Department for Levelling Up,
Housing & Communities

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14th February 2023

Dear Clive,

Thank you for your questions at the recent evidence session on Monday 23rd January and your recent letter of 6th February. I welcome your continued focus on ensuring the Government is taking appropriate steps to fulfil our levelling up commitments. You raised several important questions at the hearing, which I will address in turn below.

Publication timescales for the Levelling Up Annual Report

To enable public accountability, the Levelling Up White Paper committed the Government to establishing a statutory duty to publish an annual report analysing progress against the Levelling Up missions. This requirement is included in the Levelling Up and Regeneration Bill.

Following Royal Assent of the Bill, the Government will lay and publish a statement of levelling up missions within one month of part 1 to the Bill coming into force. Once that statement has been in effect for a year, the Government will publish and lay the annual report within 120 days.

This time period allows the relevant data and official statistics related to the reporting period to be collated and published, and any corresponding analysis to be completed, to ensure that the annual report draws on a comprehensive evidence base and supports clear accountability.

Levelling Up Directors

Last year we started the recruitment process for Levelling Up Directors. The application window closed in April and interviews took place over the summer. As mentioned during my evidence session, we are currently reviewing the process for Levelling Up Directors internally as well as our wider approach to working with places across the country. It is key that we get this right and we will update the Committee on this in due course.

The work of the Levelling Up Advisory Council

The Levelling Up Advisory Council provides candid, expert advice to inform, support and challenge ministers in driving forward the levelling up agenda and strengthening the

Government’s approach to place-based policy and delivery. The Council will also engage more widely and publish research and thinking to inform the public debate and provide thought leadership on the agenda.

The Council has been given a wide-ranging remit, with freedom to advise across the ‘six capitals’ building blocks, the twelve Levelling Up missions and the systems reforms set out in the Levelling Up White Paper.

The Council has held seven meetings of its full membership since the start of 2022. The Secretary of State and I attended some of those meetings. The Council is establishing sub-groups and workstreams to look in more detail at several issues, drawing on wider external expertise. These are as set out below and will be regularly updated:

- the role of private sector capital in levelling up and strategies for encouraging more institutional investment – particularly to explore options for unlocking capital for SMEs
- local communities and social infrastructure – the role of neighbourhood policies and strategies
- regional adoption and diffusion infrastructure – exploring how to improve the uptake of productivity-enhancing technologies and management practices by businesses
- how to ensure London’s complex economic geography and socio-economic spectrum can further benefit from levelling up, in the context of broader thinking about levelling up implementation in different places in the UK

As set out in the Delivering for Rural England report, the Council has also committed to working with the Department for Environment, Food and Rural Affairs to consider how they can offer insight into the design and delivery of levelling up in rural areas.

Other areas that the Council is in the initial stage of exploring include:

- skills and education, including apprenticeships
- devolution and local institutions
- the Government’s approach to Investment Zones

Council members provide informal advice to ministers on levelling up policy, both through full Council meetings, and through more targeted engagement with ministers and officials on specific areas and missions. They have engaged in discussions on levelling up policy with stakeholders externally, including members attending an event with Carsten Schneider MdB, Minister of State for East Germany and Equivalent Living Conditions, hosted by the German Embassy, discussing lessons learned from targeted regional equality policies in the two countries.

The Council is also establishing a research programme to provide high quality research and analysis on spatial disparities and how to solve them. This work will be used by Council members to inform expert advice to ministers. It will also be published to help stimulate greater understanding of levelling up policy amongst the public, academics, local authorities, think tanks and the private sector.

Government Spend Data and Spatial Data Unit publications

Some data on Government spending is already available, including the annual HM Treasury Country and Regional Analysis, which is published by HM Treasury and presents statistical estimates for the allocation of identifiable expenditure between the nations of the United Kingdom and nine English regions.

The Government Grants Management Function (which sits within the Cabinet Office) has also developed a database, the Government Grants Information System, to capture information about grant funding across the whole of Government. They collate and publish their annual grants register to show how public funds are spent through the grants funding mechanism by all Government departments and arm's length bodies. The grants register is the most comprehensive view of grant spending across Government.

The Spatial Data Unit (SDU) is working hard on the subnational expenditure project, also known as the local spend project. As you know, the aim of this work is to provide access to quality-assured in-year expenditure data for Government departments and devolved administrations to local authority level. In some cases, this will be down to neighbourhood level. This will provide the Committee with more granular and timely spend data to highlight where taxpayers' money has been spent. Work is well underway and decisions about publication will be made in due course.

The SDU's outputs will include quality assured statistics and management information data and reports. New statistical outputs will initially be labelled as 'Experimental Official Statistics', with assessment under the Code of Practice for Statistics carried out before the unqualified 'Official Statistics' label is applied.

We will consider whether the 'National Statistics' designation is appropriate for new statistics in due course and approach the UK Statistics Authority accordingly.

Levelling Up Fund Capacity and Capability Funding

At the last spending review, HM Treasury provisionally allocated the department £65 million in RDEL to support Local Authorities (LAs) to deliver Levelling Up Fund projects. HM Treasury asked us to consider how these funds could be used to address wider local capacity challenges in the local growth space. The support package will consist of:

- grant support over three years specifically for LAs with successful Levelling Up Fund bids
- grant funding over three years to all Mayoral Combined Authorities (MCAs) and the Greater London Authority (GLA) to develop medium-term capacity and capability in the Local Government sector
- support for Levelling Up Fund, Towns Fund and Future High Streets projects through a network of procured expert delivery associates to support LAs to troubleshoot

delivery issues, supplemented by specific cultural and transport project support via the Department for Culture, Media and Sport (DCMS) and Department for Transport (DfT)
- funding for a training provision to all recipients via existing training frameworks

Grant Support: Local Authority Grants

Revenue grant support to LAs with successful bids is intended to provide an immediate capacity boost to accelerate and support delivery of projects. The grants are now being delivered, with an initial payment to all round one LA recipients made on 24th January 2023. We will make an additional payment in financial years 2023/2024 and 2024/2025. These subsequent payments will be available to all round one, round two and (when announced) round three successful projects.

The amount of grant funding is being provided based on the Levelling Up Fund index of priority places; category one places will receive the highest level of funding. Category two and three places will receive grant funding at a lower rate. Scottish, Welsh and Northern Ireland counterparts will receive the category one rate of grant funding. This is to reflect the need for Scotland, Wales and Northern Ireland to develop new funding relationships with this Government. The grant payments are intended to taper off to lower amounts over the course of the Fund.

Grant Support: Mayoral Combined Authorities and Greater London Authority Grants

We will provide grant payments to MCAs and the GLA over three years to build longer term delivery capacity and capability of local authorities in their area. We expect MCAs and the GLA to use this to develop long term capacity and capability for MCAs to support their LAs to deliver their projects (from the Levelling Up Fund and other funds).

Expert Delivery Associates

Delivery Associates will be a trouble-shooting resource that LAs and Northern Ireland non-LA projects can draw on, providing continuity for LAs which face high staff turnover rates. This offer will extend to the Levelling Up Fund, Towns Fund and Future High Streets projects allowing for greater synergy between the department’s support for these funding schemes. The Delivery Associates network will be supported by a separate technical support offer for cultural projects provided by DCMS Arm's Length Bodies. The Delivery Associate offer is expected to be operational around Autumn 2023.

Training Provision

We will provide a training package to support LA staff to develop skills to assist with the long-term delivery of Levelling Up Fund capital projects. This training will focus on key skills such as: contract management, procurement, monitoring and evaluation and project management. We expect elements of the training package to be available to LAs in receipt of Levelling Up Fund before the end of the current financial year.

Scope of Support

We intend the Levelling Up Fund Capacity and Capability support package to be accessible to all LAs in receipt of the Fund. The rate at which they will receive grant funding is included in the table below:

Area of Grant	Proposed Grant Allocation per Recipient		
	22/23 (all MCAs and R1 LUF)	**23/24** (all MCAs and R1, R2 LUF)	**24/25** (all MCAs and R1, R2+ LUF)
MCA & GLA Grant	£500,000	£300,000	£200,000
All English LUF Category 1 Grant	£125,000	£70,000	£60,000
All English LUF Category 2 Grant	£80,000	£60,000	£50,000
All English LUF Category 3 Grant	£70,000	£50,000	£40,000
SW&NI Grant	£125,000	£70,000	£60,000

Levelling Up Fund Round 2

Our published technical note set out the robust process that was used in the assessment and decision-making phases for the second round of the Levelling Up Fund. The technical note also provides the bid allowances for every Local Authority in the second round of the Fund. The technical note clearly sets out the additional considerations that ministers were able to account of at the decision-making meeting. These considerations included 'taking into account other investment in a local area', such as investment made in the first round of the Fund to encourage a wider geographical spread of investment across the UK.

The published explanatory note provides a detailed overview of the assessment and decision-making process, including the additional considerations that were accounted for by ministers at the meeting. The considerations that were accounted for were all listed in the earlier technical note, and no rules were changed during the competitive process.

I recognise that all applicants worked hard to develop their bids and I understand the disappointment that unsuccessful bidders feel. Feedback will be given to unsuccessful applicants and MPs who offered priority support to bids, to support applications to future funding opportunities. We expect to complete written feedback to unsuccessful applicants by mid-March.

Levelling Up Fund Round 3

While the Government has committed to a further round of investment through the Levelling Up Fund, we want to reflect on the learning from Rounds 1 and 2 before running a further round. We will provide further detail on this in due course.

The UKSPF and national, regional, and university-led projects

The UK Shared Prosperity Fund (UKSPF) is being delivered by lead LAs, who are best placed to understand the needs of local people and businesses. In developing investment plans, we asked all LAs to work with partnership groups which represent local stakeholders from a diverse range of sectors, including universities. This recognises the vital role universities play in local growth and their inclusion is essential to ensure that investment decisions are made by people who understand their area and communities best.

There is no limit to the scale or scope of interventions and lead LAs can determine, with partners, the most appropriate scale for each intervention. This can be at a regional or local level, through collaboration with other places or bodies to deliver specific interventions. This can also include working with places in different parts of the UK.

Delivery of the UKSPF in Northern Ireland

Engagement and strategic alignment

We also have responsibility for UKSPF delivery in Northern Ireland. Here, we established a partnership group in 2022 to advise on design of the fund's activities, which we set out in the UKSPF Northern Ireland Investment Plan. The group included representatives from business, voluntary and community organisations, councils, higher education, the Northern Ireland Office and officials from the department. This was supplemented by wider engagement with organisations across sectors in Northern Ireland, through a series of online engagement workshops and meetings.

Whilst drafting the Plan, we considered the strategic and policy context in which UKSPF operates, taking account of Northern Ireland's landscape and opportunities, including relevant strategies. The department sought advice from the partnership group, and the plan was fully endorsed by its members.

Involvement of Northern Ireland departments

The department engaged with Northern Ireland officials and ministers ahead of publication of the UKSPF prospectus. Officials from relevant departments in Northern Ireland were also invited to participate in shaping the Fund through the partnership group, but that did not prove possible. However, officials maintained regular contact with the Northern Ireland Departments of Finance and the Department for the Economy and Department for Communities as the plan developed and this continues now.

As the partnership group transitions to a delivery advisory role, the department is now refreshing the membership. We plan to continue to offer Northern Ireland officials the opportunity to fully participate in these discussions as this represents the most appropriate way to achieve alignment and minimise duplication with Northern Ireland strategies and funded activity.

In addition, as noted in the Northern Ireland Investment Plan, and subject to further discussion with the Northern Ireland Civil Service, it is our intention to commission the delivery of many aspects of the Fund directly. This may include commissioning Northern Ireland departments or their arms-length bodies, alongside working with local councils on communities and place and entrepreneurship support.

Economic inactivity support

The committee may note that in recognition of the tail-off of the European Social Fund in Northern Ireland, we prioritised the launch of a £42 million economic inactivity competition in December 2022. The competition is aimed at helping those furthest from the labour market into sustainable employment, recognising the importance of this support to organisations and people across Northern Ireland. The competition closed on 27th January 2023. Successful projects will be announced in due course, following the assessment process.

Section 75

Although the department is not a designated body for the purposes of section 75 of the Northern Ireland Act 1998, we recognise the importance of not only meeting our legal obligations under the Equality Act 2010 but also giving due regard to the additional equalities considerations that apply in Northern Ireland.

In designing our levelling up funds, officials considered the public sector equality duties under the Equality Act 2010, as well as relevant section 75 protected groups specific to Northern Ireland. For the UKSPF specifically, all protected groups could potentially benefit from the programme's focus in pride in place and increasing life chances. A number of the interventions that have been selected, and their linked projects, are likely to have a positive impact on protected groups.

We are designing equalities into the application and implementation of funds, with applicant organisations asked to describe and monitor how their project will impact on people with protected characteristics. For public sector applicants – local councils and where appropriate Northern Ireland departments and their Arm's Length Bodies – we will ask them to set out how proposed projects are compliant with their duties under Section 75 of the Northern Ireland Act 1998 and Equality Act 2010.

We will continue to work with partners in Northern Ireland to ensure that as funds are implemented, we meet our legal obligations and take account of wider equality considerations.

With every good wish,

Dehenna

DEHENNA DAVISON MP