announced at the 2021 Spending review, central government had committed £11 billion through these schemes over the period 2020–21 to 2025–26.³ In February 2022, government published its long-awaited Levelling Up White Paper, setting out its plans for tackling regional and local inequalities across the United Kingdom.⁴

4. The Department for Levelling Up, Housing & Communities (the Department), has a coordinating role for Levelling Up.⁵ The Cities and Local Growth Unit (CLGU), a large team that the Department runs jointly with the Department for Business, Energy & Industrial Strategy, leads on the design and delivery of central government's place-based local growth interventions. The Department is solely or jointly accountable to Parliament for the schemes listed above and it shares accountability for the Levelling Up Fund with the Department for Transport. HM Treasury co-designed and manages the Levelling Up Fund jointly with both departments and undertook initial design work on Freeports but is not accountable for spending on any of the schemes listed above.⁶

1 C&AG's Report, *Supporting local economic growth, Session 2021–22*, HC957, 2 February 2022

2 C&AG's Report, para 1

3 C&AG's Report, para 3

4 HM Government, *Levelling Up the United Kingdom*, CP 604, 2 February 2022, page viii. Available at [Levelling Up the United Kingdom – GOV.UK \(www.gov.uk\)](https://www.gov.uk/levelling-up-the-united-kingdom)

5 [Levelling Up the United Kingdom – GOV.UK \(www.gov.uk\)](https://www.gov.uk/levelling-up-the-united-kingdom) – page 124

6 C&AG's Report, paras 3 and 6

Uncertainty for local authorities

5. There is an “alphabet soup” of central government programmes, totalling billions of pounds, introduced since 2011 to support local economic growth.⁷ In 2021–22 alone, the NAO’s report identified ten live funds, though the Department told us that only a small number of those still had future money to be allocated.⁸ When we asked the Department how it ensured that these funds worked together to achieve value for money, the Department told us that this type of funding is most effective when co-ordinated by local authorities as part of a local plan. We suggested that while local authorities might have a plan for where they want to get to, they do not always know what is coming when from Whitehall.⁹ We explained that, in our experience, local authorities have had to respond piecemeal to each new announcement and often have to bid for funding, which takes time and resource with no guarantee they will be successful.¹⁰ Without clear direction from government departments of how the various building blocks fit together and more certainty about funding streams, it is difficult to see how Local Authorities can coordinate and deliver their local plans effectively.¹¹

6. The Department told us it recognised the burden that multiple funding pots had on local authorities and was consolidating local growth funding as much as possible. It said it was moving towards two significant funds: the UK Shared Prosperity Fund awarded by formula and the Levelling Up Fund, awarded through competition.¹² When we asked why the UK Shared Prosperity Fund would be allocated by formula, the Department told us it thought this would provide more certainty to local authorities and enable them to plan and deliver quite small projects over a number of years.¹³ It told us it had set out ‘indicative allocations’ and, according to the pre-launch guidance, all areas of the UK will get something.¹⁴ We noted our concerns that, if the funding is to be spread more thinly, some communities with significant deprivation issues that have been well supported by European funding in the past may be worried that they might miss out. The Department confirmed that Scotland, would get at least as much as it would have got under European funding but did not confirm if some areas would be getting less.¹⁵ It said it did not want to pre-empt the prospectus and will publish further details in the Spring.¹⁶

7. Government announced the UK Shared Prosperity Fund in 2017 as a replacement for the local growth elements of European Union funding¹⁷ When we asked if the intention was to have a seamless transition, the Department told us it had taken into account the tailing off of the European funding when designing the UKSPF.¹⁸ As the NAO’s report sets out, to help areas prepare for the UKSPF, the Department introduced the one-year £220 million UK Community Renewal Fund in March 2021 as a pilot.¹⁹ Awards were to be announced in July 2021 and spent within the 2021–22 financial year but the programme

7 Chair’s introduction, Q 43; C&AG’s Report, Figure 3

8 Q 43; C&AG’s Report, Figure 3

9 Qq 43, 44

10 Qq 26, 43–52

11 Qq 44 and 47

12 Q 38

13 Q 28

14 Q 16; [UK Shared Prosperity Fund: pre-launch guidance, February 2022 – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101111/uk-shared-prosperity-fund-pre-launch-guidance-february-2022.pdf)

15 Qq 33–35

16 Qq 29, 31,33

17 C&AG’s report, para 3.7

18 Q 30

19 C&AG’s report, para 3

slipped, and the Department did not award funding until November 2021. Though it extended the deadline for spending, the delay added to uncertainty for local authorities at a time when local growth officers were very stretched post-pandemic and European funds were tailing off with few details of their replacement available.²⁰ The Department explained that it had received more applications than anticipated and told us it had wanted to align with decision making on the levelling up fund, hence the delay.²¹

8. LEPS, the business led-partnerships that have been an important part of the local growth landscape over the past decade, will take a back seat going forward as government delivers more funding through local authorities. The Department told us it is encouraging the integration of LEPs and their business boards into mayoral combined authorities, the Greater London Authority and county deals where they exist. We heard they will continue to play a role where devolution deals are not in place, but the Department did not expand on what that role would be.²² The Department told us that Levelling Up Directors within the Department will improve coordination between central and local government. They will sit in the department alongside area-based teams, though the Department provided no clarity on when they will be in place, indicating only that they would be “advertising for the roles soon”. The Department described an important role for them in: strengthening the Department’s presence in different parts of the country; championing local government within central government and vice versa; contributing to discussions around performance measures; and mediating between local authorities and the Department.²³ It did not provide further clarity on the day to day role.

Devolved responsibilities

9. Economic development is a devolved power and, since the late 1990s, local growth funding in the devolved nations has been managed by the Scottish and Welsh Governments and the Northern Ireland Executive.²⁴ Since 2020 however, central government’s principle local growth programmes have been UK-wide. The Towns Fund, announced in July 2019, was for England only but the Levelling Up Fund, the UK Community Renewal Fund and the UK Shared Prosperity Fund are all UK-wide.²⁵ The Freeports programme, announced in August 2019, is also UK-wide and while the Chancellor announced Freeport locations in England at the March 2021 Budget, it has taken longer to agree Freeports in Scotland. On 25 March 2022, the UK and Scottish Governments opened bidding for two Scottish Green Freeports.²⁶

10. We asked the Department how the part played by the devolved governments on the UK Shared Prosperity Fund compared to their part in deciding the allocation of the European funds it is replacing. The Department explained that for the European Structural Funds, the Devolved National Governments had been the “managing authorities” but that decision-making for the UKSPF will be for the UK Government. We raised concerns that

20 Q 79, 80

21 Q 79

22 Q 80

23 Qq 90, 119–122

24 C&AG’s Report, para 4

25 C&AG’s Report, para 3.2; Committee of Public Accounts, *Selecting towns for the Towns Fund*, Twenty-Fourth Report of Session 2019–21, HC 651, 11 November 2020, para 2

26 Q 103, C&AG’s report, para 3 and Figure 2; [Department for Levelling Up, Housing & Communities, Freeports programme: accounting officer assessment, March 2022](#); [Green Freeports in Scotland: bidding prospectus, March 2022](#)

the arrangements meant that where the Scottish Government, for example, had previously been able to allocate funds to local authorities using its priorities, the equivalent decision for the UKSPF would now be taken by the UK Government and based entirely on UK Government's assessment of priorities.²⁷ We noted that decisions such as those around how much to allocate, what the criteria were, when to open and close bidding and how to score bids, were taken by the UK government, whereas previously devolved governments would have had significant input.²⁸

11. The Department reassured us that it was expecting to work very closely with each of the devolved Governments and with the individual local authorities responsible for delivery. We were, however, sceptical about how close past cooperation with devolved Governments had really been and the extent to which it enabled national priorities to be accommodated, though we acknowledged that co-operation between officials appeared to have improved.²⁹ The Department considered the recent experience with Scottish Green Freeports a "really good example" of collaboration between the UK and Scottish governments. We noted, however that Scottish Green Freeports took a long time to agree and suggested that may have been because the Scottish Government eventually secured requirements that it wanted to include but that hadn't featured in the UK government's requirements.³⁰

Decision-making when awarding funds

12. We questioned the Department on whether the way in which it was awarding funding might mean some areas missed out multiple times across the various funding pots while others were given several opportunities to get funding.³¹ The Department explained that successful bidders from round 1 of the Levelling Up Fund would not be able to bid again in round 2, though it said it had made an exception for transport authorities which could bid for a transport project on top of another successful bid.³² We heard that the Department's decision on which towns it had selected as eligible for the Towns Fund had been driven by need and so it hoped that any areas that were benefiting from the Towns Fund and had the opportunity to bid for the Levelling Up fund would be places in greatest need of local investment. The Department acknowledged that there were some 'challenges' to the competitive approach and told us that it had decided to award UKSPF by formula to ensure that there would be funding in every part of the country.³³

13. We reminded the Department that when we reported previously on the Towns Fund we had raised concerns over the opacity over some of its decision making.³⁴ In November 2020, we reported that the selection process for awarding the Towns Fund had not been impartial. We said that a lack of transparency over the selection process, which had relied upon Ministers selecting which towns had received funding from a ranked list prepared by officials, had fuelled accusations of political bias.³⁵ At March's evidence session, we

27 Qq 101–102

28 Q 104

29 Qq 103–105

30 Qq 103–104

31 Qq 45, 49, 50, 53

32 Q 49

33 Q 53

34 Q 54

35 Committee of Public Accounts, *Selecting towns for the Towns Fund*, Twenty-Fourth Report of Session 2019–21, HC 651, 11 November 2020

explained that there were still lots of MPs who still did not understand why their area did not get funding under Town Deals and queried what safeguards the Department had put in place to stop the political influence of Ministers in the current suite of funding.³⁶

14. The Department's accounting officer reasoned that we had discussed and reported on the Towns Fund at quite considerable length and that he felt it had been a valid and fair process.³⁷ In respect of the Levelling Up Fund, he said that there had been a very high level of transparency, referring to an explanatory note setting out how decisions were taken, that it had published alongside the list of 105 successful bidders.³⁸ Contrary to the Department's indications about data published, it did not publish a list of unsuccessful bidders or any thematic distributional analysis of bids and awards and there is no transparency of the location and type of unsuccessful versus successful bids. The Department reassured us that the party of the local MP played no part in the decision-making but that, as they had set out in advance, there was a small allowance in the scoring for where a bid had demonstrated local MP support.³⁹

15. We questioned the Department on the nature and timing of the role for Ministers in making final decisions for the Levelling Up Fund.⁴⁰ The NAO's report explains that following an initial pass/fail gateway, officials scored and ranked bids against published criteria and then passed a shortlist of the highest scoring bids to Ministers. Ministers then made final decisions, taking into account the scores as assessed by officials though the process allowed them some discretion in how bids met a pre-defined list of 'other considerations'.⁴¹ The Department explained that Ministers made decisions about how much money to allocate; what score threshold to apply and what the balance of investment across the three themes of the Levelling Up Fund would be.⁴² We acknowledged that some decisions would always be taken subjectively by Ministers but wanted to understand how much discretion they had.⁴³ We wanted to understand if Ministers had decided on the principles for awarding funding only after they knew who, from the 170 shortlisted bidders, would win and who would not as a result of those principles.⁴⁴ HM Treasury told us after the evidence session that Ministers had seen a high level summary of all eligible bids prior to shortlisting but that they made decisions from a shortlist that had been locked down. The Department told us that none of the scores changed as a consequence of ministerial decision-making. It pointed us to the explanatory note which, it said, laid out the detail of how Ministers made their decisions.⁴⁵ The explanatory note implies a single discussion in which Ministers discussed the shortlist and determined principles for award.⁴⁶ However, the Department did not publish sufficient information for us to determine, as we would expect in the interests of openness and transparency, how much discretion Ministers had. For example, it did not publish lists of shortlisted or unsuccessful bidders, neither did it publish any information on how the Department had scored the bids. For Freeports, the

36 Qq 54–56

37 Q 55

38 Q 56; C&AG's report, para 3.26; [Department for Levelling Up, Housing & Communities, Levelling Up Fund: explanatory note on the assessment and decision-making process, October 2021](#)

39 Q 56

40 Qq 54–56

41 C&AG's report, paras 3.25 and 3.26

42 Qq 64–69

43 Q 72

44 Qq 64–74 and the Department's explanatory note

45 Q 74; [Letter from HM Treasury to Public Accounts Committee dated 8 March 2022](#)

46 The Department's explanatory note

Department has published information about how it scored all appointable bids and for the Future High Streets Fund and the Community Renewal Fund, it published lists of unsuccessful bidders.

Delays to Levelling Up Fund projects

16. According to its business case, the Department expected to allocate £720 million of the total £4.8 billion budget in the first round of the Levelling Up Fund. In October 2021, government announced 105 successful bids totalling £1.7 billion for the first round.⁴⁷ The Department told us that there had been a large number of good-quality bids and, as part of the routine course of the spending review, the Chancellor thought it would be appropriate to fund £1.7 billion worth of projects in the first round.⁴⁸ The Department and HM Treasury were unsure whether bidders had any indication how much government was intending to award in the first round of funding but HM Treasury told us that the figure £720 million had never been in the public domain.⁴⁹ We expressed some concern that local authorities would have had to decide whether to bid in the first round or to wait to later rounds and that the greater the money paid out in the first round, the smaller the amount available for those that chose to hang back. We noted the risk that this decision may have been more difficult for local authorities not familiar with these particular bidding processes, such as those in the devolved administrations.⁵⁰

17. We queried whether making “up to” £600 million available for 2021–22 at the Spending Review 2020 had set an expectation about the amount that would be awarded in the first year.⁵¹ The Department explained that this £600 million was the amount it expected bidders to spend in the first year of funding and not an indication of how much it intended to award in the first round. When asked how much it had paid out this year, the Department estimated that it had so far paid out around £100 million.⁵² Given it was only four weeks to the year end when we took evidence, that the Department had required bidders to be able to spend some funding in the 2021–22 financial year as part of the pass/fail criteria, and it expected bidders to spend £600 million in the year, we would have expected this £100 million figure to be much higher.⁵³

18. The Department told us that getting started on delivery was, in many cases, taking longer than expected but that it did not want to penalise places now that they had got through the assessment process. We heard that delays have often been for good reasons such as areas taking more time to ensure they have got other project funders in place.⁵⁴ We asked if the Department had any concerns that bidders may have got through the selection process by being overoptimistic about how ‘shovel ready’ their projects really were, while other—more realistic—bidders may have missed out. The Department told us it did not have any reason to believe that places had been overoptimistic.⁵⁵

47 C&AG’s report, para 3.26

48 Q 60

49 Qq 61, 63

50 Qq 63, 105

51 Q 94

52 Q 95

53 Qq 97–98

54 Q 97

55 Q 99

2 Monitoring, evaluation and oversight

Accountability for Levelling Up Outcomes

19. This Committee reported in 2016 that government’s accountability arrangements had failed to keep pace with increasingly complex ways of delivering policies and services and that this had weakened accountability to Parliament for the use of public funds.⁵⁶ Noting the long timescales and magnitude of the delivery challenge, we questioned witnesses on who was accountable for levelling up outcomes. The Department told us that levelling up was a cross-government exercise which inevitably made accountability more complicated.⁵⁷ The Department explained that Cabinet Committee would be the formal mechanism for overseeing the Levelling Up work as a whole but that government was still working through accountabilities for the Levelling Up ‘missions’- in reference to the 12 ‘missions’ or Levelling Up outcomes set out in the White Paper.⁵⁸

20. We heard that a lot of the missions were cross-cutting and would require leadership from several departments while others were more focussed and there would be more of a role for a lead department.⁵⁹ For example, the Accounting Officer from the Department for Business, Energy and Industrial Strategy told us that she was accountable for targets in the White Paper relating to innovation.⁶⁰ We queried whether HM Treasury, which ultimately holds the purse strings, felt responsible for delivering on levelling up. HM Treasury told us that its accounting officer was not accountable for the Levelling Up Fund or for the UK Shared Prosperity Fund and that the overarching mission relating to pay, productivity and employment was inherently cross-cutting and touched every government department.⁶¹ Formal accountability for the UKSPF sits with the Department, it shares accountability for the Levelling Up Fund with the Department for Transport.⁶²

Approach to evaluation

21. We questioned the Department on why, despite billions of pounds spent on it over the years, there was so little evidence on what works for delivering local economic growth, particularly outside London. The Department’s Accounting Officer pointed to the inherent complexity of understanding how local economies grow, and that the precise mix of interventions needed and the engagement between private sector and society, varied from place to place. He explained that ultimately it was for central government to provide frameworks and funding, and for local areas to determine the right interventions. While acknowledging that the picture of evidence was imperfect, the Department told us that it was “not a counsel of despair” and that the Levelling Up White Paper drew very clearly on lessons from the past.⁶³ As examples of successful local growth projects, he pointed to the Department for Transport’s Transforming Cities Fund and, he said, taking a broader interpretation of what makes a difference at a local level, the Supporting

56 Committee of Public Accounts, *Accountability to Parliament for taxpayers’ money*, Thirty-ninth Report of Session 2015–16, HC 732, 4 May 2016

57 Q 128

58 Q 128; [HM Government, Levelling Up the United Kingdom, CP 604, 2 February 2022](#)

59 Q 128

60 Q 132

61 Q 133

62 Q 36; C&AG’s Report, para 6

63 Q 12

Families programme. Drawing from the White Paper, the Department emphasised the importance of a holistic definition of local growth that included not only investment in physical capital such as transport infrastructure, but how to combine that investment with other forms of investment such as skills.⁶⁴

22. In 2019, this Committee reported that the Department did not understand what impacts its £12 billion Local Growth Fund had had on local economic growth yet had decided not to evaluate it.⁶⁵ We were encouraged to learn that the Department has now decided to reverse that decision but, as the NAO's report highlights, designing an evaluation at the end of a scheme is not best practice as activities such as establishing a baseline against which to assess impact will be extremely difficult.⁶⁶ The vital importance of embedding evaluation into programmes from the start was also stressed to us more recently by the government's heads of evaluation and analysis, who are trying to improve practice across government as a whole.⁶⁷ The Department assured us that this retrospective approach is not one it would take now and stressed the importance of continued evaluation and its prominence in the White Paper.⁶⁸ We asked the Department how it intended to use the metrics in the Levelling Up White Paper to evaluate what was working and what was not. The Department told us that evaluation was at the heart of its work and, in a break from the past when it left evaluation to local bodies, it was putting evaluation strategies in place up front.⁶⁹

23. The Department has been considering an overarching monitoring and evaluation framework for local growth to include common objectives and outcomes, within which individual programme-level frameworks would sit. This would enable it to compare the relative effectiveness of similar initiatives and minimise the data collection burden on local authorities. The Department has not yet started to develop this framework but is now developing detailed monitoring and evaluation plans for each of its local growth funds. These are at different stages of implementation. The Department has previously committed to defining a common set of metrics to aid comparison across places, but without significant progress.⁷⁰

24. When we asked what success would look like for people in areas where, for example, it is hard to get a job or the High Street is struggling, the Department highlighted the importance of taking a broad definition of growth.⁷¹ We heard that that success would include people having access to good jobs, a good place to live, a vibrant High Street and pride in the sense of community. The Department for Transport told us that its appraisal includes measures around the role that transport plays in connecting people to jobs and services, unlocking housing and wider investment, and decarbonisation.⁷²

64 Qq 12–15

65 Committee of Public Accounts, *Local Enterprise Partnerships: progress review*, One Hundred and Fifth Report of Session 2017–19, HC 1754, July 2019

66 C&AG's Report, paras 19 and 4.10

67 Public Accounts Committee, *Oral evidence: Use of evaluation and financial modelling*, HC 1055, Wednesday 9 March 2022

68 Q 12–13

69 Q 137

70 C&AG's Report, para 4.5

71 Qq 14–15

72 Qq 15–16

Measuring performance on a consistent basis

25. Two of the missions in the Levelling Up White Paper are ‘overarching’ missions. The first is around living standards and includes measures of productivity, pay and jobs and the second is around measures of well-being.⁷³ With reference to the first, we asked the Department how it intended to measure local productivity. The Department told us it had set out the metrics it intended to use to track progress against the missions in the annexe to the White Paper but acknowledged that while there was regional GDP data, there was very little available below regional level.⁷⁴ It told us it had: set out a programme of work to improve the quality and timeliness of local data, including data that would make comparisons across the UK’s nations possible; that it was developing a Spatial Data Unit (which the White Paper says will drive the data transformation required in central government); and that it was working closely with the Office of National Statistics to collect statistics that reflect the modern economy.⁷⁵

26. When we asked the Department whether it expected to be able to get this data quickly enough to be able to measure what impact the funds under its levelling-up agenda were having, the Department told us it would be able to make some progress quickly but some of it would need time to develop.⁷⁶ We questioned whether there was sufficient capacity at a local level to gather and analyse useful data, the Department told us that some local authorities were already doing this but acknowledged that not all would be in that position. The Department considered that conversations with local authorities, communities and businesses about the health of their economies could provide proxy indicators in the absence of good data.⁷⁷

27. We asked the Department how it intended to pull together all this data to show a big picture, as well as a local picture, to demonstrate the effectiveness of government’s levelling up agenda. The Department told us it had committed to reporting annually on levelling up and its performance against the missions but it had not yet committed to a timescale.⁷⁸ We encouraged the Department to consult on the contents of these reports and to provide consistent data on a consistent basis that would enable us to compare one year with another.⁷⁹

73 Q 107; Page 12 – [Levelling Up the United Kingdom: missions and metrics Technical Annex \(publishing.service.gov.uk\)](#)

74 Q 107

75 Q 107; Government’s White Paper: Levelling Up the United Kingdom, Page 150–151

76 Q 108

77 Q 110

78 Q 125

79 Qq 127–128

Formal minutes

Wednesday 18 May 2022

Members present:

Dame Meg Hillier

Mr Louie French

Peter Grant

Kate Green

Nick Smith

James Wild

Local economic growth

Draft Report (*Local economic growth*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 27 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Fifth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

Adjourned till Monday 23 May at 3.30pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 2 March 2022

Jeremy Pocklington CB, Permanent Secretary, The Department for Levelling Up, Housing and Communities; **Will Garton**, Director Public Services, HM Treasury; **Sarah Munby**, Permanent Secretary, Department for Business, Energy and Industrial Strategy; **Bernadette Kelly CB**, Permanent Secretary, Department for Transport

[Q1-137](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

SLG numbers are generated by the evidence processing system and so may not be complete.

- 1 Association of Town and City Management ([SLG0010](#))
- 2 Baker, ([SLG0008](#))
- 3 Eastern BIDs Network ([SLG0004](#))
- 4 Historic England ([SLG0003](#))
- 5 Institute for Public Policy Research ([SLG0011](#))
- 6 Liverpool City Region Combined Authority ([SLG0009](#))
- 7 Local London ([SLG0007](#))
- 8 Mallett, Professor Oliver (University of Stirling); and Wapshott, Dr Robert (Nottingham University Business School) ([SLG0001](#))
- 9 Martin, Professor Ron (Emeritus Professor, University of Cambridge); Gardiner, Dr Ben (Director, Cambridge Econometrics); Pike, Professor Andy (Professor, University of Newcastle); Sunley, Professor Peter (Professor, University of Southampton); and Tyler, Professor Pete (Emeritus Professor, University of Cambridge) ([SLG0005](#))
- 10 Smith, Professor Martin J (University of York); Richards, Professor David (University of Manchester); and Warner, Dr Sam (University of Manchester) ([SLG0002](#))
- 11 Tomaney, Professor John (Bartlett School of Planning and UCL colleagues) ([SLG0012](#))
- 12 West of England Combined Authority ([SLG0006](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2022–23

Number	Title	Reference
1st	Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2020–21	HC 59
2nd	Lessons from implementing IR35 reforms	HC 60
3rd	The future of the Advanced Gas-cooled Reactors	HC 118
4th	Use of evaluation and modelling in government	HC 254
7th	Armoured Vehicles: the Ajax programme	HC 259
1st Special Report	Sixth Annual Report of the Chair of the Committee of Public Accounts	HC 50

Session 2021–22

Number	Title	Reference
1st	Low emission cars	HC 186
2nd	BBC strategic financial management	HC 187
3rd	COVID-19: Support for children's education	HC 240
4th	COVID-19: Local government finance	HC 239
5th	COVID-19: Government Support for Charities	HC 250
6th	Public Sector Pensions	HC 289
7th	Adult Social Care Markets	HC 252
8th	COVID 19: Culture Recovery Fund	HC 340
9th	Fraud and Error	HC 253
10th	Overview of the English rail system	HC 170
11th	Local auditor reporting on local government in England	HC 171
12th	COVID 19: Cost Tracker Update	HC 173
13th	Initial lessons from the government's response to the COVID-19 pandemic	HC 175
14th	Windrush Compensation Scheme	HC 174
15th	DWP Employment support	HC 177
16th	Principles of effective regulation	HC 176
17th	High Speed 2: Progress at Summer 2021	HC 329
18th	Government's delivery through arm's-length bodies	HC 181

Number	Title	Reference
19th	Protecting consumers from unsafe products	HC 180
20th	Optimising the defence estate	HC 179
21st	School Funding	HC 183
22nd	Improving the performance of major defence equipment contracts	HC 185
23rd	Test and Trace update	HC 182
24th	Crossrail: A progress update	HC 184
25th	The Department for Work and Pensions' Accounts 2020–21 – Fraud and error in the benefits system	HC 633
26th	Lessons from Greensill Capital: accreditation to business support schemes	HC 169
27th	Green Homes Grant Voucher Scheme	HC 635
28th	Efficiency in government	HC 636
29th	The National Law Enforcement Data Programme	HC 638
30th	Challenges in implementing digital change	HC 637
31st	Environmental Land Management Scheme	HC 639
32nd	Delivering gigabitcapable broadband	HC 743
33rd	Underpayments of the State Pension	HC 654
34th	Local Government Finance System: Overview and Challenges	HC 646
35th	The pharmacy early payment and salary advance schemes in the NHS	HC 745
36th	EU Exit: UK Border post transition	HC 746
37th	HMRC Performance in 2020–21	HC 641
38th	COVID-19 cost tracker update	HC 640
39th	DWP Employment Support: Kickstart Scheme	HC 655
40th	Excess votes 2020–21: Serious Fraud Office	HC 1099
41st	Achieving Net Zero: Follow up	HC 642
42nd	Financial sustainability of schools in England	HC 650
43rd	Reducing the backlog in criminal courts	HC 643
44th	NHS backlogs and waiting times in England	HC 747
45th	Progress with trade negotiations	HC 993
46th	Government preparedness for the COVID-19 pandemic: lessons for government on risk	HC 952
47th	Academies Sector Annual Report and Accounts 2019/20	HC 994
48th	HMRC's management of tax debt	HC 953
49th	Regulation of private renting	HC 996
50th	Bounce Back Loans Scheme: Follow-up	HC 951

Number	Title	Reference
51st	Improving outcomes for women in the criminal justice system	HC 997
52nd	Ministry of Defence Equipment Plan 2021–31	HC 1164
1st Special Report	Fifth Annual Report of the Chair of the Committee of Public Accounts	HC 222

Session 2019–21

Number	Title	Reference
1st	Support for children with special educational needs and disabilities	HC 85
2nd	Defence Nuclear Infrastructure	HC 86
3rd	High Speed 2: Spring 2020 Update	HC 84
4th	EU Exit: Get ready for Brexit Campaign	HC 131
5th	University technical colleges	HC 87
6th	Excess votes 2018–19	HC 243
7th	Gambling regulation: problem gambling and protecting vulnerable people	HC 134
8th	NHS capital expenditure and financial management	HC 344
9th	Water supply and demand management	HC 378
10th	Defence capability and the Equipment Plan	HC 247
11th	Local authority investment in commercial property	HC 312
12th	Management of tax reliefs	HC 379
13th	Whole of Government Response to COVID-19	HC 404
14th	Readying the NHS and social care for the COVID-19 peak	HC 405
15th	Improving the prison estate	HC 244
16th	Progress in remediating dangerous cladding	HC 406
17th	Immigration enforcement	HC 407
18th	NHS nursing workforce	HC 408
19th	Restoration and renewal of the Palace of Westminster	HC 549
20th	Tackling the tax gap	HC 650
21st	Government support for UK exporters	HC 679
22nd	Digital transformation in the NHS	HC 680
23rd	Delivering carrier strike	HC 684
24th	Selecting towns for the Towns Fund	HC 651
25th	Asylum accommodation and support transformation programme	HC 683
26th	Department of Work and Pensions Accounts 2019–20	HC 681

Number	Title	Reference
27th	Covid-19: Supply of ventilators	HC 685
28th	The Nuclear Decommissioning Authority's management of the Magnox contract	HC 653
29th	Whitehall preparations for EU Exit	HC 682
30th	The production and distribution of cash	HC 654
31st	Starter Homes	HC 88
32nd	Specialist Skills in the civil service	HC 686
33rd	Covid-19: Bounce Back Loan Scheme	HC 687
34th	Covid-19: Support for jobs	HC 920
35th	Improving Broadband	HC 688
36th	HMRC performance 2019–20	HC 690
37th	Whole of Government Accounts 2018–19	HC 655
38th	Managing colleges' financial sustainability	HC 692
39th	Lessons from major projects and programmes	HC 694
40th	Achieving government's long-term environmental goals	HC 927
41st	COVID 19: the free school meals voucher scheme	HC 689
42nd	COVID-19: Government procurement and supply of Personal Protective Equipment	HC 928
43rd	COVID-19: Planning for a vaccine Part 1	HC 930
44th	Excess Votes 2019–20	HC 1205
45th	Managing flood risk	HC 931
46th	Achieving Net Zero	HC 935
47th	COVID-19: Test, track and trace (part 1)	HC 932
48th	Digital Services at the Border	HC 936
49th	COVID-19: housing people sleeping rough	HC 934
50th	Defence Equipment Plan 2020–2030	HC 693
51st	Managing the expiry of PFI contracts	HC 1114
52nd	Key challenges facing the Ministry of Justice	HC 1190
53rd	Covid 19: supporting the vulnerable during lockdown	HC 938
54th	Improving single living accommodation for service personnel	HC 940
55th	Environmental tax measures	HC 937
56th	Industrial Strategy Challenge Fund	HC 941