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Levelling Up, Housing and Communities Committee

Funding for Levelling Up

Sixth Report of Session 2022–23

Report, together with formal minutes relating to the report

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Levelling Up, Housing and Communities Committee

The Levelling Up, Housing and Communities Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Levelling Up, Housing and Communities.

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Committee staff

The current staff of the Committee are Gary Calder (Media and Communications Manager), Previn Desai (Clerk), Jack Edwards (Committee Specialist), Jonathan Edwards (Second Clerk), Eleanor Ferguson (Committee Specialist), Eldon Gallagher (Committee Operations Officer), Georgia Harris (Policy Researcher, Sandwich Student) and Whitley Lane (Committee Operations Manager).

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The Government's flagship Levelling Up policy is a key local growth initiative which has the potential to transform the lives of people across the UK. The Government's Levelling Up White Paper (2022), published by the Department for Levelling Up, Housing and Communities (DLUHC), sets out the Government's objectives to reduce geographic, economic, social and health inequalities. The Levelling Up policy, and the challenges it seeks to address, have been widely welcomed across the political spectrum.

However, the method of delivering funding, the allocation process, and the extent to which different funds have been compatible with the needs of communities in the short and long-term is creating several obstacles for the policy's success.

The dearth of data available from the DLUHC is an area of serious concern. DLUHC has conceded that it does not have "sufficient data" in relation to Whitehall departmental expenditure on the full range of levelling up funds or on combined authority income or expenditure. We cannot understand how the DLUHC can make significant policy decisions either in relation to priority areas, funding allocations or the measurement of the success or failure of the Levelling Up policy in achieving its objectives if there is not adequate data to support these tasks.

The White paper also commits DLUHC to reducing the requirements to access competitive bidding and simplifying the funding landscape. Despite these commitments, we have seen limited evidence that any progress has been made on these two objectives to date.

The evidence we received on competitive bidding has indicated the challenges associated with funding for levelling up is far greater than those outlined in the White Paper. Local authorities' revenue funding has reduced significantly since 2010. Levelling up funds generally do not replace grant funding because first they are capital not revenue and; second, because they cover specific projects rather than necessarily covering the priorities of the local authorities.

The Levelling Up Fund has held some merit in the funding of one-off projects across the country. However, due to the questionable use of metrics in the first round and the additional metrics for success in the second, the management of this fund has ultimately contributed to diminished perceptions of trust and transparency. This mismanagement has left the Government open to criticisms that it has not made funding decisions based on need or, indeed merit.

The Investment Zone policy was re-opened and re-framed after it was reported that over one hundred applications were submitted for the first iteration of the policy. This change in approach and re-framing of the original policy after submissions had been made, speaks to a significant waste of local authorities' resources at a time when resources are finite. This departmental process brought about by "ministerial changes in the weather" and a prescriptive approach in outlining areas that could bid for the latest policy, raises questions around the transparency of the process DLUHC is applying to such initiatives.

Throughout our inquiry the DLUHC has told us that it had consulted with the Devolved Governments on the creation, compatibility, and implementation of the levelling up funds including the UK Shared Prosperity Fund. In contradiction to the DLUHC's evidence, the Devolved Governments said there had been a stark lack of meaningful consultation and engagement. This lack of consultation is arguably supported by the apparent lack of compatibility most of these funds have in Scotland, Wales and Northern Ireland. Moreover, the lack of consideration for the circumstances in which the Executive and its officials in Northern Ireland operate is of even greater concern to us. There is an overwhelming sense that the DLUHC is unwilling to collaborate and adhere to devolved agreements in which the Governments of Northern Ireland, Scotland and Wales operate.

Ultimately, the Government is right to prioritise the Levelling Up policy, but this laudable aim is unlikely to be successful given the Government's current approach to funding. Funding the implementation of the Levelling Up policy is complex and challenging, as this report suggests. However, DLUHC does not know which pots of money across Government contribute towards levelling up, nor does DLUHC appear to have oversight of how these objectives can be delivered strategically through departmental co-ordination. As a result, the Government's current approach is characterised by one-off short-term initiatives, and this will be insufficient if the geographic, economic, social and health inequalities are to be reduced and ultimately, overcome. To change this, the policy requires a long-term, substantive strategy and funding approach, things this policy currently lacks. Without such, Levelling Up risks joining the short-term Government growth initiatives which came before it.

1 Introduction

The Levelling Up White Paper

1. The White Paper *Levelling Up the United Kingdom*, published in February 2022, sets out the Government's objectives to reduce geographic, economic, social and health inequalities. The White Paper outlines twelve missions which come under four objectives:

a) boost productivity, pay, jobs and living standards by growing the public sector, especially in those places where they are lagging;

b) spread opportunities and improve public services, especially in those places where it is weakest;

c) restore a sense of community, local pride and belonging, especially in those places where they have been lost; and

d) empower local leaders and communities especially in those places lacking local agency.[1]

2. Funding for the implementation of the Levelling Up policy as set out in the White Paper comes from a myriad of funding pots, some of which were created specifically to compliment the policy and others which existed before the policy was introduced. Because some of these funding pots existed before the creation of this policy, it is not always clear which funds across Government are specifically levelling up funds. Some of the pots outlined by the Department for Levelling Up, Housing and Communities (DLUHC) as levelling up funding includes but are not limited to the Getting Building Fund, Coastal Community Fund and the Community Renewal Fund.[2] However, many of these are now either no longer active or are ending in 2023. On 26 May 2022, we wrote to the DLUHC, requesting a comprehensive list of the funding streams which are included in funding for levelling up across Government.[3] Despite the former Levelling Up Minister's promise in his response to provide a "list of all levelling up funding programmes across government", we are yet to receive such a list.[4]

3. This inquiry has in the main focused on the Levelling Up Fund and the UK Shared Prosperity Fund. However, this report also touches on funding for levelling up which sits across several departments, as well as the findings from research into, and the experience of, previous funds, such as the Towns Fund.

Our inquiry

4. We launched our inquiry into Funding for Levelling Up on 20 October 2022. We drew upon a wide range of existing and ongoing research as background to this inquiry. We also received over 40 written submissions and heard from eight panels across five

1 DLUHC, Levelling Up White Paper, February 2022, p 159
2 Letter from Neil O'Brien, Parliamentary Under Secretary of State for Levelling Up, the Union and Constitution dated 22 June 2022 concerning funding for levelling up
3 Letter from the Chair, to Neil O'Brien, Parliamentary Under Secretary of State for Levelling up dated 26 May 2022 concerning funding for levelling up
4 Letter from Neil O'Brien, Parliamentary Under Secretary of State for Levelling Up to the Chair dated 22 June 2022 concerning funding for levelling Up

oral evidence sessions. Our witnesses included: academics; think tanks; representatives from English local government and metro mayors, including Tracy Brabin, Mayor of West Yorkshire, Andy Burnham, Mayor of Greater Manchester, Andy Street, Mayor of the West Midlands, and Sadiq Khan, Mayor of London. We also heard from Vaughan Gething, Minister for the Economy, Welsh Government, John Swinney, Deputy First Minister, Scottish Government, and officials from the Northern Ireland Executive. At our ministerial session we heard from Dehenna Davison MP, Parliamentary Under Secretary of State (Levelling Up), and Jessica Blakely, Director of Levelling Up Major Programmes, Department of Levelling Up, Housing and Communities (DLUHC).

5. We wish to thank all those who made the time to contribute to our inquiry and helped us to shape our conclusions and recommendations. We also wish to thank our specialist advisers: Aileen Murphie, Honorary Professor, Durham University Business School[5] and Professor Tony Travers, School of Public Policy, London School of Economics.[6]

5 The declared interests of the specialist advisers to the Committee are set out in the Committee's formal minutes
6 The declared interests of the specialist advisers to the Committee are set out in the Committee's formal minutes

2 The Government's approach to levelling up

The challenge of Levelling Up the United Kingdom

6. The Government's *Levelling Up the United Kingdom* White Paper opened with a foreword by the then Prime Minister, the Rt Hon Boris Johnson MP, who said:

> From day one the defining mission of this government has been to level up this country. To take the radical steps needed to make us more prosperous and more united by tackling the regional and local inequalities that unfairly hold back communities and to encourage private sector investment right across the UK. Because while we are without doubt one of the biggest and strongest economies in the world, we are also one of the most unbalanced. A country in which the place of your birth is one of the clearest determining factors in how you'll get on, what opportunities will be open to you, even the number of years for which you can expect to live.[7]

7. Since the publication of the White Paper, disparities have worsened in the UK. By the time round two of the Levelling Up Fund was launched at the end of 2022, DLUHC had increased the number of areas categorised as priority one[8] because "levels of need had increased since the Fund was launched" in 2021.[9] In a recent report, the Institute for Public Policy Research said: "we are getting sicker and poorer as a country — with deepening health inequalities undermining national prosperity".[10] Research produced by Northumbria University said that, years on from discussion of a Northern Powerhouse and creation of the Levelling Up policy, "increasing inequality between the Northeast and the rest of the UK [is] widening".[11] The north-south divide and pockets of deprivation within more affluent cities is not the only example of where disparities exist between and within regions and communities. Recent reports such as *Communities on the Edge* show that disparities continue to affect coastal towns and communities.[12] Maritime UK also told us that, despite the creation of the Levelling Up policy, there is "no coherent significant government strategy for meeting the needs or realising the potential of coastal communities".[13] We were also told that deprivation continues within and between rural towns, with Historic England suggesting that greater support for rural communities is still needed.[14]

8. With inequalities continuing to exist across the UK, the Mayor of West Yorkshire, Tracy Brabin argued that failures in infrastructure and poor connectivity, as a specific example, but illustrative of the challenge at hand, is impacting the day to day lives of UK

7 DLUHC, The Levelling Up White Paper 2022, February 2022, p 8
8 In the Levelling Up Fund round one, areas across England, Scotland and Wales were categorised as priority areas one to three. Areas that came under priority area one are determined as most in need of funding. For more information see: DLUHC Methodology Note: Levelling Up Fund: prioritisation of places.
9 DLUHC, Department for Transport, HM Treasury, Levelling Up Fund: round two prospectus, March 2022
10 Institute for Public Policy Research, The Health Inequalities Holding Back Growth in Key Areas of the UK (December 2022)
11 Northumbria University Newcastle, Newcastle Business School, Levelling Up In the North East Region, (September 2022) p 34
12 Coastal Communities Alliance, Communities on the Edge, (January 2023) p 35
13 Maritime UK (FFL036) para 8
14 Historic England (FFL 034) para 2

residents. She said that “the mayors are all in agreement that you cannot level up without having access to jobs and opportunities and that is all about transport”. She illustrated the point further by informing us “of people missing funerals, not going to job interviews”, as well as students not picking their first choice of university, due to the absence of available connections, concluding that “these decisions are people’s futures”.[15] It is generally accepted that reaching the objectives set out in the Levelling Up White Paper will not happen in the short-term, as the task at hand is complex and the problems that need to be solved are deep rooted. However, the Mayor of Greater Manchester, Andy Burnham told us the publication of the Government’s objectives for levelling up has unlocked “a cry for regional fairness that will not go away, and if anything, will only get louder”.[16]

Government wide initiative

9. Our remit is to scrutinise the expenditure, administration, and policy of the Department for Levelling Up, Housing and Communities. Levelling Up is a Government-wide initiative with funding which exists at a cross-departmental level. DLUHC is responsible for overseeing the overall delivery of the levelling up objectives and has begun work in a few areas to support that delivery. This includes work to establish the Office for Local Government (Oflog). Although little progress has been forthcoming in this area, Lee Rowley MP, Parliamentary Under Secretary of State (Local Government and Building Safety) for DLUHC said Oflog is intended to be “an authoritative and accessible source of information about the performance of local authorities and how well services are being delivered”.[17] During our inquiry, an interim chair was appointed to this Office, and the Municipal Journal (MJ) has reported that there are a working set of metrics for Oflog to use, although any further information about the new office has been limited and slow to emerge.[18] The Levelling Up Advisory Council has also been established to provide Government with independent research and advice to inform the delivery of the levelling up policy and ultimately support the implementation of the levelling up objectives but no substantive information on their work has been published to date[19] apart from one letter we received from Dehenna Davison, Parliamentary Under Secretary of State [Levelling Up] following our evidence session with the DLUHC.[20]

10. Furthermore, the Levelling Up Directors, whose establishment was announced in the White Paper, were yet to be appointed.[21] Dehenna Davison MP told us that the DLUHC was currently reviewing the process for appointment which is why no directors had been appointed “thus far”[22] despite undertaking interviews for the posts last summer.[23] On 24 April, in response to a written question, Dehenna Davison MP conceded that the posts would now no longer go ahead.[24] The Levelling Up and Regeneration Bill also includes a

15 Q123 [Tracy Brabin, Mayor of West Yorkshire]
16 Q119 [Andy Burnham, Mayor of Greater Manchester]
17 “Rowley considers broadening Oflog remit”, The MJ, 4 May 2023
18 Warning against ‘knee-jerk reaction’ over Oflog plans, The MJ, 27 April 2023
19 HM Government, Levelling Up Advisory Council
20 Letter from Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up to the Chair dated 14 February 2023 concerning Funding for Levelling Up
21 DLUHC, The Levelling Up White Paper 2022, February 2022, p 125 and National Association of Local Councils (FFL009) para 32
22 Q165 [Dehenna Davison, Parliamentary Under Secretary of State, Department for Levelling Up, Housing and Communities]
23 Letter from Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up to the Chair dated 14 February 2023 concerning levelling up
24 HC Deb, 24 April 2023, col 180045 [Commons written answer]

provision for the publication of an Annual Report relating to the twelve missions in the White Paper, which should the Bill achieve Royal Assent in its current form, would add to DLUHC's coordination responsibilities.[25]

11. In respect of its cross-government coordination role, DLUHC told us in June 2022 that "work is well underway to map the totality of funding pots, which are, or soon will be, building on the ambitious aims of the Levelling Up White Paper and contributing to this agenda".[26] Despite our request for the DLUHC to provide us with a detailed account of this work to assist us in our inquiry and wider activities, we have received no information on it to date.[27] The DLUHC also told us that the Government's commitment to "longer-term delivery and joined up actions across Government" will determine the success the policy will have.[28]

12. In connection with that, Adam Hawksbee, Deputy Director, Onward, told us that Neil O'Brien MP, former Levelling Up Minister, "used to joke that we're all Levelling Up ministers" meaning that "every single member of Government should be thinking about Levelling Up".[29]

13. In the Spring Budget 2023 it was announced that DLUHC's overall levelling up funding would increase "to more than £11billion".[30] Nonetheless, the DLUHC acknowledged that this does not include "investment from across Government into schools, transport, and other services".[31] Despite continued commitments for a joined-up, cross-departmental approach to delivering the policy, we are yet to see a clear indication of the totality of funding available across Government to support the objectives or the twelve missions outlined in the White Paper. The Centre for Inequality and Levelling Up submitted written evidence to our inquiry which shows their mapping of how some of the available funding pots relate or fail to relate to the missions' objectives.[32] We are yet to see a thorough public mapping of metrics for evaluating the policy, or how these metrics will be used to assist with the delivery of the levelling up objectives. As it stands there is no evidence to show that DLUHC has sufficient oversight of how this policy is being delivered across Government. Because of this absence of evidence for cross-departmental oversight, the policy has been criticised for lacking an overarching strategic oversight especially in relation to the allocation of funding across the United Kingdom.

14. The very limited evidence of any of joint working and co-ordination across Government suggests that there is insufficient strategic oversight for levelling up, and as a result unnecessary burdens are being placed on local authorities due to the overly centralised control of funding streams. Funding the policy has introduced new funding streams that are subject to competitive bidding (which we will consider in more detail in Chapter 3). This comes at a time when funding to local authorities is particularly squeezed. The financial context for local authorities is set out by a House of Commons Library

25 Levelling Up and Regeneration Bill [Bill 84 (2022–23)]
26 Letter from Neil O'Brien, Parliamentary Under Secretary of State for Levelling Up, the Union and the Constitution to the Chair dated 22 June 2022 concerning funding for levelling up
27 Letter from the Chair to Neil O'Brien, Parliamentary Under Secretary of State for Levelling Up, the Union and the Constitution dated 26 May 2022 concerning funding for levelling up
28 Letter from Neil O'Brien, Parliamentary Under Secretary of State for Levelling Up, the Union and the Constitution to the Chair dated 22 June 2022 concerning funding for levelling up
29 Q14 [Adam Hawksbee, Deputy Director, Onward]
30 Levelling Up at the Heart of the Budget", DLUHC, press release 2023, 15 March 2023
31 "Levelling Up at the Heart of the Budget", DLUHC, press release 2023, 15 March 2023
32 Centre for Inequality and Levelling Up, University of West London (FFL001) table 4

paper, *local government finances*, which said that local government has faced reductions in central government revenue grant funding and estimated in 2018 that "total funding across England was set to fall in real terms by 56.3% between 2010/2011 and 2019/2020".[33] It should be noted that the Levelling Up Fund is a capital only fund for infrastructure and regeneration and other funding pots associated with levelling up, are capital heavy. Therefore, they cannot substitute for reductions in revenue which is used to pay for day-to-day services.[34]

15. We received evidence from the Liverpool City Region Combined Authority which said:

> "In the longer term, levelling up cannot possibly succeed without the basic level of funding which is needed to meet local authorities' day to day running costs for the most essential services. It is unrealistic to expect stretched local authorities to be able to cope with the scale of inflationary pressures without further support from Government".[35]

The Mayor of London, Sadiq Khan said, "when you compare and contrast the grant funding that councils used to receive and the austerity that they experienced in the last 12 years, levelling up adds little value".[36]

16. **We are yet to see any evidence of sustained joint working between Departments, and the coordination of the various funding pots they control, which are intended to contribute towards the ambitions of the Levelling Up White Paper. The Department for Levelling Up, Housing and Communities is responsible for overseeing the delivery of the Levelling Up policy, but we have found that it does not appear have a clear understanding of which funds specifically contribute towards the four main objectives in the White Paper and what the totality of funding available is.**

17. **Local authorities' revenue funding has reduced significantly since 2010. Levelling up funds generally do not replace grant funding because first they are capital not revenue and; second, because they cover specific projects rather than necessarily covering the priorities of the local authorities.**

18. ***If Levelling Up is to remain the Government's flagship policy, as it has described it, its delivery must involve greater co-ordination and oversight across Government where applicable. The Government must get to grips with setting out which funding streams are materially contributing to the Levelling Up policy. All Government departments must identify and assess those spending allocations which are being used to achieve the objectives set out in the Levelling Up White Paper. DLUHC, as the Department primarily responsible for delivering levelling up must make clear what funding is being provided to achieve which objectives and outcomes so that the progress of the policy can be clearly monitored, and delivery against ambitions accurately assessed.***

19. ***As a starting principle, local authorities who most require prioritising within the Levelling Up policy should be allocated money through revenue to achieve objectives that are in line with their local circumstances and need, with the appropriate monitoring***

33 Local government finances, 08431 , House of Commons Library, 14 March 2022, p 8
34 DLUHC, The Levelling Up Fund round two: technical note, July 2022
35 Liverpool City Region Combined Authority (FFL026) para 9
36 Q271 [Mayor of London, Sadiq Khan]

and expenditure in place. Local authorities must be given the flexibility to use allocated funds in the most effective way they can. Therefore, we recommend there is a change in approach across Government when it comes to funding for levelling up. The Department should move away from an overemphasis on bid and judgement-based funding pots which may impede effective local decision-making.

3 Competitive Funding

20. The Levelling Up White Paper states that the Government intends to explore opportunities to simplify funding streams and reduce the requirements to access competitive funding.[37] The White Paper notes that, over the last decade, multiple competitive pots have emerged, and concedes that this increase and growing complexity "has led to a patchwork of fragmented funds, separate but often overlapping".[38] The White Paper also acknowledges that this complexity is unpopular with local government and among communities which have "repeatedly asked for a simpler system that reduces the number of competitive bidding pots and removes restrictive ringfences".[39]

Resources required to bid

21. The evidence we received has highlighted the resource-intensive nature of competitive bidding and the barriers this can create for local government. We heard that the costs associated with preparing and applying for competitive bids can be significant. In their written evidence submission, the Local Government Association (LGA) told us that it estimated that the average cost to councils in pursuing each competitive grant was in the region of £30,000, and that the Urban Transport Group estimated that the typical cost for a £5million project ranged between £35,000 and £94,000.[40] The Mayor of London, Sadiq Khan told us that individual bids, such as applications to establish an Investment Zone, cost London in the region of £50,000.[41] We heard that these costs are associated with hiring consultants, planning and preparing for bids, working with partners, inevitably this means diverting employee time away from core tasks.[42] Furthermore, these costs are incurred without the local authorities necessarily receiving any funding as a result of their bid and do not, in themselves, constitute "providing a service or a result for residents".[43] Unsuccessful bids may represent a net loss to local authorities.

22. We also received evidence that the system of competitive bidding can "lead to a cycle of rewarding areas that have received funding before" which can create an uneven playing field,[44] in which the strongest bids do not necessarily come from areas that are most in need of additional support".[45] For example, when a local authority has been successful in its bid, it has more resource overall and can theoretically use that to assist in preparing other bids. Furthermore, a successful local authority can benefit from its experience and knowledge of the bidding process and bring that to bear in future bids. More practically, we were told that bidding culture favours those who have more capacity to respond to bidding requests through experience, capability, and capacity.[46]

23. When we heard from metro mayors, Tracy Brabin, Mayor of West Yorkshire, Andy Burnham, Mayor of Greater Manchester, and Andy Street, Mayor of the West Midlands,

37 DLUHC, The Levelling Up White Paper 2022, February 2022 p 179
38 DLUHC, The Levelling Up White Paper 2022, February 2022 p 127
39 DLUHC, The Levelling Up White Paper 2022, February 2022 p 128
40 Local Government Association (FFL005) para 4
41 Q274 [Mayor of London, Sadiq Khan]
42 The National Association of Local Councils (FFL009) para 9 and Q97 [Mayor of West Yorkshire, Tracy Brabin] and Q275 [Mayor of London, Sadiq Khan]
43 Q101 [Mayor of Greater Manchester, Andy Burnham]
44 London Councils (FFL016) para 23
45 Richmondshire District Council (FFL012) para 12
46 West Midlands Combined Authority (FFL032) para 2

all three said that the competitive bidding structure was more suited to Mayoral Combined Authorities (MCAs) than to other local government bodies with fewer resources. Andy Street and Andy Burnham agreed that the system suits MCAs because of their ability to put together the necessary resources to put forward bids.[47] Written evidence from London Councils told us that this increased demand from competitive bidding can also mean areas are "forced to stitch together a variety of different pots from different government departments with different eligibility criteria".[48]

24. These challenges are exacerbated when, for example, last-minute requirements are introduced by the DLUHC. Leeds City Council told us that when they came to submit their bid for the Levelling Up Fund they found there were new questions not set out in the original application information which led to "unplanned and wasted work and time consuming redrafting of responses" including further formatting and accessibility challenges.[49] Not only does this stretch resource requirements further, but also increases the requirements to access competitive bidding. The impact of which is contradictory to the ambitions set out in the White Paper.

25. **The Levelling Up White Paper committed the Department to simplify funding streams and reducing the requirements to access competitive bidding. Despite this, we have seen limited evidence that any progress has been made on these objectives to date. Furthermore, the evidence we received on competitive funding has indicated the challenges are far greater than those outlined in the White Paper.**

26. **It was made clear by our witnesses that competitive bidding is a resource intensive and costly activity. This can create barriers for stakeholders and communities in need of funding. Whilst limited funding was provided for some local authorities in the Levelling Up Fund round one to assist with bidding costs, challenges remain. These include, but are not limited to, additional costs associated with planning, hiring consultants and costs associated with diverting employee time away from core tasks to put together bids. This is in addition to the financial strain already felt across local authorities. We have also heard that the competitive process is better suited to larger local government bodies with more ready access to resources which can create an uneven playing field. The evidence shows that those who are successful in bidding have a greater chance of success in subsequent rounds or other competitive bidding processes.**

27. ***The Government must follow through on its commitment to simplify funding streams and reduce requirements to access competitive pots. The DLUHC must also seek to reduce the number of competitive funding pots. By reducing the number of such pots, by simplifying the funding landscape, and by making the process more accessible, the DLUHC can avoid unnecessary waste of both local and central Government resources. This would address some of the concerns regarding the resource intensive process surrounding competitive bidding. The Government must seek to ensure that those local authorities which need additional resources are supported through adequate essential core funding streams and supported in their applications. Competitive bids for additional funding should in no way be a replacement for the funding that local authorities have historically received and should continue to be allocated. In order***

47 Q100 [Mayor of the West Midlands, Andy Street]
48 London Councils (FFL016) para 23
49 Leeds City Council (FFL011) para 9 and 10

to ensure competitive bidding does encourage collaboration and innovation, and is a worthwhile exercise, future competitive funds must be for unique ventures and the amount of funding available must be substantial.

Feedback on bids

28. Evidence we received from local authorities who had received feedback on their bids, contradicted the evidence we received from DLUHC which claimed how useful their feedback had been. We were told by some local authorities who had applied for funding that in some cases they did not receive formal feedback.[50] While, the Greater Manchester Combined Authority, which did receive formal feedback, told us that it was "scant" and "not constructive".[51] Others told us the feedback they received was irrelevant for subsequent rounds as the application portal formatting subsequently changed.[52] According to Norfolk County Council, feedback also lacked clarity with "no explanation as to why a particular proposal was accepted or rejected".[53] Furthermore, feedback that was provided often lacked detail, scores or narrative to allow recipients to improve on future applications.[54]

29. Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up, told us that the DLUHC is "keen" on "making sure that any unsuccessful bids and bidders receive good quality feedback".[55] The Local Government Association said that an "emerging finding that this inquiry has exposed is the broken feedback loop between central government, local government and wider communities".[56] Dehenna Davison did, however, provide us with reassurances that the DLUHC would in future commit to feedback which is timely and detailed for unsuccessful bidders.[57]

30. **We heard evidence which brought into question the extent of support provided to applicants or unsuccessful applicants by DLUHC. There is a wide gap in perception between the quality of feedback the DLUHC said it had provided and the quality of feedback applicants said they had received. DLUHC does not appear to have a department-wide process which allows for a consistent approach to delivering feedback.**

31. ***We recommend that the DLUHC provides better guidance on how it will provide feedback on bids. The guidance must set out that feedback is timely, detailed, and consistent. This is especially important for levelling up funds as the quality of DLUHC's feedback can hinder future applications which can be to the detriment of local communities. Feedback must also be made publicly available, where possible, so that communities can understand why bids are accepted or rejected. This new guidance should be widely disseminated and embedded in departmental practice so that in future those who have been unsuccessful in bidding are able to derive satisfactory material from what has otherwise been a dispiriting process.***

50 Leeds City Council (FFL011) para 9
51 Greater Manchester Combined Authority (FFL047) para 20
52 Leeds City Council (FFL001)
53 Norfolk County Council (FFL021) para 9
54 Liverpool City Region Combined Authority (FFL026) para 9
55 Q231 [Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up, Department for Levelling Up, Housing and Communities]
56 Local Government Association (FFL005) para 8
57 Q236 [Dehenna Davison, Parliamentary Under Secretary of State, Department for Levelling Up, Housing and Communities]

Devolution

32. In the White Paper, the Government set itself "one core mission on local devolution" by aiming to "bring greater power and control back to people in England, by extending, deepening and simplifying devolution and boosting the mayoral model".[58] Despite this, there is little evidence to show this is a Government wide initiative. Andy Burnham and Andy Street suggested that the process of competitive bidding indicates an overarching level of distrust in devolution or the ability of local leaders from Whitehall.[59] The LGA said that there is an "overwhelming sense that Westminster and Whitehall are still unable to match the trust in councils felt by residents" and there needs to be a change in the level of "trust placed in councils" by central government.[60]

33. It is clear that the method of distributing core funding for levelling up through the competitive bidding process works against the key principles of devolution. We were told that not only does the process "force local government to design projects that prioritise central government priorities" rather than projects which might most benefit the local communities that they have been elected to represent, it also arguably speaks to the apparent lack of trust for local government and local leaders.[61]

34. We were told that this lack of trust can lead central government into seeking to control what local authorities do. Paul Swinney, Director of Policy and Research, Centre for Cities, said that "central government treats local government like children".[62] Tracy Brabin highlighted the overly centralised process when describing how, after being successful in a bid, "[Prime Ministerial] advisors [came] 200 miles from London to my office to tell me whether we could have a grass roof on a bus station and what colour the bins are".[63] Tunbridge Wells Borough Council, highlighted a similar challenge with centralisation, and local decision making and said it is central government which decides how much the local authority can charge for parking fines and increase council tax by.[64] These frustrations were shared by Andy Street, after the second round of allocations for the Levelling Up Fund were announced, who said that the levelling up funding shows the Government's "bidding and begging bowl culture is broken.[65] Sadiq Khan took this analogy further, telling us "Oliver Twist did not need to pay to beg".[66]

Innovation

35. When the Secretary of State, the Rt Hon. Michael Gove MP, appeared before us in November 2021 he told us that "there are something like 117 different pots for which local authorities are encouraged to bid. Provided that it is not overdone, the principle of competitive bidding and of contestable pots is a good thing", describing competitive bidding as "virtuous competition" when those who have not been successful learn from others.[67] However, in November 2022 he told us that "while competitive funding for

58 DLUHC, The Levelling Up White Paper 2022, February 2022
59 Q111 [Mayor of Greater Manchester, Andy Burnham] and Q99 [Mayor of West Midlands, Andy Street]
60 Local Government Association (FFL 005) para 2.2
61 London Councils (FFL016) para 11
62 Q10 [Paul Swinney, Director of Policy and Research, Centre for Cities]
63 Q97 [Mayor of West Yorkshire, Tracy Brabin]
64 Tunbridge Wells Borough Council (FFL015) para 21
65 "West Midlands mayor condemns 'begging-bowl culture' around levelling up fund", The Independent, 19 January 2023
66 Q273 [Mayor of London, Sadiq Khan]
67 Oral evidence taken on 8 November 2021, HC (2021–22) 818, Q27 [Michael Gove]

individual pots is a good thing, we have too much of a good thing at the moment and we do need a rationalisation."[68]

36. The need to simplify and streamline funding, including competitive pots, has been an ongoing objective of the DLUHC. We acknowledge that in certain circumstances, competitive bidding can drive innovation and sometimes, collaboration across authorities.

37. In his oral evidence to us, Michael Gove referred to Lord Heseltine's "encouragement of innovation" which, Michael Gove suggested can result from the process of competitive bidding".[69] However, driving innovation in the sector is far more complex, as Lord Heseltine's report, *No Stone Unturned in pursuit of Growth,* sets out.[70] Lord Heseltine also said that "local leaders are best placed to understand the opportunities and obstacles to growth in their own communities".[71] The publication advocates for "policies that are devised holistically and locally, and which are tailored to local circumstances".[72] Policies designed in this way "are much more likely to increase the economies' capacity for growth". On the other hand, "[n]ational policies devised by central government departments can never be as relevant to all the different circumstances of our local economies".[73] Lord Heseltine goes on to portray Government as a catalyst for change, the enabler, giving areas certainty over future funding for "sufficient periods of time". Despite this, we have not received substantive evidence which supports the argument that competitive bidding can drive innovation.

38. The method of distributing core funding for levelling up through the competitive bidding process works against the key principles of devolution. We were told by London Councils that not only does the process "force local government to design projects that prioritise central government priorities" rather than projects which might most benefit the local communities that they have been elected to represent, it also arguably speaks to the apparent lack of trust for local government and local leaders.[74] When money has been bid for successfully, it is usually for relatively small pots of money,[75] which can inhibit long-term strategic planning and effective use of public money.[76]

39. **We acknowledge that in certain circumstances competitive bidding can also foster collaboration across local government. However, it can also encourage local authorities to develop plans or projects it perceives Whitehall will value to secure funding, rather than to deliver what their local communities may have prioritised.**

40. **The nature of competitive bidding can result in resentment between communities and similar neighbouring authorities across the country. Communities and local authorities should be encouraged to work together, and the Government should be mindful of any adverse effects caused by competitive bidding. It is important that competitive bidding does not pit communities or local authorities against one another for finite resources.**

68 Q55 [Rt Hon. Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities]
69 Q55 [Rt.Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities]
70 DBIS, No Stone unturned: in pursuit of growth - Lord Heseltine review, 31 October 2012
71 DBIS, No Stone unturned: in pursuit of growth - Lord Heseltine review, 31 October 2012 p 31
72 DBIS, No Stone unturned: in pursuit of growth - Lord Heseltine review, 31 October 2012 p 31
73 DBIS, No Stone unturned: in pursuit of growth - Lord Heseltine review, 31 October 2012 p 31
74 London Councils (FFL 016) para 11 and Professor David Richards, Dr Sam Warner, Proffessor Martin Smith, Professor Diana Coyle (FFL046) para 7
75 Q66 [Georgina Blakemore]
76 London Councils (FFL 016) para 11

The Levelling Up Fund

41. In addition to the resource barrier stakeholders experience with the application process, challenges have also arisen from the method used by the DLUHC for allocating competitive funds. This has been most apparent in the Levelling Up Fund. We discuss issues with the data used to determine priority areas in round one of the Levelling Up Fund in chapter 4 of this Report.

42. The Levelling Up Fund has so far allocated monies in two rounds, with plans for a third round later this year.[77] However, the week after allocations for round two were announced, it was reported that further criteria for judging successful bids had been added after the application process had closed and at the final stages of the allocation process.[78] We understand that, as a result of this, some applications were removed from the process at the final stage because they had already received funding in round one, despite the DLUHC encouraging applicants who were successful in the first round to submit bids again for the second round.[79] These additional parameters were opaque and inexplicably announced after allocations had been assigned. The DLUHC told us that these new metrics were put in place to ensure "geographical spread".[80] However, we are concerned that this process has not only wasted local government and Whitehall resources but also raises concerns regarding the lack of transparency which has arguably diminished trust in the process for allocation of funding.

43. Prior to the announcement of the allocations for round two of the fund, Tracy Brabin told us that the bidding process is not only "ineffective, inefficient and expensive" it is also subject to "ministerial changes in the weather"[81]; and when it appears that there is "behind-the-scenes decision making that is not clear, people lose faith in politicians".[82] These concerns about the competitive bidding process are not new and have been raised previously by the Public Accounts Committee in its Report, *Selecting towns for the Towns Fund*, which said:

> "The Department has also not been open about the process it followed and it did not disclose the reasoning for selecting or excluding towns. This lack of transparency has fuelled accusations of political bias in the selection process and has risked the Civil Service's reputation for integrity and impartiality".[83]

44. This apparent lack of transparency leaves the DLUHC open to criticism about how decisions receive Ministerial sign off. This has been highlighted by examples such as Richmondshire, North Yorkshire, the Prime Minister's own constituency. Richmondshire District Council, received £19 million through round two of the Levelling Up Fund[84] when the area of Richdmondshire is reported to be in the top quintile of the most prosperous places in England, according to the average deprivation score.[85] A recent report by the

77 DLUHC, Levelling Up Secretary's speech to the Convention of the North, January 2023
78 "Minister admits to shifting goalposts on levelling up bids", The MJ, 23 January 2023
79 Q191 [Nadia Whittome, MP] and Professor David Richards, Dr Sam Warner, Proffessor Martin Smith, Professor Dian Coyle (FFL046) para 5
80 Q206 [Jessica Blakely, Director of Levelling Up Major Programmes, Department for Levelling Up, Housing and Communities]
81 Q97 [Mayor of West Yorkshire, Tracy Brabin]
82 Q116 [Mayor of West Yorkshire, Tracy Brabin]
83 Public Accounts Committee, Twenty-fourth Report of session 2019–21, Selecting towns for the Towns Fund, HC651, para 3
84 DLUHC, Levelling Up Fund round two: successful bidders, 18 January 2023
85 "Tories accused of levelling up 'stitch-up' over regional deprivation fund", The Guardian, 4 March 2021

University of West London further highlighted such instances, where areas perceived as less in 'need' of funding such as Dorset, for example, received "10 times more direct funding than what [are] ranked as poorer areas in the north such as Knowsley, Burnley and Salford".[86]

45. All of this undermines the objectives that the levelling up policy seeks to address, by diminishing trust in the system of allocating funding and confusing the funding landscape further. Sadiq Khan said: "it is great politics to pit communities against one another, and it is great politics to pit one part of the country against one another, but it is bad policy" and that poor people, wherever they live shouldn't be "pawns in this game of party politics".[87]

Levelling Up Partnerships

46. In March 2023, the Chancellor of the Exchequer announced the establishment of Levelling Up Partnerships in the Spring Budget. The Government said that these Partnership are intended to support those areas which narrowly missed out on funding in the second round of the Levelling Up Fund.[88] Other than this, there is currently limited information on the Partnerships and how they might support levelling up's objectives. The Northern Agenda described the Partnerships as a reprieve for those areas which narrowly missed out on funding in the second round of the Levelling Up Fund.[89] This is despite the DLUHC suggesting some of these areas could not receive funding in round two of the Levelling Up Fund due to the need to deliver a "geographical spread" when allocating funding.[90] There has not been forthcoming information from the DLUHC, about how these decisions were reached and why the criteria for success had changed, once again.

The impact of inflation

47. The evidence we received highlighted the level of concern in local government regarding the impact of inflation on the deliverability of levelling up projects. Concerns were raised by many councils including, for example, Bristol, Carmarthenshire, Essex and Somerset, and by Coleraine Football Club.[91] Telford and Wrekin Council told us that inflationary pressures and "market volatility across the construction sector" was undermining the viability of levelling up programmes.[92] Aberdeen City Council said these risks sit with the "applicant who is already providing the vast majority of funding for the proposal with the UK Levelling Up Fund investment capped at £20m".[93] Halifax Council was reported to have been forced to freeze work on their leisure centre due to soaring costs arising from inflation — costs which far exceeded the funding it received for the project.[94] Glasgow City Council said these inflationary pressures could last for two to three years, or possibly even longer.[95] According to the Office for Budget Responsibility,

86 University of West London, Funding Levelling Up: who really benefits, (April 2023) p 17
87 Q280 [Sadiq Khan, Mayor of London]
88 HM Treasury, Spring Budget 2023, March 2023
89 "Better late than never, Jeremy", The Northern Agenda, 16 March 2023
90 Q206 [Jessica Blakely, Director of Levelling Up Major Programmes, Department for Levelling Up, Housing and Communities]
91 Bristol City Council (FFL023), Carmarthenshire City Council (FFL031) Coleraine Football Club (FFL004) Essex Council (FFL019) Somerset County Council (FFL010)
92 Telford and Wrekin Council (FFL017) para 9
93 Aberdeen City Council (FFL018) para 9
94 "Councils forced to freeze levelling up projects as soaring costs exceed grants",The Guardian, 24 January 2023
95 Glasgow City Council (FFL007) Para 32

at the time of the Autumn Statement the equivalent of £576million had been lost from different levelling up funds because of inflation. IPPR North calculated that "£1 in every £13 of the Levelling Up Fund and Shared Prosperity Fund [was] expected to be lost to inflation" and as such "cancelling, scaling back or pausing infrastructure investment is inevitable without additional support".[96]

48. **A further concern regarding the distribution of competitive funding was the additional metrics for success applied to once applications had closed in round two of the Levelling Up Fund. This was signally unhelpful for perceptions of trust and transparency and leaves the Government open to criticisms that it has not clearly explained how funding decisions have been made on the basis of need or merit.**

49. ***Throughout all future competitive bidding processes, the Government must avoid introducing additional metrics for success once an application process has closed. If, for any reason, this becomes unavoidable, the DLUHC must communicate this change via official and public channels of communication before successful applicants are announced. Throughout any funding programme the Government must also ensure that they are able to adapt and respond to the possible impact of inflation through adequate financial support for successful projects.***

Investment Zones

50. In September 2022, HM Treasury announced the establishment of Investment Zones, potentially nearly 40 in number, across the UK in its Growth Plan.[97] We understand that around 100 applications were made in response to the Investment Zone policy.[98] Dehenna Davison MP subsequently told us, in January 2023, that the extent of the Investment Zone policy had been reduced, and, although she was unable to tell us how many Investment Zones there would be, she did confirm that there would be more than one.[99] We raised concerns with the Minister about the application process not being reopened if the criteria for a successful policy had changed. Therefore, we welcome the announcement in the Budget 2023 that re-opened the application process, albeit for 12 areas, for the re-framed Investment Zone policy.[100] However, we acknowledge the new demands placed upon authorities who are now required to put together applications as well as those who are now unable to bid or had done so previously.

51. The Government has now outlined 12 specific areas across England, all of which are Mayoral Combined Authorities, which they "will develop plans with".[101] This therefore excludes areas that do not fall into the "eight functional economic areas" some of which are 'proposed' combined authorities.[102] The new Investment Zone policy prospectus says: "If Manchester succeeds so will Bury; if Newcastle succeeds so will Blyth; if Birmingham succeeds so will Walsall".[103] Although this policy is still in its initial stages, it is unclear

96 Institute for Public Policy Research North, 'Levelling Up' be levelled down, with half a billion lost to inflation press release, November 2022
97 HM Treasury, The Growth Plan 2022 Speech, September 2022
98 "'Hundreds' of Investment Zone bids submitted", Local Government Chronicle, 18 October 2022
99 Q254 [Dehenna Davison, Parliamentary Under Secretary of State, Department for Levelling Up, Housing and Communities]
100 Q257 [Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up, Department for Levelling Up, Housing and Communities]
101 HM Treasury, Spring Budget 2023, March 2023
102 HM Treasury and DLUHC, Investment Zones, March 2023, p 7
103 DLUHC, Investment Zones, March 2023, p 9

how areas surrounding the Investment Zones will directly benefit, although research produced by Centre for Cities points out that most people in Blyth are likely to work in Newcastle, and the solution, in part, is to create high-skilled jobs and generate enough prosperity for Blyth to benefit.[104]

52. The Government has also provided a tight deadline for "mature proposals agreed by the summer", adding to the workload of the MCAs.[105] Furthermore, there will not be any funding until 2024/25 for Investment Zones.[106] This reiterates the challenges associated with the resource intensive nature of the application process, and places an expectation and pressure on the twelve selected areas to apply. Furthermore, the new policy announcement does not address the issue of wasted resources from around 100 local authorities who applied under the original policy and who are no longer within scope for Government funding under the revised policy.

53. **We heard that an Investment Zone expression of interest costs in the region of £50,000 for one application. Since the Government's Growth Plan 2022, little to no updates have been provided on the future of Investment Zones until the Budget in March 2023. Although we welcome the Government's decision to re-open the application process, the DLUHC has limited who can apply. The regions eligible are all Mayoral Combined Authorities (MCA).This raises concerns about the opportunities to level up for areas that do not have an MCA. The Government has also significantly reduced the number of Investment Zones to 12 after receiving nearly 100 applications for the first iteration of the Investment Zone policy. The Government has also not provided any update or compensation for those who wasted resources applying for the original Investment Zones policy.**

54. ***The Investment Zone policy geared local government up to the prospect of additional funding before the goalposts were moved. Whilst we appreciate that policies sometimes necessarily evolve over time, every effort must be made to ensure that a similar situation does not occur in the future, resulting in a waste of time, effort and money for many local authorities which are already hard pressed and likewise for civil servants within DLUHC.***

104 Centre for Cities, 'Has Blyth really been forgotten by Levelling Up?' (January 2023)
105 DLUHC, Investment Zones, March 2023, p 30
106 HM Treasury, Spring Budget 2023, March 2023

4 Data and Metrics

Index of Multiple Deprivation

55. The Government's methodology and data used to inform policy decisions and determine priority areas one to three in the first round of the Levelling Up Fund received significant criticism before the launch of our inquiry.[107] We heard evidence questioning the DLUHC's decision to move away from using the Index of Multiple Deprivation (IMD), which has been used for decades, in the first round of the Levelling Up Fund priority areas. Matt O'Neill, Executive Director for Growth and Sustainability, of Barnsley Borough Metropolitan Council, criticised the "untested methodology" the Government used to determine priority areas in the first round.[108] He said the Government's new data set was collected by a private company, based upon Freedom of Information requests, and "lacked empirical data".[109] According to the Industrial Communities Alliance this "ineptitude" resulted in "bizarre outcomes".[110]

56. The Minister told us that the IMD was not used in the first round of the Levelling Up Fund because the IMD did not cover transport connectivity, for example, and therefore "did not necessarily match up entirely with the aims of the fund".[111] We acknowledge that the DLUHC subsequently altered their approach, and used alternative data for round two of the Levelling Up Fund when measuring priority areas, but Andy Burnham said it was not always clear what data was held in Whitehall.[112] Tracy Brabin said that decisions within Whitehall and local government should "be data driven and evidence led" and that lacking a clear approach to such data and evidence can "erode[s] trust in politicians. It erodes trust in society. People do not feel heard or valued".[113]

Local Government and Departmental data

57. Concerns regarding the accessibility and utilisation of data were constant themes during our inquiry. It became clear to us that it was near impossible to determine what data the DLUHC held and what it was being used to measure. The Office for Statistics Regulation (OSR) said from August 2021 to November 2021 they had been asking the Government "for greater transparency around data on the Levelling Up Fund and related 'prioritisation of places model'".[114] The OSR strongly advocates for the "transparency of data that is in the public interest and required for key decisions underpinning policy making".[115] In its written evidence dated November 2022, the OSR continued to call for:

> [G]reater clarity and transparency around the data that are required to understand progress against the UK Government's levelling up policy

107 "Government criticised over design of levelling up fund", The Financial Times, March 11 2021
108 Q80 [Matt O'Neil, Executive Director for Growth and Sustainability, Barnsley Metropolitan Borough Council]
109 Q80 [Matt O'Neil, Executive Director for Growth and Sustainability, Barnsley Metropolitan Borough Council]
110 Industrial Communities Alliance (FFL035) para 8
111 Q180 [Dehenna Davison MP, Parliamentary Under Secretary of State for Levelling Up, Department for Levelling Up, Housing and Communities]
112 Q115 [Andy Burnham, Mayor of Greater Manchester]
113 Q116 [Tracy Brabin, Mayor of West Yorkshire]
114 Letter from Ed Humpherson, Director General for Regulation, Office for Statistic Regulation to the Chair dated 30 November 2022 concerning the Accessibility of Levelling Up policy funding stream data
115 Letter from Ed Humpherson, Director General for Regulation, Office for Statistic Regulation to the Chair dated 30 November 2022 concerning the Accessibility of Levelling Up policy funding stream data

> commitments. This includes data on both funding for levelling up policies and the metrics that will be used to measure the outcomes. Where there are new or existing data of sufficient quality and at a level of granularity users require, we would like to see greater transparency and accessibility of those data.[116]

In correspondence with us, the DLUHC conceded that they did not have "sufficient data" in relation to Whitehall departmental expenditure on the full range of levelling up funds, or on combined authority income or expenditure.[117]

58. Arguably, the DLUHC's solution, in part, to the lack of "sufficient data" was the creation of the Spatial Data Unit (SDU) which was established over a year ago.[118] In correspondence with us, the DLUHC said that the SDU plans to provide "access to quality-assured in-year expenditure data for Government departments and devolved administrations to local authority level" and in some cases down to the neighbourhood level.[119] The DLUHC said this will provide "more granular and timely spend data".[120] During our inquiry we have not found work regarding the Unit and levelling up data to be forthcoming. We do not know in detail, for example, what the SDU's forward plan of work is apart from an upcoming "subnational expenditure project".[121] This has made determining what data will be made available when, either to us or the public challenging. Some information was provided to us by the DLUHC in correspondence dated 14 February but this more so related to annual HM Treasury Country and Regional Analysis and the Government Grants Management Function which sits in the Cabinet Office.[122]

59. Throughout our inquiry we have been informed that there are organisations which are willing to work with the DLUHC to help it obtain more useful data. The Mayor of London's written evidence said that national metrics on their own are not enough as they do not "always account for local circumstances".[123] This was a point echoed by Plymouth City Council who said that data should be place-sensitive and adequate for local areas, accurately reflecting need;[124] while Carmarthenshire County Council said that a "local-needs based approach is desperately required".[125] Tracy Brabin told us that local authorities can help Government with local indicators and data.[126] There are ambitions in the White Paper to share data with the devolved governments[127] and we were, pleased to see that there is a commitment to data sharing in the Trailblazer devolution and deeper devolution deals between central government and MCAs.[128]

116 Office for Statistics Regulation (FFL008) para 2
117 Letter from Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up, to the Chair dated 6 December 2022 concerning funding for levelling up
118 DLUHC, The Levelling Up White Paper, February 2022, p 151
119 Letter from Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up to the Chair dated 14 February 2023 concerning the ministerial oral evidence session on funding for levelling up
120 Letter from Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up to the Chair dated 14 February 2023 concerning Funding for Levelling Up
121 Letter from Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up to the Chair dated 14 February 2023 concerning Funding for Levelling Up
122 Letter from Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up to the Chair dated 14 February 2023 concerning Funding for Levelling Up
123 Mayor of London (FFL044) para 6.8
124 Plymouth City Council (FFL030) para 9
125 Carmarthenshire County Council (FFL031) para 12
126 Q115 [Mayor of West Yorkshire,Tracy Brabin]
127 DLUHC, The Levelling Up White Paper, February 2022, p 150
128 DLUHC, Greater Manchester Combined Authority: "Trailblazer" devolution deal, 15 March 2023 p 35 and DLUHC, West Midlands Combined Authority Trailblazer deeper devolution deal, 15 March 2023, p 15

The Department's capital expenditure

60. On 7 February 2023, the *Financial Times* published an article stating that DLUHC had "been banned [by the Treasury] from making spending decisions on new capital projects… after concerns were raised about the ministry's ability to deliver value for money".[129] Lee Rowley MP, Parliamentary Under Secretary of State, DLUHC, confirmed to the House of Commons that the Department was now working "within a new delegation approach" which involved "sign off with Treasury on capital spend".[130]

61. Furthermore, it was reported in March 2023 that DLUHC had not managed to spend even 10% of the Levelling Up Fund since its launch in 2020.[131] This media report closely followed news in the *Financial Times* that "DLUHC intends to spend £2.43 billion less on capital projects in 2022–2023 than originally planned".[132] This sum includes £1billion in unspent money from the Affordable Homes Programme, and two Government officials whom the article quoted said that the level of underspend was "unusually high".[133]

62. We wrote to DLUHC on 13 March asking for an explanation of what the ban on capital spend sign off means for the future of levelling up projects.[134] Despite the Minister's reassurances to the House of Commons that this change has "no implications for the levelling-up agenda"[135] and in her letter of 24 April, it is apparent that the Treasury must have serious concerns regarding the DLUHC's ability to monitor and deliver as DLUHC now has to work with the Treasury to "seek all necessary approvals".[136]

63. **The Index for Multiple Deprivation (IMD) has for a long time been widely considered to be the most efficient way of determining 'need'. As such, we do not agree with the DLUHC's decision to move away from the use of the long established IMD to determine priority areas one to three. We acknowledge that the DLUHC changed its use of metrics in the second round of the Levelling Up Fund. Nevertheless, it is still not clear what data sets were used for the amended process in round two or why they sought such a complicated process for round one, when local authorities have ample access to data and arguably understand their areas best.**

64. ***The DLUHC should not seek to fix something which is not broken. Rather than outsourcing the collection of new data sets, the Department should have called on the expertise of bodies such as the Local Government Association and offices within local government which have ample access to data on deprivation and measuring need and understand their local areas and communities best. This would have ensured that time and money was not spent on reframing and accessing data which has, most likely, already been collated elsewhere. Furthermore, the data and data sources the DLUHC chooses to use to determine the parameters for funds, such as the Levelling Up Fund, should always be clear and accessible. It is still not always clear what data sets the DLUHC is using. We suggest that transparent data collection processes and calling on the support***

129 "Treasury bans capital spending by Michael Gove's Whitehall department", The Financial Times, 7 February 2023
130 HC Deb, 9 February 2023, col 1028 [Commons Chamber]
131 "Levelling Up: more than 90% of funding not yet spent", The BBC, 28 March 2023
132 Quarter of Funds for UK Levelling Up projects goes unspent", The Financial Times, 6 March 2023
133 "Quarter of Funds for UK Levelling Up projects goes unspent", The Financial Times, 6 March 2023
134 Letter from the Chair to Dehenna Davison, Parliamentary under Secretary of State for Levelling Up, dated 13 March 2023 concerning DLUHC's capital spend
135 HC Deb, 9 February 2023, col 1028 [Commons Chamber]
136 Letter from Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up, to the Chair dated 24 April 2023 concerning DLUHC's capital spend

of local government would have prevented the perverse situation of deprived areas such as Barnsley Metropolitan Borough Council missing out from the first round of funding.

65. **We are concerned about the DLUHC's lack of sufficient data on all aspects relating to levelling up. The Department has acknowledged that it lacks data of sufficient quality about Government department's expenditure on the full range of levelling up funds. It also lacks data on combined authority income and expenditure. This raises the question about how the DLUHC measures success or failure in the levelling up policy, its initiatives and objectives. Taking the publication of the White Paper as a starting point, the levelling up policy has been live for over a year, and the ongoing absence of adequate data raises significant concerns about how the DLUHC can realistically take credible data-driven decisions within this policy. It further raises questions about the DLUHC'S future ability to determine whether its policy is a success.**

66. ***One of our core tasks is to monitor the policy of the DLUHC and without sufficient data we are limited in our ability to do so. We are concerned that the lack of accessible data was not foreseen or resolved in a timely manner. As the DLUHC noted themselves that there is not "sufficient data" we recommend DLUHC remedy this problem as quickly as possible. Therefore, the Department must produce and make publicly available the data on departmental expenditure and data on combined authority income and expenditure so that our committee, local government, and communities are able to access and monitor the policy's progress.***

67. **The DLUHC's solution to its lack of data appears to have been the creation of the 'Spatial Data Unit' (SDU). The SDU was set up over a year ago and since then we have sought to understand the work of this unit and their forward plan. However, it remains unclear what data will be produced and by when.**

68. ***The delay and lack of information regarding what the SDU is working on, what the Unit intends to produce and when these data sets will be available, is unsatisfactory. The DLUHC, via the SDU, must make clear at the start of every year what data it is planning to produce and when this information will be made available. At present, in the absence of clear information about the intended outputs, we cannot see how the SDU is a good use of public resources. Levelling up requires a long-term strategy, with long term funding plan, backed by data. This is currently not being demonstrated.***

69. **According to the Financial Times, concerns about the DLUHC's ability to deliver 'value for money' have been raised by the Treasury. Despite DLUHC's efforts to reassure us, the Treasury's decision to remove DLUHC's ability to sign off on capital expenditure is a significant concern.** ***The DHLUC needs to make clear what impact this will have on the delivery of future DLUHC funded projects and in particular future funding under the levelling up policy.***

5 The UK Shared Prosperity Fund

The UK Shared Prosperity Fund

70. The UK Shared Prosperity Fund was established after the UK's departure from the European Union. The UK Shared Prosperity Fund (UKSPF) is an allocation-based fund, intended to replace the European Structural and Investment Funds (ESIF).[137] The ESIF includes money from the European Regional Development Fund (ERDF) and European Structural Funds (ESF) which ended in 2020. The Government has created a £2.6 billion fund, for the years 2021 to 2022 to 2024 to 2025, which would be allocated at a local level to English, Scottish and Welsh local authorities and to Northern Ireland. The fund invests in three areas: communities and place; support for local businesses; and people and skills.[138]

71. This fund has been described by Government as "unshackled by previous EU restrictions".[139] We have received evidence which welcomed the fund as it was expected by some to be "beneficial" because of the comparative flexibility it provides for local government.[140] However, in evidence we also heard a number of concerns about the fund from the Governments of Scotland, Wales, officials in the Northern Ireland Executive, local authorities in England and charity organisations.

Comparing EU funds with UKSPF

Timing & longevity

72. One concern raised with us was that the UKSPF programme lasts three years, when the ESIF was a seven-year programme.[141] We were told that this has presented a challenge for local authorities who are unable to plan beyond three years, as they had previously, which is hindering longer term interventions, in turn making it difficult to undertake significant capital projects and placing pressure on local authorities to get money out the door rather than deliver "strategically valuable projects".[142]

73. The challenge of a shorter programme has reportedly been exacerbated by the slow distribution of funding by the Government. Despite allocations being announced in August 2022, some recipients were still awaiting their funding in December 2022, with only a few months remaining to spend the allocated funds before the end of the financial year.[143] We raised these concerns at our Ministerial session where it was confirmed that some payments were made in December and some were due to be made in January 2023.[144] Dehenna Davison, also confirmed that "assuming there is a decent, reasonable plan and explanation as to why" the money cannot be spent, local authorities receiving UKSPF could carry over funding into the new financial year.[145]

137 DLUHC, the UK Shared Prosperity Fund: prospectus, August 2022
138 DLUHC, the UK Shared Prosperity Fund: prospectus, August 2022
139 DLUHC, the UK Shared Prosperity Fund: prospectus, August 2022
140 Richmondshire District Council (FFL012) para 8
141 DLUHC, European Structural and Investment Funds programme guidance, 16 July 2015
142 Industrial Communities Alliance [FFL035]
143 Q72 [Geoff Raw, Chief Executive, Brighton, and Hove City Council]
144 Q243 [Jessica Blakely, Director of Levelling Up Major Programmes, Department for Levelling Up, Housing and Communities]
145 Q243 [Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up, Department of Levelling Up, Housing and Communities] and Q244 [Dehenna Davison Parliamentary Under Secretary of State for Levelling Up, Department of Levelling Up, Housing and Communities]

Funding shortfall

74. The Government pledged to match "EU structural funds for each nation" through UKSPF.[146] The Autumn Budget 2021 set out the funding profile for UKSPF, showing the gradual increase of the overall allocation of funding year by year up until 2024/2025.[147] These workings show that the UKSPF is £1.3 billion per year higher than what the UK received from the ERDF and ESF.[148] The House of Commons Library has also calculated that the UKSPF totals for 2024 and 2025 match the average real-terms amounts received from the EU in 2014–2020. However, the Library briefing explains that "[it] will take several years to reach this level of funding, particularly as funding will start to be paid out by October 2022 at the earliest" and that this has been portrayed as a breach of the pledge to maintain the level of funding from the structural funds.[149] The Government has described this as a "ramp up" process as EU funds "taper" or wind down.[150] Nonetheless, because UKSPF is not planned to reach its full level of funding until 2024 to 2025 it means that during the first quarter of 2024 UKSPF will still be providing a lower level of funding with no EU funding to top it up.[151]

75. Other concerns came, for example, from the Industrial Communities Alliance who argued that the Government appears to have based funding allocations on EU funding models from 2014–2020 which have "failed to reflect the evolving economic geography of the UK".[152] Furthermore, Norfolk County Council emphasised that rural areas face the "challenge of delivering services to spatially dispersed populations" and as such need "at least the same amount of funding as previously secured through EU sources".[153]

76. We have received a considerable amount of evidence from witnesses who claim that what they are due to receive differs from what they had been expecting. The Scottish Government said that their allocation for 2022–23 is £151 million short.[154] The Welsh Government said that for the three years from 2021–22 to 2024–25, they will receive £772 million less than the equivalent allocation would have been under EU funds.[155] In their written evidence, officials from the Northern Ireland Executive said that their UKSPF allocation was £127million over three years "representing a substantial shortfall in the total funding… and represents a loss of £23m per annum for NI Departments".[156] In addition, areas such as South Yorkshire and Tees Valley are examples of areas, according to the Northern Powerhouse, who were forecast to receive less funding through UKSPF than they did through the previous European funding model.[157]

146 DLUHC, Government kickstarts £2.6 billion of investment as the UK approves spending plans for funding previously run by the European Union, 5 December 2022
147 HM Treasury, Autumn Budget and Spending Review 2021, 27 October 2021, p 6
148 UKSPF is the successor to some EU structural Funds, specifically, the European Regional Devlopment Fund and (ERDF) and the European Social Fund (ESF)
149 The UK Shared Prosperity Fund, Research Paper 08527, House of Commons Library, April 2022
150 Q239 [Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up, Department for Levelling Up, Housing and Communities] and Letter from Lia Nici, Parliamentary Under Secretary of State for Levelling Up to the Chair dated 19 July 2022 concerning the UK Shared Prosperity Fund
151 The UK Shared Prosperity Fund, Research Paper 08527, House of Commons Library, April 2022
152 Industrial Communities Alliance (FFL035) para 15
153 Norfolk County Council (FFL021) para 8
154 The Scottish Parliament, The UK Shared Prosperity Fund: competing claims, March 2022
155 Letter from Vaughan Gething Minister for Economy, Wales to the Chair dated 9 January 2023, concerning funding for levelling up
156 Northern Ireland Department of Finance and Northern Ireland Department for the Economy (FFL040) para 4
157 Northern Powerhouse Partnership, Allocation of Regional Development Funding pre-White Paper Analysis, (September 2016)

77. Despite this, in January 2023 the Government said that UKSPF is a "sufficient replacement" of the previous EU funding streams.[158] Critics have accused the Government of "double counting" which is best described by Henri Murison, Director, Northern Powerhouse Partnership, who said the method of distributing funding is "a bit like saying that a child doesn't get any birthday money because they haven't spent their Christmas money yet".[159] Emran Mian, Director General for Regeneration, DLUHC, told us in January 2023 that assessing the comparative levels of funding from the UKSPF and the ESIF was a complex calculation, but that the Department had published the full detail of how that calculation was made. On that basis, he said, "we think it entirely proper to say that we are matching the amount of European structural funding".[160]

The "cliff-edge"

78. We were told of a potential "cliff edge" in funding for services if the Government did not replicate EU funds and did not deliver the funding to recipients in good time. Officials from the Northern Ireland Executive told us starkly in December 2022 that:

> "The delay in launch of UKSPF and the lack of full replacement has placed organisations who deliver services for the most vulnerable in society at risk, further disadvantaging those most in need".[161]

79. Officials in the Northern Ireland Executive told us that approximately 2,000 jobs are supported by the current ESF programmes which "deliver services for some of the most vulnerable people in our society" and as a result of the current funding arrangements staff for these services have been put on "protective notice" making it difficult for organisations to retain specialist staff "even if DLUHC are able to deliver new funding" at this stage. They added that that "Whitehall departments will now need to work urgently to prevent cessation of funding which results in a loss of service provision".[162]

80. Since December 2022, we have been updated by Northern Ireland's Department of Finance and Department for the Economy that this delay, brought to our attention in December 2022, has "already had serious consequences" and the officials "[have] already been informed of at least one organisation that will no longer exist from 1 April 2023" while other organisations have had staff "[leave] voluntarily due to the uncertainty around future support".[163]

81. This problem is not unique to Northern Ireland. The Minister for the Economy in Wales said there were due to be "600 job losses as a result of the change in funding",[164] and the Equality and Human Rights Commission told us that the delay in funding distribution has also affected third sector organisations:

158 Q109 [Emran Mian, Director General for Regeneration, Department of Levelling Up, Housing and Communities] and Q110 [Emran Mian, Director General for Regeneration, Department of Levelling Up, Housing and Communities]

159 "Row over post-Brexit cash for Teesside as mayor's funding claim rejected by powerhouse chief", Teesside News, 28 April 2022

160 Q110 [Emran Mian, Director General for Regeneration, Department of Levelling Up, Housing and Communities]

161 Northern Ireland Department of Finance and Northern Ireland Department for the Economy (FFL040) para 7

162 Northern Ireland Department of Finance and Northern Ireland Department for the Economy (FFL040) para 7

163 Letter from Neil Gibson, Permanent Secretary Department of Finance and Mike Brennan, Permanent Secretary Department for the Economy, Northern Ireland, to the Chair dated 24 March concerning Funding for Levelling Up

164 Q138 [Vaughan Gething, Minister for Economy, Welsh Government]

> "[This delay] prompted the National Council of Volunteer Organisations, the Charity Finance Group and New Philanthropy Capital to express concern about the sustainability of charitable organisations and so their ability to work effectively to support equality and human rights".[165]

82. **We have heard from representatives from the Welsh and Scottish Governments, officials from Northern Ireland, and from English local authorities, all of which have said that the UK Shared Prosperity Fund (UKSPF) was not a sufficient replacement for previous European funding. However, the DLUHC has assured us that the UKSPF is indeed a sufficient replacement. We have endeavoured to reconcile these differing views and better to understand what the reality of the funding situation is. the House of Commons Welsh Affairs Select Committee and the Scottish Affairs Select Committee have also spent time trying to get to the root of the disagreement between recipients and the Government on the sufficiency of these funds. However, all the evidence we have received has said that the UKSPF is not a sufficient replacement.**

83. ***We do not have sufficient data regarding how calculations have been made, the information we do have from central and the Devolved Governments are also not comparable in their current form. However, the number of stakeholders and local government bodies which have told us UKSPF is not a sufficient replacement is significant. This view indicates that there has been a serious deficit of collaboration and communication between the DLUHC and recipients on this issue, resulting in the lack of a shared understanding of the methodology the Government has used to calculate UKSPF.***

84. **One criticism of the UKSPF, which has been reiterated is that funding is only allocated for 3 years. In comparison, previous EU funding was allocated over 7 years. The shorter time frame for this replacement fund has caused difficulties for many organisations who require a longer term in which to achieve the interventions for which they are seeking funding.**

85. ***The Government needs to find a way to provide certainty of funding for a period of time which is more than the three years under the UKSPF. We have seen in the local government sector what a detrimental effect short-term financial funding settlements have had, and we receive repeated calls to press the Government for multi-year settlements. If the Government does not find a way to provide funding over a longer period, many organisations will find their programmes to be unviable, and a lot of important work will go undone. Therefore, we call on the Government to commit to a longer-term funding programme.***

165 Equality and Human Rights Commission (FFL043) para 2

6 Consultation with the Devolved Governments

86. Levelling up is a UK-wide policy, and as described in the previous chapter, some of its associated funds are distributed within Wales, Scotland and Northern Ireland. As part of this inquiry, we heard from representatives of the Welsh and Scottish Governments as well as officials from the Northern Ireland Executive. The recurring message from the evidence provided to us by the three Devolved Government representatives that was the lack of consultation DLUHC had had with them before, during and after the creation and distribution of funding streams for levelling up.

Scotland

87. We heard evidence from John Swinney MSP, then Deputy First Minister of Scotland, about how funding for levelling up was operating in Scotland. He told us that the "UK Government are taking an interest and perspective across the whole of the UK and that rather jars with the devolution of particular functions" but despite this, there appeared to be "no single strategic overview about how those funds should be administered", and, consequently, the UK Government's approach "raises questions about the alignment of decision making" across Holyrood and Westminster.[166] Mr Swinney said that, because of the cross-over between devolved policy areas and the areas of focus for funding for levelling up, confusion was being created, and there was an extra layer of bureaucracy for those receiving funding:

> "[P]eople and organisations in Scotland…now have to look to Scottish Government and then to UK Government for the potential availability of certain funds and that can affect the levelling up funds".[167]

88. This we would argue is not good value for money and is overly bureaucratic. Mr Swinney noted the importance of ensuring "levelling up funding is allocated in a way which is consistent with the needs and opportunities on an aligned basis within our policymaking" but noted that Scotland, in engagement with DLUHC, had not been able to change the outcomes of the funding models used by the Treasury and DLUHC. He said that without consultation or engagement and a lack of strategic oversight the UK Government was at risk of "diminishing the effectiveness of public expenditure".[168]

Wales

89. The debate regarding funding for levelling up in Wales has focused on the adequacy of the data used by DLUHC and the implications this has had for funding allocations in Wales, specifically in relation to 'Multiply' funding. As part of the UK Shared Prosperity Fund, the 'Multiply Fund' seeks to "transform the lives of adults across the UK, by improving their functional numeracy skills".[169] The Institute for Fiscal Studies (IFS) said that Wales will receive almost seven times more Multiply funding per person than England, despite

166 Q31 [John Swinney MSP, Deputy First Minister, Scottish Government]
167 Q35 [John Swinney MSP, Deputy First Minister, Scottish Government]
168 Q45 [John Swinney MSP, Deputy First Minister, Scottish Government]
169 Department for Education, Multiply: funding available to improve adult numeracy skills, 13 April 2022

levels of numeracy being similar. They also found that "the allocation formula used by the UK Government means that more populous areas receive less funding per person than areas with the same socio-economic profile but with smaller populations".[170]

90. The IFS said, "there is no good reason why two places with the same levels of deprivation should see funding per person vary just because their populations differ - which in principle in Wales could mean their funding per person could differ up to 6 times".[171] The IFS concluded by saying that the approach to allocating 'Multiply' funding may reflect "a lack of meaningful engagement with the devolved governments".[172]

91. The lack of consideration of local circumstances and knowledge was further illustrated by Vaughan Gething AS/MS, the Welsh Minister for the Economy:

> "The lack of meaningful engagement by the UK Government has resulted in flawed policies, long delays, and unfair pressures on Welsh Institutions at the worst possible time. This could have been avoided and still could be if the UK Government is willing to open the door to genuine involvement, negotiation and [to] change the programmes to reflect the environment in which they are operating".[173]

92. We were told that the Welsh Government had "little less than two weeks" in which to engage with the UK Government on UKSPF. When they did have a dialogue, Vaughan Gething [Minister for Economy, Wales] told us that the UK Government "failed to recognise the flaws in their own approach and did not adopt" Wales's proposed alternative.[174]

Northern Ireland

93. In respect of Northern Ireland (NI), one particular issue raised with us by officials from the Executive concerned the fact that the parameters for engagement associated with Levelling Up and associated funding streams, set out by the DLUHC were not compatible with Northern Ireland provisions under section 75 of the Northern Ireland Act 1998. Written evidence from Northern Ireland officials said the NI Executive had noted "the lowest viable level at which UKSPF" could be delivered in Northern Ireland was through the Executive to "ensure alignment with the NI Programme for Government" and to ensure "compatibility with the requirements of section 75 of the Northern Ireland Act 1998.[175] Contextually, section 75 of the aforementioned Act was "implemented as a result of the Belfast (Good Friday) Agreement and forms the basis of Northern Ireland's unique equalities legislation". These duties are different to those duties placed on authorities in Great Britain through the Equality Act 2010.[176] Furthermore, written evidence provided by NI officials noted that it is "normal practice' for UK Government bodies operating

170 Institute for Fiscal Studies, UK Shared Prosperity Fund allocations for Welsh Councils are flawed, costing some areas millions (July 2022)
171 Institute for Fiscal Studies, UK Shared Prosperity Fund allocations for Welsh Councils are flawed, costing some areas millions (July 2022)
172 Institute for Fiscal Studies, UK Shared Prosperity Fund allocations for Welsh Councils are flawed, costing some areas millions (July 2022)
173 Letter from Vaughan Gething Minister for Economy, Wales to the Chair dated 9 January 2023, concerning Funding for Levelling Up
174 Letter from Vaughan Gething Minister for Economy, Wales to the Chair dated 9 January 2023, concerning Funding for Levelling Up
175 Northern Ireland Department of Finance and Northern Ireland Department for the Economy (FFL040) para 23
176 Northern Ireland Department of Finance and Northern Ireland Department for the Economy (FFL040) para 27

in NI to be designated to ensure their operations In Northern Ireland adhere to section 75 duties.[177] We heard, to make matters worse, DLUHC did not share an Equalities and Impact Assessment with NI officials, a process which is designed to ensure a policy does not unlawfully discriminate against protected characteristics.[178]

94. We heard that the parameters for engagement set out by DLUHC were, subsequently, not compatible with the Northern Ireland Act 1998 under section 75 and as a result, officials were unable to engage without the potential risk of legal proceedings:

> "The failure of DLUHC to implement unique aspects of Governance in NI, such as section 75 of the Northern Ireland Act 1998, has resulted in programmes which are not well adapted to Northern Ireland and have created a complicated situation for Northern Ireland Departments balancing the potential benefits of helping Whitehall Departments to improve their programmes against the legal risks of doing so".[179]

95. Northern Ireland officials also told us that the centralised delivery of funding for the policy has "created a confused and complicated funding landscape.[180] DLUHC told us on 21 April they "did not use existing structures in Northern Ireland to deliver UKSPF Economic Inactivity Fund"[181] for example, and seemingly, instead have created their own parameters for engagement which bypasses the equalities provisions integral to Northern Ireland. The Department has continued to adopt this general method engagement despite concerns being raised by officials at our evidence session held on 12 December.[182] These concerns around engagement and collaboration in Northern Ireland are not new, and have been previously raised as an area of concern by the Northern Ireland Affairs Committee who recommended that the Government should pursue "further means of collaboration and engagement" when it comes to the delivery of funds in NI.[183]

96. When we first raised these issues with Jessica Blakely, Director of Levelling Up Major Programmes, DLUHC, she said that the issue was not "something that we would agree with" and had been covered by the "public sector equality duty".[184] However, Dehenna Davison committed to reviewing the written and oral evidence provided to us by officials of the Northern Ireland Executive which had not been done so prior to the Ministerial oral evidence session in January 2023.[185]

97. Since then, we have been pursuing this issue through correspondence. Officials of the Northern Ireland Executive reiterated to us on the 24 March 2023 that, despite a letter from DLUHC on the 14 February noting that the Department would "work with public sector applicants in Northern Ireland to ensure that projects are compliant with their duties under the Equality Act of 2010", they were still "unaware of any duties in NI public

177 Northern Ireland Department of Finance and Northern Ireland Department for the Economy (FFL040) para 28
178 Northern Ireland Department of Finance and Northern Ireland Department for the Economy (FFL040) para 10
179 Northern Ireland Department of Finance and Northern Ireland Department for the Economy (FFL040) para 43
180 Northern Ireland Department of Finance and Northern Ireland Department for the Economy (FFL040) para 41
181 Letter from Dehenna Davison Parliamentary Under Secretary of State for Levelling Up, to the Chair dated 21 April 2023 UKSPF in Northern Ireland
182 Q145 [Laura McDonald, Deputy Director, Northern Ireland Department of Finance]
183 Northern Ireland Affairs Committee, Investment in Northern Ireland, House of Commons, First Report of Session 2022–23, p 10
184 Q250 [Jessica Blakely, Director of Levelling Up Major Programmes, Levelling Up, Housing and Communities]
185 Q250 [Dehenna Davison, Parliamentary Under Secretary of State for Levelling up, Department for Levelling Up, Housing and Communities]

sector under the 2010 Act that would be relevant to UKSPF".[186] Officials re-iterated their concerns around adherence to section 75 of the Northern Ireland Act 1998 which is the "cornerstone" of their "equalities framework" and is distinct from that of Great Britain's.[187]

98. In a letter dated 31 March 2023, we were informed of the announcement of further competitive funding for Northern Ireland, despite concerns being raised about the shortfall of funding in the run up to the 31 March 2023.[188] The evidence from officials in the Northern Ireland Executive in this and the previous chapter -- and the correspondence from DLUHC-- illustrates an on-going lack of consultation, collaboration and ability to deliver funding in good time. This is despite the challenges for Northern Ireland being raised with us as early as December 2022.

99. By April 2023, it had become apparent that the lack of timely funding to Northern Ireland has resulted in services closing their doors or letting staff go. For example, *BBC Northern Ireland* reported, that Kilcooley Women's Centre in Ards and north Down in Northern Ireland, "which offers women in vulnerable situations childcare, health and mental-health services has been told the £900,000 funding it received from the EU will not be replaced".[189]This shortfall and delay in funding is likely to result in the closure of this centre, and others like it.[190]

100. The lack of compatibility and the inability for officials of the Northern Ireland Executive to engage with the process in partnership with DLUHC calls into question the extent to which DLUHC acknowledges the devolved governance structures and circumstances unique to Northern Ireland. Officials of the Northern Ireland Executive said:

> "In a world of finite resources, the provision of fragmented funding allocations that may not align with local priorities and a continued lack of clarity on how projects are selected remains, in our view, a highly sub optimal way to serve the people of Northern Ireland"[191]

101. We are disappointed that in our most recent correspondence with DLUHC that they were unable to provide a satisfactory reason as to why the Department did not use the existing structures in Northern Ireland and adhere to section 75 of the Northern Ireland Act 1998 when engaging on levelling up funds. These concerns may continue to be raised and scrutinised by the relevant Select Committees.

102. **The DLUHC has told us that it consulted with the Devolved Governments on the creation, compatibility, and implementation of the levelling up funds. However, we have heard from the Scottish and Welsh Governments, and officials from the Northern**

186 Letter from Neil Gibson, Permanent Secretary Department of Finance and Mike Brennan, Permanent Secretary Department for the Economy, Northern Ireland to the Chair dated 24 March 2023 concerning funding for levelling up

187 Letter from Neil Gibson, Permanent Secretary Department of Finance and Mike Brennan, Permanent Secretary Department for the Economy, Northern Ireland to the Chair dated 24 March 2023 concerning funding for levelling up

188 Letter from Dehenna Davison, Parliamentary Under Secretary of State for Levelling Up to the Chair dated 31 March concerning UKSPF in Northern Ireland

189 "European Social Fund: Groups face cuts despite £57m UK cash", The BBC, 31 March 2023

190 "European Social Fund: Groups face cuts despite £57m UK cash", The BBC, 31 March 2023

191 Letter from Neil Gibson, Permanent Secretary Department of Finance and Mike Brennan, Permanent Secretary Department for the Economy, Northern Ireland, to the Chair dated 24 March 2023 concerning funding for levelling up

Ireland Executive, that they have not been satisfied with the level of consultation they have had with the Department. Based on the concerns and challenges that have been presented to us in relation to funding for levelling up by the Devolved Governments, we can only conclude that the consultation has for all involved. If the Department had taken a more detailed and comprehensive approach before and during their consultation, while taking on board concerns raised by the Devolved Governments, we believe it would have been able to avoid some of the challenges and criticisms it has encountered.

103. **We have also heard from the Scottish and Welsh Governments, and officials from the Northern Ireland Executive, that levelling up funding was not always compatible with devolved policy and that the method of distribution was not appropriate. The Multiply fund is an example of the UK Government not providing value for money when it comes to matters under the UKIMA and devolved policy. Although the UK Internal Market Act 2020 provides the Government with powers to support economic and education development across the UK, we have heard that the method for distributing Multiply funding was wasteful and not done in the most efficient way.**

104. ***Where the DLUHC is seeking to provide funding in [policy] areas that are generally understood to be devolved, it is critical that the Department works hand in glove with the Devolved Governments. As such, through good communication and close collaboration, the Department should ensure the distribution of funding reflects the knowledge, expertise, and preferences of the Devolved Governments so far as it compatible with the purpose and objectives of the funding, whilst acknowledging the provisions under the UK Internal Markets Act. We recommend that in future the DLUHC ensures there is ongoing and more detailed engagement with the Devolved Governments at a level deemed sufficient by Wales, Northern Ireland, and Scotland to allow for emerging challenges to be addressed in a timely and efficient manner.***

105. **The lack of consideration for the circumstances in which the Executive and its Officials in Northern Ireland operate is of even greater concern to us and speaks to an on-going theme we found throughout this inquiry regarding the extent of consultation carried out by the DLUHC with Devolved Governments and stakeholders. We heard that the parameters for engagement set out by the Department in their initial phase of consultation were not compatible with section 75 of the 1998 Northern Ireland Act. Officials from Northern Ireland told us that the Department did not use existing structures for engagement in Northern Ireland and, because their engagement was not in line with the 1998 Act, officials were at risk of legal proceedings if they did engage. We have not had a satisfactory explanation from the Department on this matter and this issue remains unresolved.**

106. ***In the future, the DLUHC must make sure that its engagement with officials in Northern Ireland is compatible with section 75 of the 1998 Northern Ireland Act, so that in the absence of an Executive, officials in Northern Ireland are able to engage with the DLUHC. For this reason, the DLUHC must avoid needlessly reinventing the parameters for engaging with stakeholders in Northern Ireland and instead engage with them through existing structures to avoid these challenges in the future.***

7 Local growth

Local growth Initiatives

107. Throughout our inquiry we have been concerned about the effect that a considerable policy churn in this area has had on the prospect for a long-term impact, which these funds are intended to achieve. The *Levelling Up the United Kingdom* policy is the latest iteration in a long line of local growth initiatives, described by Professor Fothergill as "old policies under a new label".[192] We also received evidence highlighting the importance of "tackling deep-rooted inequalities" which will require long "long term funding and activity" in order to begin to address the challenges the White Paper outlines.[193]

108. The White Paper sets ambitions for twelve missions to be reached by 2030, recognising that whilst "certain communities will need greater support" in the immediate term, that the missions will "begin to have visible effects on high streets and in local communities in the next few years".[194] However, improving the appearance of shop fronts and high streets is a very different challenge to that of seeking to improve productivity, skills and research. Arguably, these challenges can only be addressed through higher paid jobs, higher productivity, upskilling and improved transport infrastructure. When comparing the UK's regional inequalities at an international level, Philip McCann Professor of Urban and Regional Economics, found that the UK ranks behind Slovakia, and the Czech Republic for example when comparing the UK's interregional inequalities.[195] The Industrial Communities Alliance told us that "it is unrealistic to expect that long-established disparities in economic well-being and life-chances will be eradicated by 2030".[196] The UK2070 Commission estimated that addressing regional inequalities would require an investment of £250 billion which would need to be "sustained for at least 25 years".[197] Paul Swinney, Director of Policy and Research, Centre for Cities, drew comparisons with the quantity and longevity of funding allocated for the reunification of Germany between 1990–2014:

> "The estimate is that the Germans spent about €2 trillion on that project over a thirty-year period, and we are talking about pots of money of £4.7 billion and £5 billion. While clearly, they are not insignificant pots of money, they are drops in the ocean compared to what has been done in Germany".[198]

109. Despite the need for sustainable and long-term growth, the churn of local growth initiatives has markedly increased, most noticeably since 2010. The National Audit Office published a report titled *Local Enterprise Partnerships: an update on progress* in 2019 which found that since 1978 the number of local growth initiatives have increased in number, but the funding has not. A further National Audit Office report in February 2022, titled *Supporting Local Economic Growth*, found that DLUHC has a "poor understanding of

192 Q6 [Professor Fothergill, Sheffield Hallam University]
193 Q6 [Professor Fothergill, Sheffield Hallam University] Power to Change (FFL003) Centre for Inequality and Levelling Up, University of West London (FFL001) and CEDOS (FFL022) Professor David Richards, Dr Sam Warner, Proffessor Martin Smith, Professor Dian Coyle (FFL046)
194 DLUHC, The Levelling Up White Paper, February 2022, p 8 - 10
195 Professor Philip McCann, "Perceptions of regional inequality and the geography of discontent: insights from the UK", Routledge Taylor and Francis, vol 54 (2020) p 12
196 Industrial Communities Alliance (FFL035) para 12
197 UK2070 Commission, An inquiry into Regional Inequalities (May 2019) p 12
198 Q11 [Paul Swinney, Director of Policy and Research, Centre for Cities]

what has worked well in previous local growth programmes" and has not "assessed whether individual policies have had their intended impact".[199] This lack of understanding and reflection from the DLUHC may contribute to the lack of strategic oversight which has been applied to funding for levelling up. Mayor of the West Midlands, Andy Street summarised this when said to us: "is there a real strategic plan behind these either locally or centrally? There is not".[200]

110. **The Government's flagship Levelling Up policy is one in a long line of local growth initiatives. The National Audit Office reported that since 2010 there has been the repeated introduction of 'new' local growth policies. The stop-start character of local growth initiatives has arguably slowed or even in some case prevented the development and provision in local areas of infrastructure to support individuals and communities through long and sustained interventions. International comparisons have been drawn with the longevity of funding associated with Germany's reunification project which spanned several years. This policy has been referred to by some as a model of best practice when comparing the benefits of longer-term, substantive, growth initiatives and funding. We also note that the levelling up missions, as set out in the White Paper, are intended to be achieved or to have seen some progress by 2030, which only allows for under 10 years for the policy's aims to be achieved.**

111. **Based on the evidence we have received and given the historic frequent churn of local economic growth initiatives, it can be argued that levelling up is unlikely to be successful in achieving the objectives it seeks to address. The challenges levelling up seeks to resolve are complex and cannot be remedied by one-off short-term initiatives. To change this, the policy requires a long-term and substantive strategy and funding approach, things this policy currently lacks. Without such, Levelling Up risks joining the short-term Government growth initiatives which came before it.**

112. ***We note the significant cross-party consensus there appears to be for the challenges that the Levelling Up policy is seeking to solve. We recommend that future Governments take a more sustained and long-term approach to levelling up matched by ongoing and secure funding. This must avoid unnecessary duplication and not lead simply to the creation of more local growth initiatives. Only in this way can the policy begin to address the challenges outlined in the White Paper and ultimately find success in 'levelling up' the UK.***

199 National Audit Office, Supporting local economic growth (February 2022) p 24
200 Q109 [Mayor of West Midlands, Andy Street]

Conclusions and recommendations

The Government's approach to levelling up

1. We are yet to see any evidence of sustained joint working between Departments, and the coordination of the various funding pots they control, which are intended to contribute towards the ambitions of the Levelling Up White Paper. The Department for Levelling Up, Housing and Communities is responsible for overseeing the delivery of the Levelling Up policy, but we have found that it does not appear have a clear understanding of which funds specifically contribute towards the four main objectives in the White Paper and what the totality of funding available is. (Paragraph 16)

2. Local authorities' revenue funding has reduced significantly since 2010. Levelling up funds generally do not replace grant funding because first they are capital not revenue and; second, because they cover specific projects rather than necessarily covering the priorities of the local authorities. (Paragraph 17)

3. *If Levelling Up is to remain the Government's flagship policy, as it has described it, its delivery must involve greater co-ordination and oversight across Government where applicable. The Government must get to grips with setting out which funding streams are materially contributing to the Levelling Up policy. All Government departments must identify and assess those spending allocations which are being used to achieve the objectives set out in the Levelling Up White Paper. DLUHC, as the Department primarily responsible for delivering levelling up must make clear what funding is being provided to achieve which objectives and outcomes so that the progress of the policy can be clearly monitored, and delivery against ambitions accurately assessed.* (Paragraph 18)

4. *As a starting principle, local authorities who most require prioritising within the Levelling Up policy should be allocated money through revenue to achieve objectives that are in line with their local circumstances and need, with the appropriate monitoring and expenditure in place. Local authorities must be given the flexibility to use allocated funds in the most effective way they can. Therefore, we recommend there is a change in approach across Government when it comes to funding for levelling up. The Department should move away from an overemphasis on bid and judgement-based funding pots which may impede effective local decision-making.* (Paragraph 19)

Competitive Funding

5. The Levelling Up White Paper committed the Department to simplify funding streams and reducing the requirements to access competitive bidding. Despite this, we have seen limited evidence that any progress has been made on these objectives to date. Furthermore, the evidence we received on competitive funding has indicated the challenges are far greater than those outlined in the White Paper. (Paragraph 25)

6. It was made clear by our witnesses that competitive bidding is a resource intensive and costly activity. This can create barriers for stakeholders and communities in need of funding. Whilst limited funding was provided for some local authorities in the

Levelling Up Fund round one to assist with bidding costs, challenges remain. These include, but are not limited to, additional costs associated with planning, hiring consultants and costs associated with diverting employee time away from core tasks to put together bids. This is in addition to the financial strain already felt across local authorities. We have also heard that the competitive process is better suited to larger local government bodies with more ready access to resources which can create an uneven playing field. The evidence shows that those who are successful in bidding have a greater chance of success in subsequent rounds or other competitive bidding processes. (Paragraph 26)

7. *The Government must follow through on its commitment to simplify funding streams and reduce requirements to access competitive pots. The DLUHC must also seek to reduce the number of competitive funding pots. By reducing the number of such pots, by simplifying the funding landscape, and by making the process more accessible, the DLUHC can avoid unnecessary waste of both local and central Government resources. This would address some of the concerns regarding the resource intensive process surrounding competitive bidding. The Government must seek to ensure that those local authorities which need additional resources are supported through adequate essential core funding streams and supported in their applications. Competitive bids for additional funding should in no way be a replacement for the funding that local authorities have historically received and should continue to be allocated. In order to ensure competitive bidding does encourage collaboration and innovation, and is a worthwhile exercise, future competitive funds must be for unique ventures and the amount of funding available must be substantial.* (Paragraph 27)

8. We heard evidence which brought into question the extent of support provided to applicants or unsuccessful applicants by DLUHC. There is a wide gap in perception between the quality of feedback the DLUHC said it had provided and the quality of feedback applicants said they had received. DLUHC does not appear to have a department-wide process which allows for a consistent approach to delivering feedback. (Paragraph 30)

9. *We recommend that the DLUHC provides better guidance on how it will provide feedback on bids. The guidance must set out that feedback is timely, detailed, and consistent. This is especially important for levelling up funds as the quality of DLUHC's feedback can hinder future applications which can be to the detriment of local communities. Feedback must also be made publicly available, where possible, so that communities can understand why bids are accepted or rejected. This new guidance should be widely disseminated and embedded in departmental practice so that in future those who have been unsuccessful in bidding are able to derive satisfactory material from what has otherwise been a dispiriting process.* (Paragraph 31)

10. We acknowledge that in certain circumstances competitive bidding can also foster collaboration across local government. However, it can also encourage local authorities to develop plans or projects it perceives Whitehall will value to secure funding, rather than to deliver what their local communities may have prioritised. (Paragraph 39)

11. The nature of competitive bidding can result in resentment between communities and similar neighbouring authorities across the country. Communities and local

authorities should be encouraged to work together, and the Government should be mindful of any adverse effects caused by competitive bidding. It is important that competitive bidding does not pit communities or local authorities against one another for finite resources. (Paragraph 40)

12. A further concern regarding the distribution of competitive funding was the additional metrics for success applied to once applications had closed in round two of the Levelling Up Fund. This was signally unhelpful for perceptions of trust and transparency and leaves the Government open to criticisms that it has not clearly explained how funding decisions have been made on the basis of need or merit. (Paragraph 48)

13. *Throughout all future competitive bidding processes, the Government must avoid introducing additional metrics for success once an application process has closed. If, for any reason, this becomes unavoidable, the DLUHC must communicate this change via official and public channels of communication before successful applicants are announced. Throughout any funding programme the Government must also ensure that they are able to adapt and respond to the possible impact of inflation through adequate financial support for successful projects.* (Paragraph 49)

14. We heard that an Investment Zone expression of interest costs in the region of £50,000 for one application. Since the Government's Growth Plan 2022, little to no updates have been provided on the future of Investment Zones until the Budget in March 2023. Although we welcome the Government's decision to re-open the application process, the DLUHC has limited who can apply. The regions eligible are all Mayoral Combined Authorities (MCA).This raises concerns about the opportunities to level up for areas that do not have an MCA. The Government has also significantly reduced the number of Investment Zones to 12 after receiving nearly 100 applications for the first iteration of the Investment Zone policy. The Government has also not provided any update or compensation for those who wasted resources applying for the original Investment Zones policy. (Paragraph 53)

15. *The Investment Zone policy geared local government up to the prospect of additional funding before the goalposts were moved. Whilst we appreciate that policies sometimes necessarily evolve over time, every effort must be made to ensure that a similar situation does not occur in the future, resulting in a waste of time, effort and money for many local authorities which are already hard pressed and likewise for civil servants within DLUHC.* (Paragraph 54)

Data and Metrics

16. The Index for Multiple Deprivation (IMD) has for a long time been widely considered to be the most efficient way of determining 'need'. As such, we do not agree with the DLUHC's decision to move away from the use of the long established IMD to determine priority areas one to three. We acknowledge that the DLUHC changed its use of metrics in the second round of the Levelling Up Fund. Nevertheless, it is still not clear what data sets were used for the amended process in round two or why they sought such a complicated process for round one, when local authorities have ample access to data and arguably understand their areas best. (Paragraph 63)

17. *The DLUHC should not seek to fix something which is not broken. Rather than outsourcing the collection of new data sets, the Department should have called on the expertise of bodies such as the Local Government Association and offices within local government which have ample access to data on deprivation and measuring need and understand their local areas and communities best. This would have ensured that time and money was not spent on reframing and accessing data which has, most likely, already been collated elsewhere. Furthermore, the data and data sources the DLUHC chooses to use to determine the parameters for funds, such as the Levelling Up Fund, should always be clear and accessible. It is still not always clear what data sets the DLUHC is using. We suggest that transparent data collection processes and calling on the support of local government would have prevented the perverse situation of deprived areas such as Barnsley Metropolitan Borough Council missing out from the first round of funding.* (Paragraph 64)

18. We are concerned about the DLUHC's lack of sufficient data on all aspects relating to levelling up. The Department has acknowledged that it lacks data of sufficient quality about Government department's expenditure on the full range of levelling up funds. It also lacks data on combined authority income and expenditure. This raises the question about how the DLUHC measures success or failure in the levelling up policy, its initiatives and objectives. Taking the publication of the White Paper as a starting point, the levelling up policy has been live for over a year, and the ongoing absence of adequate data raises significant concerns about how the DLUHC can realistically take credible data-driven decisions within this policy. It further raises questions about the DLUHC'S future ability to determine whether its policy is a success. (Paragraph 65)

19. *One of our core tasks is to monitor the policy of the DLUHC and without sufficient data we are limited in our ability to do so. We are concerned that the lack of accessible data was not foreseen or resolved in a timely manner. As the DLUHC noted themselves that there is not "sufficient data" we recommend DLUHC remedy this problem as quickly as possible. Therefore, the Department must produce and make publicly available the data on departmental expenditure and data on combined authority income and expenditure so that our committee, local government, and communities are able to access and monitor the policy's progress.* (Paragraph 66)

20. The DLUHC's solution to its lack of data appears to have been the creation of the 'Spatial Data Unit' (SDU). The SDU was set up over a year ago and since then we have sought to understand the work of this unit and their forward plan. However, it remains unclear what data will be produced and by when. (Paragraph 67)

21. *The delay and lack of information regarding what the SDU is working on, what the Unit intends to produce and when these data sets will be available, is unsatisfactory. The DLUHC, via the SDU, must make clear at the start of every year what data it is planning to produce and when this information will be made available. At present, in the absence of clear information about the intended outputs, we cannot see how the SDU is a good use of public resources. Levelling up requires a long-term strategy, with long term funding plan, backed by data. This is currently not being demonstrated.* (Paragraph 68)

22. According to the Financial Times, concerns about the DLUHC's ability to deliver 'value for money' have been raised by the Treasury. Despite DLUHC's efforts to reassure us, the Treasury's decision to remove DLUHC's ability to sign off on capital expenditure is a significant concern. *The DHLUC needs to make clear what impact this will have on the delivery of future DLUHC funded projects and in particular future funding under the levelling up policy.* (Paragraph 69)

The UK Shared Prosperity Fund

23. We have heard from representatives from the Welsh and Scottish Governments, officials from Northern Ireland, and from English local authorities, all of which have said that the UK Shared Prosperity Fund (UKSPF) was not a sufficient replacement for previous European funding. However, the DLUHC has assured us that the UKSPF is indeed a sufficient replacement. We have endeavoured to reconcile these differing views and better to understand what the reality of the funding situation is. the House of Commons Welsh Affairs Select Committee and the Scottish Affairs Select Committee have also spent time trying to get to the root of the disagreement between recipients and the Government on the sufficiency of these funds. However, all the evidence we have received has said that the UKSPF is not a sufficient replacement. (Paragraph 82)

24. *We do not have sufficient data regarding how calculations have been made, the information we do have from central and the Devolved Governments are also not comparable in their current form. However, the number of stakeholders and local government bodies which have told us UKSPF is not a sufficient replacement is significant. This view indicates that there has been a serious deficit of collaboration and communication between the DLUHC and recipients on this issue, resulting in the lack of a shared understanding of the methodology the Government has used to calculate UKSPF.* (Paragraph 83)

25. One criticism of the UKSPF, which has been reiterated is that funding is only allocated for 3 years. In comparison, previous EU funding was allocated over 7 years. The shorter time frame for this replacement fund has caused difficulties for many organisations who require a longer term in which to achieve the interventions for which they are seeking funding. (Paragraph 84)

26. *The Government needs to find a way to provide certainty of funding for a period of time which is more than the three years under the UKSPF. We have seen in the local government sector what a detrimental effect short-term financial funding settlements have had, and we receive repeated calls to press the Government for multi-year settlements. If the Government does not find a way to provide funding over a longer period, many organisations will find their programmes to be unviable, and a lot of important work will go undone. Therefore, we call on the Government to commit to a longer-term funding programme.* (Paragraph 85)

Consultation with the Devolved Governments

27. The DLUHC has told us that it consulted with the Devolved Governments on the creation, compatibility, and implementation of the levelling up funds. However, we have heard from the Scottish and Welsh Governments, and officials from the Northern Ireland Executive, that they have not been satisfied with the level of consultation they have had with the Department. Based on the concerns and challenges that have been presented to us in relation to funding for levelling up by the Devolved Governments, we can only conclude that the consultation has for all involved. If the Department had taken a more detailed and comprehensive approach before and during their consultation, while taking on board concerns raised by the Devolved Governments, we believe it would have been able to avoid some of the challenges and criticisms it has encountered. (Paragraph 102)

28. We have also heard from the Scottish and Welsh Governments, and officials from the Northern Ireland Executive, that levelling up funding was not always compatible with devolved policy and that the method of distribution was not appropriate. The Multiply fund is an example of the UK Government not providing value for money when it comes to matters under the UKIMA and devolved policy. Although the UK Internal Market Act 2020 provides the Government with powers to support economic and education development across the UK, we have heard that the method for distributing Multiply funding was wasteful and not done in the most efficient way. (Paragraph 103)

29. Where the DLUHC is seeking to provide funding in [policy] areas that are generally understood to be devolved, it is critical that the Department works hand in glove with the Devolved Governments. As such, through good communication and close collaboration, the Department should ensure the distribution of funding reflects the knowledge, expertise, and preferences of the Devolved Governments so far as it compatible with the purpose and objectives of the funding, whilst acknowledging the provisions under the UK Internal Markets Act. We recommend that in future the DLUHC ensures there is ongoing and more detailed engagement with the Devolved Governments at a level deemed sufficient by Wales, Northern Ireland, and Scotland to allow for emerging challenges to be addressed in a timely and efficient manner. (Paragraph 104)

30. The lack of consideration for the circumstances in which the Executive and its Officials in Northern Ireland operate is of even greater concern to us and speaks to an on-going theme we found throughout this inquiry regarding the extent of consultation carried out by the DLUHC with Devolved Governments and stakeholders. We heard that the parameters for engagement set out by the Department in their initial phase of consultation were not compatible with section 75 of the 1998 Northern Ireland Act. Officials from Northern Ireland told us that the Department did not use existing structures for engagement in Northern Ireland and, because their engagement was not in line with the 1998 Act, officials were at risk of legal proceedings if they did engage. We have not had a satisfactory explanation from the Department on this matter and this issue remains unresolved. (Paragraph 105)

31. In the future, the DLUHC must make sure that its engagement with officials in Northern Ireland is compatible with section 75 of the 1998 Northern Ireland Act, so

that in the absence of an Executive, officials in Northern Ireland are able to engage with the DLUHC. For this reason, the DLUHC must avoid needlessly reinventing the parameters for engaging with stakeholders in Northern Ireland and instead engage with them through existing structures to avoid these challenges in the future. (Paragraph 106)

Local growth

32. The Government's flagship Levelling Up policy is one in a long line of local growth initiatives. The National Audit Office reported that since 2010 there has been the repeated introduction of 'new' local growth policies. The stop-start character of local growth initiatives has arguably slowed or even in some case prevented the development and provision in local areas of infrastructure to support individuals and communities through long and sustained interventions. International comparisons have been drawn with the longevity of funding associated with Germany's reunification project which spanned several years. This policy has been referred to by some as a model of best practice when comparing the benefits of longer-term, substantive, growth initiatives and funding. We also note that the levelling up missions, as set out in the White Paper, are intended to be achieved or to have seen some progress by 2030, which only allows for under 10 years for the policy's aims to be achieved. (Paragraph 109)

33. Based on the evidence we have received and given the historic frequent churn of local economic growth initiatives, it can be argued that levelling up is unlikely to be successful in achieving the objectives it seeks to address. The challenges levelling up seeks to resolve are complex and cannot be remedied by one-off short-term initiatives. To change this, the policy requires a long-term and substantive strategy and funding approach, things this policy currently lacks. Without such, Levelling Up risks joining the short-term Government growth initiatives which came before it. (Paragraph 110)

34. We note the significant cross-party consensus there appears to be for the challenges that the Levelling Up policy is seeking to solve. We recommend that future Governments take a more sustained and long-term approach to levelling up matched by ongoing and secure funding. This must avoid unnecessary duplication and not lead simply to the creation of more local growth initiatives. Only in this way can the policy begin to address the challenges outlined in the White Paper and ultimately find success in 'levelling up' the UK. (Paragraph 111)

Formal minutes

The following declarations of interest were made at meetings relating to Funding for Levelling Up:

14 November 2022

The Chair declared an interest in that he is a Vice President of the Local Government Association (also declared on 28 November, 12 December, 23 January and 30 January).

Florence Eshalomi declared an interest in that she is a Vice President of the Local Government Association.

Kate Hollern declared an interest in that she employs a councillor in her office (also declared on 28 November, 12 December, 23 January and 30 January).

Bob Blackman declared interests in that he is a Vice President of the Local Government Association and employs councillors in his office (also declared on 28 November, 12 December and 23 January).

Mrs Natalie Elphicke declared interests in that she is a Vice President of the Local Government Association and councils in her constituency has bid for the Levelling Up Fund (also declared on 12 December and 23 January).

Ben Everitt declared interests in that she is a Vice President of the Local Government Association and council in his constituency has bid for the Levelling Up Fund.

28 November 2022

Mohammad Yasin declared an interest in that he is a member of Bedford Town Deal Board (also declared on 12 December, 23 January and 30 January).

Ian Byrne declared an interest in that he employs councillors in his office (also declared on 12 December and 30 January).

Mary Robinson declared interests in that she is a member of the Cheadle Towns Fund Board and employs a councillor in her office (also declared on 12 December, 23 January and 30 January).

Andrew Lewer declared interests in that he is a Vice President of the Local Government Association and a member of the Northampton Forward Board (also declared on 12 December).

12 December 2022

Paul Holmes declared an interest in that he was a director of Eastleigh Bid.

23 January 2023

Mrs Natalie Elphicke declared an interest in that the district and county councils in her constituency have been successful in the Levelling Up Fund Round Two.

Kate Hollern declared an interest in that a council in her constituency have been successful in the Levelling Up Fund Round Two.

30 January 2023

Paul Holmes declared an interest in that he is a Commissioner for the key worker home scheme administered by Skyroom London Ltd.

Monday 22 May 2023

Members present:

Mr Clive Betts, in the Chair

Bob Blackman

Ian Byrne

Natalie Elphicke

Ben Everitt

Kate Hollern

Andrew Lewer

Nadia Whittome

Draft report (*Funding for Levelling Up*) proposed by the Chair, brought up and read.

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

Paragraphs 1 to 112 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Sixth Report 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.

[Adjourned till Monday 5 June at 3.30pm

Witnesses

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

Monday 14 November 2022

Adam Hawksbee, Deputy Director of Levelling Up, Onward; **Paul Swinney**, Director of Policy and Research, Centre for Cities; **Professor Steve Fothergill**, Professor, Sheffield Hallam University; **James Morrison**, Reader in Journalism and Author of 'The Left Behind: Reimagining Britain's socially excluded', Robert Gordon University Q1–29

Monday 28 November 2022

John Swinney MSP, Deputy First Minister, Scottish Government Q30–48

Councillor Kevin Bentley, Chairman of the People and Places Board, Local Government Association; **Geoff Raw**, Chief Executive, Brighton and Hove City Council; **Matt O'Neill**, Executive Director for Growth and Sustainability, Barnsley Council; **Georgina Blakemore**, Chief Executive, Epping Forest District Council Q49–91

Monday 12 December 2022

Tracy Brabin MP, Mayor, Mayor of West Yorkshire; **Andy Burnham**, Mayor, Mayor of Greater Manchester; **Andy Street**, Mayor, Mayor of the West Midlands Q92–129

Vaughan Gething MS, Minister for Economy, Welsh Government Q130–143

Laura McDonald, Deputy Director European Union Division, Northern Ireland Department of Finance; **Maeve Hamilton**, Head of the EU Fund Management Division, Northern Ireland Department for the Economy; **Tony Simpson**, Director of Strategic Policy and Reform, Northern Ireland Department of Finance; **Dominic McCullough**, Director European Union Division, Northern Ireland Department of Finance Q144–161

Monday 23 January 2023

Dehenna Davison MP, Parliamentary Under-Secretary of State (Levelling Up), Department for Levelling Up, Housing and Communities; **Jessica Blakely**, Director of Levelling Up Major Programmes, Department for Levelling Up, Housing and Communities Q162–270

Monday 30 January 2023

Rt Hon Sadiq Khan, Mayor, Mayor of London Q271–302

Published written evidence

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

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

1 Aberdeen City Council (FFL0018)

2 Belfast City Council (FFL0038)

3 Bristol City Council (FFL0023)

4 Business in the Community (FFL0042)

5 CEDOS (FFL0022)

6 Camarthenshire County Council (FFL0031)

7 Cambridgeshire and Peterborough Combined Authority (FFL0029)

8 Centre for Inequality and Levelling Up (CIELUP), University of West London (FFL0001)

9 City Region Economic Development Institute (City REDI) (FFL0027)

10 Civil Engineering Contractors Association (FFL0033)

11 Coleraine Football Club (FFL0004)

12 Durham County Council (FFL0020)

13 Equality and Human Rights Commission (FFL0043)

14 Essex County Council (FFL0019)

15 Glasgow City Council (FFL0007)

16 Greater Manchester Combined Authority (FFL0047)

17 Groundwork (FFL0013)

18 Historic England (FFL0034)

19 Homes for the North (FFL0002)

20 Industrial Communities Alliance (FFL0035)

21 Institute of Place Management (FFL0037)

22 Institution of Civil Engineers (FFL0041)

23 Leeds City Council (FFL0011)

24 Liverpool City Region Combined Authority (FFL0026)

25 Local Government Association (FFL0005)

26 London Councils (FFL0016)

27 Maritime UK (FFL0036)

28 Mayor of London (FFL0044)

29 National Association of Local Councils (FFL0009)

30 Norfolk County Council (FFL0021)

31 Northern Ireland Department of Finance (FFL0040)

32 Office for Statistics Regulation (FFL0008)

33 Plymouth City Council (FFL0030)

34 Power to Change (FFL0003)

35 Richards, Professor David; Dr Sam Warner; Professor Martin Smith; and Professor Diane Coyle (FFL0046)

36 Richmondshire District Council (FFL0012)

37 Somerset County Council (FFL0010)

38 Suffolk Chamber of Commerce (FFL0014)

39 Tees Valley Combined Authority (FFL0039)

40 Telford and Wrekin Council (FFL0017)

41 The Productivity Institute (FFL0045)

42 Tunbridge Wells Borough Council (FFL0015)

43 West Midlands Combined Authority (FFL0032)

44 West Yorkshire Combined Authority (FFL0024)

45 West of England Combined Authority (FFL0028)

46 Weymouth Town Council (FFL0006)

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	The regulation of social housing	HC 18
2nd	Long-term funding of adult social care	HC 19
3rd	Exempt Accommodation	HC 21
4th	Draft Strategy and Policy Statement for the Electoral Commission	HC 672
5th	Reforming the Private Rented Sector	HC 624

Session 2021–22

Number	Title	Reference
1st	The future of the planning system in England	HC 38
2nd	Local authority financial sustainability and the section 114 regime	HC 33
3rd	Permitted Development Rights	HC 32
4th	Progress on devolution in England	HC 36
5th	Local government and the path to net zero	HC 34
6th	Supporting our high streets after COVID-19	HC 37
7th	Building Safety: Remediation and Funding	HC 1063
8th	Appointment of the Chair of the Regulator of Social Housing	HC 1207

Session 2019–21

Number	Title	Reference
1st	Protecting rough sleepers and renters: Interim Report	HC 309
2nd	Cladding: progress of remediation	HC 172
3rd	Building more social housing	HC 173
4th	Appointment of the Chair of Homes England	HC 821
5th	Pre-legislative scrutiny of the Building Safety Bill	HC 466
6th	Protecting the homeless and the private rented sector: MHCLG's response to Covid-19	HC 1329
7th	Cladding Remediation—Follow-up	HC 1249