

Levelling Up Fund Prospectus Launched

The need for levelling up

The extent of disparities and rationale for 'levelling up' has long been discussed in economic research and policy. As examples, we know that:

- Research from the Institute for Fiscal Studies (IFS) found that: *"On a wide variety of measures, regional disparities in the UK are greater than in most comparable countries."* This includes significant disparity in measures of **productivity**, with greater spending on R&D in the South East cited as part of the explanation for this gap.
- A recent report by Lord Sainsbury finds there are notable differences between the economic performance of regions within the UK and the **economic impacts of Covid-19** has made the task of levelling up these inequalities even more challenging.
- **Deprivation** data highlights the North-South divide. While the North West, Yorkshire and the Humber and North East account for 23% of England's local authorities, they are home to 57% of the most deprived 20% local authorities and, in many areas, deprivation is persistent.

The Government has set out its intention to address regional inequalities, rebalance the economy and 'level up' underperforming and left-behind parts of the UK, including through infrastructure development and investing in education, skills and scientific R&D. The Levelling Up Fund will be one element of the arsenal of approaches needed to reduce disparities and allow the UK to thrive.

The Levelling Up Fund

The Levelling Up Fund was announced as part of the government's agenda, to invest in local infrastructure and uplift communities. The £4.8bn Levelling Up Fund is a cross-departmental capital fund jointly managed by HM Treasury, the Ministry of Housing, Communities and Local Government, and the Department of Transport. It will invest in infrastructure – such as town centres and urban regeneration projects, local transport and cultural and heritage assets – that has a visible impact on people and their communities, with the prospectus describing it as *"the infrastructure of everyday life"*.

Considering priorities for the first round of the Fund, outlined in the recently published prospectus:

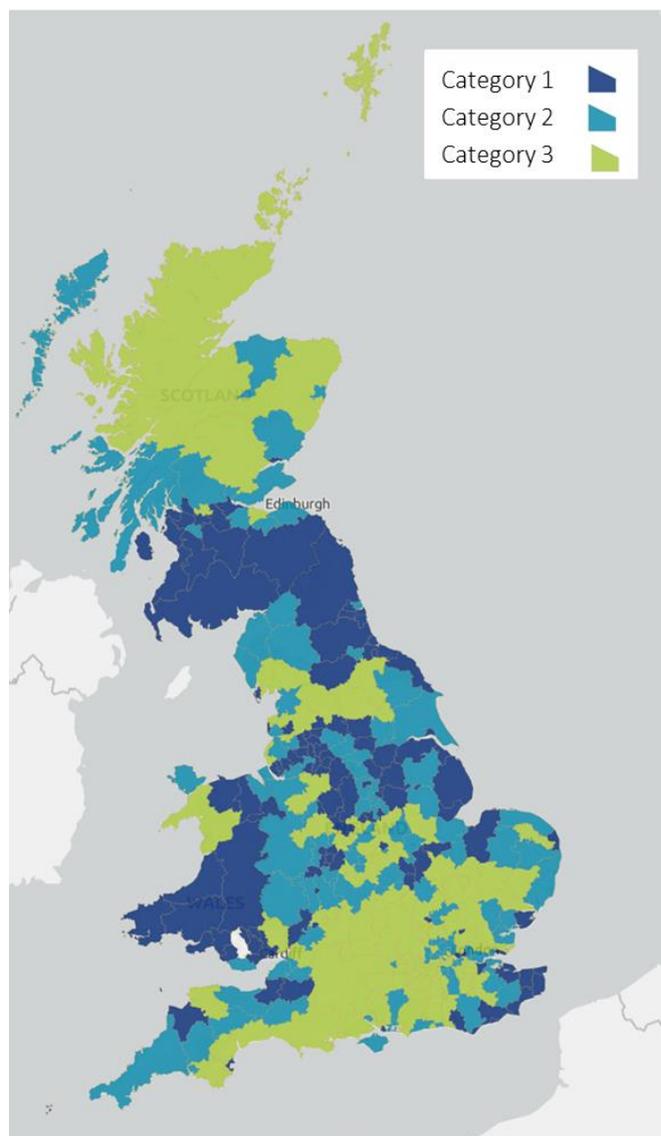
- Three activity themes will be supported:
 - smaller transport projects that make a genuine difference to local areas;
 - town centre and high street regeneration; and
 - support for maintaining and expanding the UK's world-leading portfolio of cultural and heritage assets.
- All local authorities can bid for support although they have been divided into three priority categories, based on a combination of metrics including need for economic recovery and growth, need for improved transport connectivity and need for regeneration. Category 1 areas are those identified to be in greatest need of support.
- Allocations of up to £20m are available with more by exception (e.g. for road schemes) and bids can be for a single project or package of works.
- Bids that can demonstrate investment or begin delivery on the ground in the coming financial year will be prioritised with all funds to be spent by 31st March 2024, or, exceptionally, into 2024-25 for larger schemes.

Future bid rounds are also planned although the timings remain to be confirmed.

The geographic distribution of priority areas

Despite a focus on levelling up, all parts of the UK are eligible to bid under the fund. The map and table below show the distribution of priority categories across the UK. Our analysis shows that:

- Across the South of England, the majority of the local authorities, although not all, are in category 3, the lowest area of need. Around 6% of London local authorities are in the top priority category and 17% of both the South East and East of England local authorities are in this category.
- Much of the North and the Midlands of England are in category 1 and 2. The majority of the North East, 83% of its local authorities, are in the top priority category, and around half of local authorities in the North West and Yorkshire and the Humber (51% and 48% respectively) are in category 1.
- Most of Wales is in category 1 (77%), along with two-fifths (41%) of local authorities in Scotland.



Levelling Up Fund Category 1 Local Authorities by Region

	Category 1 LA's	Total LA's	% in Category 1
North East	10	12	83%
North West	20	39	51%
Yorkshire & the Humber	10	21	48%
East Midlands	16	40	40%
West Midlands	10	30	33%
South West	7	30	23%
South East	11	64	17%
East of England	7	42	17%
London	2	33	6%
Wales	17	22	77%
Scotland	13	32	41%

Although there are some exceptions, these categorisations broadly reflect the incidence of deprivation across the UK.

Making an application

Launch of the prospectus has revealed that:

- Applications are required to align with relevant local strategies and their objectives for improving infrastructure, promoting growth, enhancing the natural environment and making their areas more attractive places to live and work.
- Funding will be delivered through local authorities.
- Cross boundary schemes can be supported with discussions with neighbouring authorities encouraged and engagement of local stakeholders expected to inform proposals.

- Capacity funding of £125,000 will be made available to local authorities but not to support bids under the first application round.
- Bids are due in by noon on 18th June with funding decisions due to be made by Autumn.
- Further guidance and templates for bid submissions, including package bids, will be provided to local authorities shortly after Budget.

The assessment will focus on:

- Characteristics of the place – reflecting the categories identified for each local authority area in the prospectus, with category 1 representing the highest level of identified need.
- Deliverability – will be based on supplementary finance, management and commercial cases, with bids able to demonstrate investment or which begin delivery on the ground in 2021-22 financial year prioritised in the first round of funding.
- Strategic fit with local and Fund priorities – this should be addressed in the strategic case of submissions and should include support from stakeholders.
- Value for money – an economic case should be submitted to explain the benefits of the bid and how it represents value for money.

While preference is said to be given to bids from higher priority areas, bids from category 2 and 3 areas will be assessed on their merits of deliverability, value for money and strategic fit. Exceptionally high quality bids from these areas could be supported.

How we can help

ekosgen has an extensive track record of producing successful investment propositions, underpinned by robust evidence bases that have helped clients secure public sector funding for transformational projects across the country. This includes preparing successful Future High Streets business cases and experience of securing large scale funding awards through MHCLG and DCMS. Our team is available to support local authorities to identify potential investment propositions and develop the resulting bid submissions.

For more information for English bids please contact Kirsten Powell on kirsten.powell@ekosgen.co.uk.

For Scottish and Northern Irish bids please contact Richard Weaver on richard.weaver@ekosgen.co.uk