What will 'Levelling Up' pay for?

Authors: Tom Collinge and Leah Davis, March 2021.

A priority since the 2019 election, 'Levelling Up' broadly refers to the government's attempts to address geographic inequalities across the United Kingdom. It is a broad agenda. So far there are at least 11 policy initiatives and funds to 'invest at the local level', from City and Growth Deals to Further Education Reform[i], all of which could be considered part of levelling up.

At the March 2021 Budget, the Chancellor announced three new pots of levelling up funding: the Levelling Up Fund, the UK Community Renewal Fund, and the Community Ownership Fund.

Our analysis of these funds, worth £5.17bn, looks at what they can be spent on, and what opportunities there are for charities and civil society to play their part.

We analyse how much can be spent on hard infrastructure, like buildings and transport links, and how much can be spent on social infrastructure, like services focused on youth provision, new skills training, and overcoming mental health difficulties, homelessness and addiction challenges.

Key findings:

- The new funds announced at the Budget prioritise hard infrastructure such as transport, purchase and repair of buildings, and building new parks. Of the total £5.17bn, we estimate that up to £4.48bn, 87%, could go on capital investment over four years.
- Although there is some potential for social infrastructure, such as skills training, the new funding announced has limited scope for services such as youth provision, addiction, or homelessness, which many would think are important for levelling up our communities.
- There are 28% fewer local charities per 1,000 people in areas prioritised for the Levelling Up Fund (Priority One compared to Priority Three areas). This implies there will be fewer chances for charity partnerships in the areas prioritised.
- The future UK Shared Prosperity Fund, worth around to £1.5bn a year[ii] is due to come online in 2022 to replace the previous European Regional Development Fund and the European Social Fund. The allocation of these funds is yet to be decided so provides an opportunity for significant further funding for social infrastructure.

In this briefing

The 2021 budget

In a series of statements since the 2019 election, the government has committed to 'Levelling Up'. These pledges have broadly been about reducing regional inequality and spreading prosperity and pride around the UK.

To date, there has been no single place where the government has defined Levelling Up or what social and economic issues it seeks to address. There are at least eleven policy initiatives and funds aimed at investing in places. In the March 2021 budget, the Chancellor detailed three new funds under the Levelling Up banner:

- **The Levelling Up Fund:** £4.8bn over four years "intended to support investment in places where it can make the biggest difference to everyday life". This fund applies to the whole of the UK but prioritises local authorities by the extent to which they need 'levelling up'.

- **The UK Community Renewal fund:** £220m, for one year, to "pilot imaginative new approaches" and prepare UK places "to take full advantage of the UK Shared Prosperity Fund when it launches in 2022".

- **The Community Ownership Fund:** £150m, duration currently unknown, to ensure communities can "support and continue benefiting from the local facilities, community assets and amenities most important to them"[iii] The prospectus for this fund will be published in June 2021.

In this paper we analyse what we know about these funds from what has been published so far, and the potential for civil society organisations, and specifically charities, to receive funds and get involved in supporting the Levelling Up agenda.

We recognise that these funds represent a narrow slice of what Levelling Up is. We hope to present a fuller analysis of the scope for charity sector involvement in a future paper.

To understand how the prospectuses and published documents translate into reality, we have looked at one other fund with a similar process which is already allocating money; the Towns Fund.

What has the government said about the funds?

Fund One: The Levelling Up Fund

Size: £4.8bn

Duration: Four years (2021-2022 – 2024-2025). Prospectus applies to first funding round only.

Eligible areas: 314 local authorities, divided between 93 ‘Priority One’ areas, 108 ‘Priority Two areas’ and 113 ‘Priority Three areas’.

What can the Levelling Up Fund be spent on?

The Levelling Up Fund prospectus says its “Investment Themes” for the first round (2021-2022) are:

- **Transport investments** including (but not limited to) public transport, active travel, bridge repairs, bus priority lanes, local road improvements and major structural maintenance, and accessibility improvements. The fund is requesting proposals for high-impact small, medium and by exception larger local transport schemes to reduce carbon emissions, improve air quality, cut congestion, support economic growth, and improve the experience of users.
- **Regeneration and town centre investment,** building on the Towns Fund framework to upgrade eyesore buildings and dated infrastructure, acquire and regenerate brownfield sites, invest in secure community infrastructure and crime reduction, and bring public services and safe community spaces into town and city centres.
- **Cultural investment** maintaining, regenerating, or creatively repurposing museums, galleries, visitor attractions (and associated green spaces) and heritage assets as well as creating new community-owned spaces to support the arts and serve as cultural spaces.[iv]

From these themes and the repeated references to ‘capital’ and ‘visible’ investment, we can see that the Levelling Up Fund is primarily about the building, repurposing, or renovation of physical assets. Even where it touches on the less tangible, as with culture, it is concerned with the places and spaces **where** culture happens rather than **what** might be happening or **who** can enjoy it.

What seems to be excluded from the first round of investment themes is funding for tackling social problems. These themes would seem to exclude organisations who wanted to level up their areas by tackling homelessness, supporting people with food or fuel poverty, or even helping people into work through access to childcare.

How can charities be involved?

In most of the UK,[1] there will be a bidding process, with projects proposed by local authorities, endorsed by MPs and running to a maximum of £20m.[2]

Charities are most likely to be best suited to the cultural investment theme. The examples given above are already commonly run by charities. However, the prospectus makes no explicit mention of charities, even when giving a relatively specific list of potential stakeholders:

"Potential relevant local stakeholders and partners include local businesses, public transport providers, police and emergency services, community representatives, environmental representatives and universities and FE Colleges (FECs)."[v]

Whether charities are appropriate partners (except in obvious cases such as museums), is therefore likely to hinge on the interpretation of 'community' or 'environmental' representatives. This may vary from place to place.

Weighting

None of the three investment themes have ringfenced funding. The prospectus states that "Ministers will have the opportunity to exercise discretion"[vi] alongside the formal assessment of projects to ensure "a reasonable thematic split of approved projects". "Reasonable" here may

---

[1] In Northern Ireland, the process will be different: "The UK Government will accept bids at the most local level, from a range of local applicants, including but not limited to businesses, voluntary and community sector organisations, district councils, the Northern Ireland Executive and other public sector bodies."
Levelling Up Fund: Prospectus p.15

[2] More funding is available "by exception" for high value transport projects – up to £50m. Levelling Up Fund: Prospectus p.6

mean ‘even’ or ‘roughly equivalent’, or it may be that ministers find it reasonable to weight the funding towards highly visible transport heavy applications, for example, to meet the needs of the time.

Every local authority can submit at least one bid, though it is not clear what the limit is, and some discussion is given over to prioritising bids. The maximum budget for a single ‘project’ is £20m, potentially scaling up to £50m for transport projects, (it is unclear how ‘project’ relates to ‘bid’). The prospectus suggests that local authorities may want to pool applications to “improve the chance of taking forward a larger transport scheme”.

Transport projects are also stated to be likely to score highly on value for money criteria. It is not clear from the drafting if this is an expectation to be surpassed or an inbuilt advantage they have.

We are concerned from this text that, with limited opportunities to bid, no strong structure to ensure a division of bids across the investment themes, and the design of the scheme making transport schemes attractive, local authorities will be more likely to focus on transport than on culture or other areas where charities can have an impact.

Geography

As mentioned above, for the purpose of distributing levelling up funding, the government has divided the UK into three tiers representing their need support, with Priority One being the most urgent and applications from those areas being favoured.

As this rating is organised by local authority, in England, we can compare them with other data sets, including our Regional Charity Density statistic.[3]

Figure 1: Charity density in each priority tier in England.

	Priority 1	Priority 2	Priority 3
Average local charity density (charities per 1,000 people).	1.65	2.03	2.28

[3] These are the general charities (excludes sacramental religious bodies or places of worship as well as organisations like independent schools, government-controlled bodies, or housing associations https://data.ncvo.org.uk/about/definitions/). For more see *Where are England’s charities*.

This means there are on average 28% fewer local charities, or 0.6 per 1,000 people, in Priority One areas (the most in need of levelling up, according to government) compared to Priority Three areas (the least). This implies there are likely to be fewer charities to join partnerships in the areas prioritised for funding.

Fund Two: The UK Community Renewal Fund

Size: £220m.

Duration: 2021-2022.

Eligible areas: UK wide but with a different application process for Northern Ireland.[4] In Great Britain the fund is focused on, but not limited to, 100 priority “places” (sub local authority level).

What can the UK Community Renewal Fund be spent on?

The UK Community Renewal Fund has five objectives:

1. Supporting a smooth transition [from EU funding].
2. Enabling innovation through pilots.
3. A new way of working between UK government and places.
4. Levelling up and creating opportunity.
5. Building capacity.

It also has four ‘investment priorities’:

1. Investment for local business.

[4] The Fund’s prospectus says of Northern Ireland: “We are taking a different approach to delivering the UK Community Renewal Fund in Northern Ireland, which takes account of the different local government landscape in Northern Ireland compared to Great Britain. There will be a pre-determined national allocation for Northern Ireland, set at £11 million.” UK Community Renewal Fund: prospectus 2021-22, 2.2.3 Delivery in Northern Ireland.

1. Investment in communities and place.

2. Supporting people into employment.

3. Investment in skills.

The prospectus encourages “larger projects” of ‘£500,000+’. The maximum funding is £3m per ‘place’. Places are of a radically different size e.g. ‘Hastings’ and ‘Manchester’. £14m of the fund is set aside for capacity building, in Great Britain, with the rest presumably for piloting.

90% of funding available through the UK Community Renewal Fund is stated to be revenue funding. This means it can be used to pay for people’s time for support services, existing activities and running costs.

How can charities be involved?

The UK Community Renewal Fund seems to be designed in a such a way that charities have a lot of potential to be involved. The bias towards revenue spending reflects charities’ focus on service delivery, and charities are referenced twice in the prospectus including explicit reference as potential applicant organisations.

Perhaps the most obvious area where charities of different types can be involved is through the “Supporting people into employment” investment priority. Its description references:

“local, tailored, wrap-around support to those furthest from the labour market – focusing on individuals who find it difficult to engage with mainstream provision or for whom mainstream provision is not an option.”

And states:

“Pilots should draw upon and enhance multi-agency delivery teams, including the community and voluntary sector along with public provision.”[vii]

Both descriptions of services suggest involvement by charities and the community sector. Consultation with “third sector organisations” (among others) is included in the definition of the lead authority’s role.

We note that it is a requirement that work ‘will be delivered by a legally constituted organisation that can receive public funds’ which may exclude some community organisations.

Fund Three: The Community Ownership Fund

Size: £150m.

Duration: Not stated.

Eligible areas: All communities across the UK.

What can the Community Ownership Fund be spent on?

The government is yet to publish a prospectus for the Community Ownership Fund so we have less detail on what it can be spent on. From what has been published, we expect it to be for:

- Helping community groups to buy or take over local community assets at risk of being lost, to run as community-owned businesses. This could include community-owned sports clubs, sporting and leisure facilities, cinemas and theatres, music venues, museums, galleries, parks, pubs, post office buildings, and shops.
- Projects focused on place-based assets or amenities, which are important to the local community, build connections between people and foster a sense of pride in the local area but are at risk of being lost without community intervention.

The government has stated it will not publish a definitive list of eligible assets but will instead ask communities to set out what matters most to them.

How can charities be involved?

Charities are likely to be very involved in this fund. The government has stated that “in most circumstances, bids should be made from community and voluntary organisations with formal governance in place, such as a Community Trust”[viii].

Bids will also be considered from groups without formal governance, where there is a plan to establish formal governance through the project.

From prospectus to delivery: Towns Fund Deals

In this paper we have discussed the language around three funding pots and what it suggests about their potential for charities. But how will the rhetoric translate into reality?

It is, of course, impossible to say with any certainty. Nevertheless, we are aware of other Levelling Up funding which has moved from prospectus to delivery, namely the a £3.6bn Towns Fund. Here we examine seven Town Deals announced in October 2020, with reference to the prospectus of that fund.

What is the Towns Fund?

Announced in 2019, the Towns Fund is £3.6bn to “unleash the full economic potential of over 100 places and level up communities throughout the country”[ix]. It covers England only and also includes the Future High Streets Fund.

Figure 2: Structure of the Towns Fund[x]

The Towns Fund has made awards already: £830m through the Future High Streets Fund,[xi] £178.7m through Town Deals in October 2020 and £1.02bn through new Towns Fund Areas in March 2021.[xii] This allows us to make an initial assessment of how these prospectuses play out in the real world.

Did the Towns Fund prospectus include charities?

The Towns Fund prospectus states its objectives as:

- **Urban regeneration, planning and land use:** Ensuring towns are thriving places for people to live and work, including by: increasing density in town centres; strengthening local economic assets including local cultural assets; site acquisition, remediation, preparation, regeneration; and making full use of planning tools to bring strategic direction and change.
- **Skills and enterprise infrastructure:** Driving private sector investment and ensuring towns have the space to support skills and small business development.
- **Connectivity:** Developing local transport schemes that complement regional and national networks, as well as supporting the delivery of improved digital connectivity.

There is a clear economic, regeneration and transport focus, just as with the Levelling Up Fund. Like the Levelling Up Fund prospectus, the Towns Fund prospectus does not use the word 'charity' at all.

However, there may be scope for charity involvement in the 'local cultural assets', 'regeneration' and skills aspects of the agenda. The prospectus references voluntary sector involvement in the community context, as with the Levelling Up Fund, saying:

"Communities should have a meaningful role in decision-making for the future of their town, and Town Deal Boards should draw on the local knowledge and insight that communities can provide on the barriers to driving local growth and productivity. We expect this to be achieved by including community representatives from prominent local civic and faith organisations in the governance structure, such as representatives from local community forums, voluntary and community sector organisations, or Councils of the Voluntary Sector."[xiii]

Towns Fund spending is expected to be 90% capital (assets, buildings etc.) and 10% revenue. This is the inverse of the UK Community Renewal Fund (90% revenue) which suggests that what happens under the Towns Fund is not a good predictor for the UK Community Renewal Fund.

We think it is a fair assessment to suggest the Towns Fund Prospectus had much in common with the Levelling Up Fund Prospectus, including: size, a lack of detail around the involvement of community and voluntary organisations, and a focus on capital or (in the case of the Levelling Up Fund where we do not know the capital/revenue splits) 'visible' investment.

The Towns Fund has much less in common with the UK Community Renewal Fund, which is much more explicitly about the involvement of charities, focused on revenue spending, is significantly smaller and intended as a pilot.

The first Towns Fund deals

The portion of the Towns Fund which is concerned with Towns Deals (i.e. not the Future High Streets Fund) is organised into ‘bids’ which may contain several initiatives, developed and presented by a ‘Town Deal Board’ in each area.

In October 2020, the first seven Town Deal funding allocations were announced, worth up to £178.7m. We have rapidly reviewed the contents of these bids, and the makeup of the boards that made them, to see how the voluntary sector has been involved. They were:

Town/City	Allocation (£m)
Barrow in Furness	25
Blackpool	39.5
Darlington	22.3
Norwich	25
Peterborough	22.9
Torbay	21.9
Warrington	22.1

This is obviously a small slice of the successful bids, and indeed 45 more have just been announced,[xiv] meaning we cannot say that what we have found is representative. We are also hampered by a large variance in the detail that local Town Deal Boards have published about their bids, and the fact that the government seems in most cases to have awarded less than was bid for. Details of how the bids and the amounts are reconciled have not yet been published.

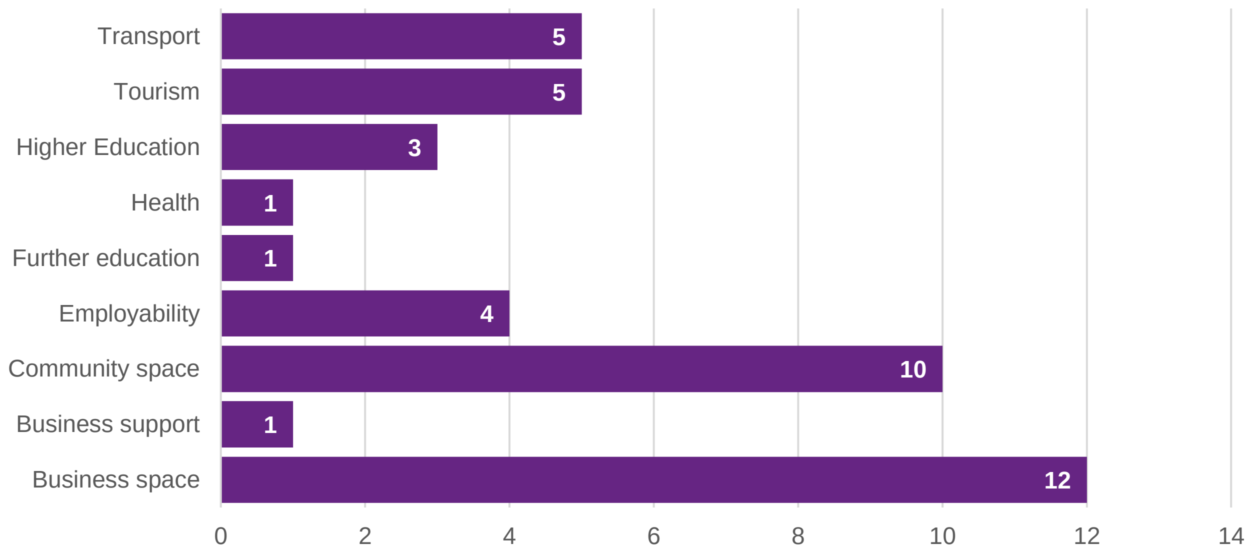
Projects

All that said, when applying some categories[5] to the projects councils have announced, we see mostly what we would expect; business space/support takes a key role alongside transport and employability.

There are multiple ‘projects’ in each Towns Fund bid, so we have counted all the projects that were mentioned. The lack of published information means we cannot compare the value of these projects, just the number, but it would be interesting to see if any category dominates the actual spending as opposed to just the number of activities.

From a charity sector perspective, it’s notable that community spaces (sports, cultural, parks etc.) are very popular projects, comparable to the number (if not necessarily the value) of transport and tourism combined.

Number of Towns Fund projects so far announced by topic



Towns Fund boards

The Towns Fund boards seem to have run consultations with the local community in varying degrees of depth. Most have at least one voluntary sector representative on their boards, though two of the seven did not. There seems to be a bias towards cultural and arts charities over those dealing with social issues, employment, or skills.

[5] It is obviously very likely that successful projects serve more than one narrowly defined purpose. For this categorisation we have used what we, often with little information to go on, have determined to be the projects primary purpose.

Conclusions

New funding is focussed on hard infrastructure

Looking at what government has said the new money can be spent on, and what previous prospectuses have said, we think the vast majority of Levelling Up funding announced in the Budget 2021 will go on hard infrastructure.

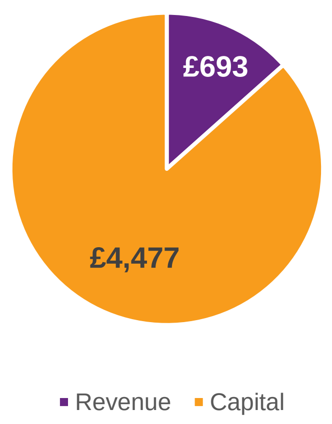
The Levelling Up Fund is the largest funding pot at £4.8bn. It is not explicit about the split between capital and revenue spending. However, the prospectus does say it will ‘focus’ on capital investments. We therefore think it is not unreasonable to use the same splits as the Towns Fund which uses similar language: 90% capital, 10% revenue.

The UK Community Renewal Fund specifies that it is 90% revenue spending, which is more likely to support the services charities offer, but at £220m it is a very small part of the overall pot.

The Community Ownership Fund is also a small part of the total funding at £150m, and there is limited information on what it can be spent on. However, as it is largely focussed on buying community assets, we would assume that it may follow the same split as the Towns Fund with 90% capital and 10% revenue.

Should the three funds follow these capital revenue splits, we estimate that up £4.48bn, or 87% of these funds could end up being spent on capital, largely hard infrastructure.

Figure 3: Division of capital and revenue spending across the three funds (£million)



We expect that of the £693m of revenue spending, much will likely be consumed in the design and delivery of the capital spending in the Levelling Up Fund rather than the delivery of services.

Charities are unlikely to receive much new funding and will have limited involvement in deciding how new funds are spent

What the funds pay for

The nature of the projects funded under the Levelling Up Fund work against charity and community involvement. The Fund is very much organised around building ‘things’, whilst charities tend to deliver services (though of course spaces in which to do this are important too).

The UK Community Renewal Fund and the Community Ownership Fund offer more opportunity for charities to be involved as they include community-run buildings and some social services. However, with a combined value of £370m they are currently a very small part of both the recently announced funding and the levelling up agenda overall.

Learning from the Towns Fund

The Towns Fund seems to be the pot of levelling up funding which is furthest along, with a large proportion already paid out.

It was clearly not designed to explicitly give charities a major role, but the Towns Fund prospectus acknowledged the role of the voluntary and community sector and there seemed to be scope to support the ‘local cultural assets’, ‘regeneration’ and ‘skills’ aspects. It is disappointing then that most of the Town Deals we looked at did not seem to involve the third sector much and some did not involve it at all.

Where Town Deals did involve charities, there was a major focus on culture and community space. This is no bad thing, but we wonder if this reflects on the “local knowledge and insight that communities can provide on the barriers to driving local growth and productivity” mentioned in the prospectus. Charities and community organisations will have a range of ideas about what these barriers are beyond a lack of community space or cultural assets.

While it would be wrong to draw too many, or too strong conclusions from the small number of deals we have analysed – the concern for the Levelling Up Fund, which has a similar structure and language to the Towns Fund, is that where the involvement of communities and the voluntary sector is vague at the outset, it translates into little involvement/stake for them in the final projects.

What will these new funds level up?

Investment of any kind in our most deprived communities is welcome, but do these funds constitute ‘levelling up’?

From these funds, levelling up will be about transport, business and new ‘things’, but it should also be about addressing the social and structural issues that have held places back. These are often the things charities are tackling: mental health problems, addiction, housing insecurity, access to childcare. All these issues can be just as much of a drag on prosperity. Aspects of the UK Community Renewal Fund seem to recognise this, which is encouraging, but the vast bulk of the funding does not.

There is an opportunity to rebalance the funds

The analysis in this paper has focussed on three funds, details of which were announced with the Budget 2021 for levelling up. However, these funds need to be set in the context of wider government spending that will also contribute. This will also need to be analysed for a fuller assessment of the government’s levelling up measures.

In particular, the government has announced the UK Shared Prosperity Fund which could be around £1.5bn per year. The UK Community Renewal Fund is piloting approaches for the UK Shared Prosperity Fund and, if it follows the model and language found there, it could create significant funding for social infrastructure, and it may be more amenable to charities and communities than the Towns or Levelling Up funds.

However, the government has been clear that although the UK Community Renewal Fund will ‘inform’[xv] the design of the UK Shared Prosperity Fund, the funds ‘are distinct with regard to design, eligibility and duration’. There is therefore no guarantee that the UK Shared Prosperity Fund will focus on social infrastructure.

As the government is currently developing what the UK Shared Prosperity Fund will be spent on, charities and others can grasp the opportunity to share their knowledge of how social infrastructure can be a vital part of delivering the government’s levelling up agenda by demonstrating the impact they make in people’s lives each and every day.

This analysis is part of NPC's Rethink, Rebuild programme which is working with charities and funders to help them be part of the UK's social and economic recovery during and following the Covid-19 pandemic. We are grateful to the Gatsby Foundation for supporting this work.

References

[i] The Ministry of Housing, Communities and Local Government, UK Community Renewal Fund: Prospectus 2020-2022, 22 March 2021, Section 1.1

[ii] The Ministry of Housing, Communities and Local Government, UK Community Renewal Fund: Prospectus 2020-2022, 22 March 2021, Ministerial Foreword

[iii] The Ministry of Housing, Communities and Local Government, Community Ownership Fund Policy Paper, March 2021

[iv] The Ministry of Housing, Communities and Local Government, HM Treasury, Department for Transport, Levelling Up Fund: Prospectus, March 21, Page 8

[v] The Ministry of Housing, Communities and Local Government, HM Treasury, Department for Transport, Levelling Up Fund: Prospectus, March 21, Page 7

[vi] The Ministry of Housing, Communities and Local Government, HM Treasury, Department for Transport, Levelling Up Fund: Prospectus, March 21, Page 21

[vii] The Ministry of Housing, Communities and Local Government, Community Renewal Fund: Prospectus 2020-2022, 22 March 2021, Section 3.5

[viii] The Ministry of Housing, Communities and Local Government, Policy Paper: Community Ownership Fund, March 2021

[ix] The Ministry of Housing, Communities and Local Government, Towns Fund Prospectus, November 2019, page 4

[x] The House of Commons Library, The Towns Fund, 25 January 2021

[xi] https://www.gov.uk/government/news/830-million-funding-boost-for-high-streets

[xii] https://www.gov.uk/government/news/830-million-funding-boost-for-high-streets

[xiii] The Ministry of Housing, Communities and Local Government, Towns Fund Prospectus, November 2019, page 20

[xiv] The Ministry of Housing, Communities and Local Government, Towns Fund Recipients, March 2021

[xv] The Ministry of Housing, Communities and Local Government, Community Renewal Fund: Prospectus 2020-2022, 22 March 2021, Section 1.3