



## Department for Levelling Up, Housing & Communities

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Thank you for inviting me to give evidence to your committee. I would like to follow up in writing on a couple of specifics that were raised during the session.

### **Project Adjustment Request process for the Levelling Up Fund (LUF)**

We recognise that as Levelling Up Fund projects move into delivery, there may be a need for modifications to the parameters of a project to ensure successful delivery. We have Memoranda of Understanding in place for LUF projects which set out agreed funding profiles and the outputs and outcomes that will be delivered. My Department monitors progress against these and I receive regular updates to provide assurance that delivery is progressing and value for money is being upheld.

We have change controls in place in the form of the Project Adjustment Request (PAR) process which delegate a considerable amount of control to local authorities as Accountable Bodies. In July 2023, as part of our guidance on funding simplification, we set out a more streamlined approach to the PAR process to increase efficiencies and reduce administrative burdens on local authorities.

Authorities have the freedom to adjust output, outcome and financial profiles within individual programmes up to a threshold of 30% without needing to seek DLUHC approval. Complex adjustment requests and proposed adjustments above the 30% threshold or extension to end dates will still need departmental approval, but we aim to communicate a decision within 20 working days. To speed up decision making, we are also allowing S95 Officers to verify that projects remain good value for money, rather than this being reviewed centrally by DLUHC analysts. At all stages, whether below or above the 30% threshold, DLUHC officials are available to support local authorities and are in continual dialogue.

To date in Scotland, Department for Transport has approved a PAR for Falkirk Council's Westfield Roundabout (a reduction in scope and spend) and DLUHC one for Glasgow City Council's Pollok Stables and Sawmill (an extension to their delivery end date and reprofiling of LUF expenditure into FY24/25, to resolve delivery issues encountered on site).

## **Allocation/prioritisation methodologies for different funding programmes**

Any methodology used for place selection or in the case of allocative funds, prioritisation, is linked to the specific objectives of each fund. The use of the methodology depends on the quality and quantity of data is publicly available. I believe strongly, as does I am sure this Committee, in the importance of comparable UK wide data. The Statistics Concordat between the UK Government and devolved administrations – refreshed in 2021 – sets out our joint commitment to coherent, reliable, consistent and timely statistics.

I also strongly believe in transparency and data used in the design of a methodology is publicly available in order to ensure that the calculations behind our rankings are fully transparent and replicable. Full, published methodologies can be accessed on gov.uk, but for your convenience, I have summarised them here:

### *Community Renewal Fund*

This was a competitive fund with a priority weighting incorporated. 100 Priority Places across Great Britain were identified based on an index of economic resilience incorporating metrics on productivity, skills, unemployment, population density and household income. 13 of the 32 local authority areas in Scotland were identified as Priority Places.

Projects were then assessed based on their score against the published criteria and whether they were predominately in priority or non-priority areas. Only projects that scored 50% or more against the published criteria were shortlisted. This resulted in 56 projects being awarded in Scotland.

### *Levelling Up Fund Rounds One and Two*

Allocation of funds to places across the UK was competitive, on the basis of successful project selection. Within the competition, funding was targeted towards places with the most significant need, as measured through an Index of Priority Places. Places across Great Britain were placed into three categories, taking into account the following place characteristics: need for economy recovery and growth, need for improved transport connectivity and need for regeneration. A range of metrics sat under these indicators as set out in the original index methodology note. The Scotland index additionally considered a place's need for regeneration through a dwellings vacancy rate metric.

Applications to the Fund were assessed by officials on strategic fit, the economic case and the deliverability of the project. These three criteria, plus the Index of Priority Places categorisation were weighted equally to determine the assessment score. Applications were then shortlisted, and Ministers had discretion to apply additional published considerations. This resulted in eight projects being awarded funding in Round 1 and ten in Round 2 in Scotland, benefitting 18 local authorities and with a total value of £349m.

### *Levelling Up Fund Round Three*

Listening to feedback from the first two rounds of the Fund and building on the work of our funding simplification plan, I announced that we would take a new approach to the third round of the Levelling Up Fund. Rather than introduce a new competition for Round 3, we drew on the impressive pool of bids submitted at Round 2 which we were not able to fund earlier in the year but which were assessed at Round 2 as high quality and ready-to-deliver. This approach was intended to maximise efficiency and reduce burdens on applicants.

Ministers had three key objectives for the selection of bids in Round 3: i) to prioritise places in need as assessed through our Levelling Up Need metrics, which take into account skills, pay, productivity and health and represent our most up to date assessment of what levelling up need looks like; ii) to ensure a fair geographic spread; and iii) to support the pride and place and transport levelling up missions.

Six projects in Scotland were awarded funding in the third round, with a total allocation of £122m. This amounts to 12% of the total Round 3 allocation.

### *Long-Term Plan for Towns*

In this programme, Scottish local authorities were ranked by the Levelling Up Need metrics. Only local authorities who had towns within the population threshold of 20,000 to 100,000 people were included. The most deprived locality within each of these local authorities was then selected using Scottish Index of Multiple Deprivation data, and a cap of no more than 3 local authorities per ITL2 region was applied to ensure geographic spread. This resulted in seven towns being selected.

### *Levelling Up Partnerships*

In this programme, Scottish local authorities were selected based on a clear and robust methodology, designed in collaboration with Scottish Government. As with the English programme, it has levelling up need at its heart, as well as additional metrics to account for Scotland's rural geography and previous levelling up investment. Funding was available for four LUPs which meant the four highest ranked areas were chosen for a Partnership. The methodology will be published shortly.

### *Green Freeports*

A bidding prospectus was published jointly with the Scottish Government. Applicants had to demonstrate how their bids met four main objectives: promote regeneration and high-quality job creation; promote decarbonisation and a just transition to a net zero economy; establish hubs for global trade and investment; and foster an innovative environment. This resulted in two green Freeports being awarded.



### *Investment Zones*

A joint methodology for place selection was agreed with the Scottish Government. All of Scotland's Regional Economic Partnerships were scored against their economic and innovation potential, their wellbeing economy need and the strength of their knowledge anchors and sectoral strengths. Other thresholds such as size and presence of a knowledge anchor were also applied, as well as considerations such as existing government investment, capacity and capability to deliver and fair geographic spread across Scotland. This resulted in the two zones being selected.

Once again, I welcome your interest in our work in Scotland and I hope that this follow up provides you with a greater understanding of our approach.

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