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## **PR 10-22 | LEVELLING UP, HOUSING AND COMMUNITIES COMMITTEE INQUIRY INTO LEVELLING UP FUNDING**

The National Association of Local Councils (NALC) is the nationally recognised organisation representing and campaigning for the interests of the 10,000 local (parish and town) councils and many parish meetings in England. Local councils are the backbone of our democracy and closest to local people, providing our villages, towns, small cities and urban neighbourhoods with a democratic voice and structure, now contributing in excess of £2 billion of community investment to support and improve local communities and deliver neighbourhood level services. There are 100,000 local councillors from all walks of life who are committed to public service. They also provide a pool of talent that provides benefits well beyond their own communities.

NALC would like to draw the attention of the House of Commons Levelling Up, Housing and Communities Select Committee to the following:

- NALC very much welcomes the invitation it received from the Commons Levelling Up, Housing and Communities Select Committee to submit a written response to its levelling up funding inquiry. Input to support this has been contributed by the Society of Local Council Clerks (SLCC), the membership body for sector professionals.
- NALC's current overall funding position is very simple – that local councils should be able to apply on the same basis as principal authorities for central government funding. We know that is currently not the case – something the NALC Funding Task and Finish Group, under the auspices of the NALC Policy Committee, is collating a business case on.
- Concerns have been raised to NALC regarding how the government has been assessing deprivation (and whether there are better ways to assess it so that communities do not fall through the cracks), the ad-hoc nature of funding distribution making a project feel incoherent, and the lack of access to direct funding for local councils.

NALC's responses to the specific consultation questions contained in the inquiry's consultation document are below:

**Q1. How can the government ensure that all areas that need funding for Levelling up receive adequate support with the bidding process and subsequently receive adequate funding?**

**A.** Regional Spatial Strategies did endeavour to set a more level playing field for rural areas. All the government departments are now supposed to rural proof their outputs but the fact of the matter is that they do not. This used to be done more on a partnership basis with regional development offices which knew their respective patches. This is not currently the case. Ideally, local councils would access the funding directly, avoiding the camouflaging of deprived areas, with local councils responding to local needs. Funding could also be localised so that the government works in conjunction with local authorities to identify key areas of need below the regional level. Rural parishes classified within the same category as larger towns, have a harder time accessing these funds. Levelling up must be needs-based. The north must not get overlooked. Children on free school meals, employment, local business attraction, the ratio between top and bottom earners, the percentage of self-employed, transport and housing availability, must be considered. Smaller local councils often do not have these resources. Bids are often unsuccessful due to the quality and number of other bids - this does not help unsuccessful applicants to develop better bidding techniques.

Hyper local areas requiring funding are not receiving adequate support with the bidding process and not receiving funding. Local councils are reluctant to apply for funding as they cannot access the funds direct and principal council priorities lie elsewhere. The English Index of Multiple Deprivation (IMD) does not reveal all pockets of deprivation that exist. This is particularly the case for towns within larger unitary authority areas (e.g., Weymouth in Dorset). Most funding appears to be directed at urban areas, yet rural and coastal poverty exists too. Rural and coastal neighbourhood areas of deprivation are identified by ONS 2019 report, [Exploring local income deprivation – a detailed picture of disparities within English local authority to a neighbourhood level](#). There appears to be no drilling down to identify neighbourhood deprivation. Local council knowledge can better identify areas in greatest need.

**Q2. What are the challenges of competitive bidding and will this impact areas with limited resources and capabilities for bidding?**

**A.** At the recent Rural Services Network conference a director from a principal authority in Norfolk expressed severe concern at very poor outcomes and very large resource required by even a principal authority in applying for such funds. Local councils wishing to bid for such funds could be even further disadvantaged. Systems need to be more subtly recast. LEADER programmes were more inclusive. Yes, competitive bidding does impact areas with limited resources. The current process with multiple funding streams is particularly challenging for smaller local councils who do not have the resources to handle the time-consuming exercise of applying for grants. Smaller councils are also often the most rural councils, so this further dis-advantages rural areas. Local councils are not necessarily made aware of the availability of levelling up funding by principal authorities, who make their own decisions on where the money should be allocated. Additionally, political differences between local councils and their

principal authorities can mean that the former withhold funding to certain areas. Competitive bidding means that larger companies outside the area squeeze out smaller local suppliers, as they do regularly on most borough level contracts, and even on parish level purchases. In the competitive bidding process, there should be points awarded for local suppliers. Local suppliers offer better long-term maintenance on most projects. Replacing bidding for funding with bundled funding at a regional level.

The cost of preparing a competitive funding bid is large even for principal councils with experienced bid writers. Larger local councils may not have the same capacity and capabilities, and small local councils with only one member of staff (the clerk) would be further limited and so communities potentially miss out on funding for good levelling-up projects. Experience from other funding streams show that a lot of officer time and community engagement goes into developing bids (and expectations), where the anticipation tends to exceed the deliverables, because the capital funding rules exclude what communities would ideally do or would want. There is a cottage-industry of consultancy firms managing these bidding exercises. It is not clear, especially to communities, what value they add. Bidding timescales are frequently too short to be able to submit a quality application, especially where projects are multi-layered. (This was the case in round 1 of levelling up funding and the deadline was actually extended for the second round). Criteria are not always clear. Without direct access to funding for local councils, it is important that there is a good relationship with principal councils in submitting bids. Under the current system, principal authorities passport the funding to local councils. One solution might be automatic consultation by principal authorities with local councils on all levelling up funding.

### **Q3. How does levelling up funding integrate with other funding streams such as the Towns Fund, the High St Fund, the Sustainable Transport Fund etc?**

**A.** Smaller councils often have minimal desire to be involved in bidding for large central funds. Larger councils have more resource but even they struggle to understand the current funding environment or receive adequate central funds. Such funding lacks central oversight and local council experiences are therefore poor. We support the aim of integrating these funding streams under one levelling up umbrella. Since parishes have not had any benefit from being able to apply direct for any of these funds, there is no local understanding of issues, and consequently there can be no integration. Principal authorities should be forced to consult with all parishes on any government funding available through legislation. Local councils often have no idea how levelling up funding integrates with other funding streams, nor whether it is intended to focus on wider areas as well as individual towns. Nor do they have sufficient information to know whether UKSPF is a sufficient replacement for European funding.

It is not clear to local councils how these other funding streams are connected to levelling up. It is hard to differentiate at the headline level. There is little to confirm how they are distributed and to where. Relevant to this is that there appears to be a lack of knowledge about the scope of services provided by local councils. For example, hundreds of local councils manage and own parks and open spaces (some taken on from their principal councils), yet they are not eligible to apply for money from the Levelling Up Parks Fund (announced on 1 August 2022). Again, many local councils have taken on public toilets from principal councils, but are not eligible to apply for money under the Changing Places Toilets Programme (announced 31 August 2022). The Rural England Prosperity Fund (announced on 3 September 2022 as part of UKSPF) for small rural businesses and community infrastructure is another not open to those accountable, democratic and transparent organisations working in rural areas – local councils. Neither is the Community Ownership Fund open to local councils though it is open to community groups – again there are local councils taking on community centres, sports facilities, libraries, cemeteries, play areas, etc.

#### **Q4. How can the government achieve its aim of streamlining funding for Levelling Up?**

**A.** The current funding system is not local enough. Application timescales are usually too short. More direct support should be provided to local councils. Allow local councils to access funding directly, without having to go through the unitary authorities, who have their own agenda around levelling up. The number of funding streams should be simplified and / or reduced and the process for applying to funding grants should be made more straightforward and transparent. Focus on results you want to achieve, and only create a limited number of funds to achieve these, such as improvement in education standards, improvement in employment opportunities, new business opportunities, equal levels of tax intake from businesses in all counties, improvement in transport infrastructure (whether sustainable or not).

Enabling direct funding to local councils. This is likely to be to larger local councils rather than the smaller ones meaning that the administrative burden of transferring funds should not be heavy. A single place to access information for funding opportunities. Currently these are promoted via different government departments and agencies. We hear from local councils working with district councils on bids for the Towns Fund, that the government should set core output objectives and categorise in-scope investments and exclude those which ought to be properly funded through other mainstream capital allocations – for example highways improvements. That would create model plans. At present, about 20% of the headline funding has been eaten by consultancies preparing the five-case business case to meet Treasury criteria, which necessarily seek financial

justification, ahead of community generated valuations. Hence 'contingency' (which is probably valid) and 'optimism bias' (not always so valid) weigh heavily in the business plans for potential investments and reduce the headline funding so that the tangible project is costed at only (say) 50% of the central government funding after consultancy costs and 'headroom' are removed from the equation.

**Q5. How can funding focus on both wider regions, as well as individual towns?**

**A.** Local councils are usually drowned out by principal authorities. Some funds are suitable for local councils, some not. Horses for courses. An adequate system would be a more flexible one with returned regional government offices embracing both the wider sub-regions but with a more local knowledge than Whitehall. Combined authorities are at a marginal advantage. Principal authorities are too remote. No region is the same as the next. The government does not focus on all individual towns. Only a very select few. Allowing local councils to apply directly for funding would mean individual towns and villages can identify problems at a local level.

There needs to be an understanding of what a region needs and how individual towns can contribute. That could be worked out via local bodies – but have checks and balances to ensure that the same recipients are not repeatedly prioritised. Regional Directors, as referred to in the Levelling Up White Paper, should be appointed to give that focus to wider areas. MPs have now been called on to support bids under the UK Shared Prosperity Fund (UKSPF) – another way to highlight hyper local projects including those in rural areas.

**Q6. How can government ensure that spending across all departmental budgets can be adjusted accordingly to ensure all of government is focused on achieving levelling up and that resources are directed to the areas most in need?**

**A.** Devolution Deals need to be factored in. Reintegration is still being sought. It is needed at the sub-regional level. Principal authorities should be required to consult on bids with their local councils. Place needs to be prioritised more, the forte of local councils, seeing a return to partnership working. Rural proofing is key. Allocation of public funds should be based on prioritised need, especially taking into account the needs of rural communities. This needs a clear, overall strategy from the top, which government departments must fit into, instead of each one deciding where its own priorities lie. Levelling up must include neighbourhoods and this is best done by enabling local councils to bid for funding. At the very least, mechanisms need to be put in place so that principal councils work with and consult their local councils on funding opportunities to ensure that money gets to where it is needed most.

**Q7. How are Levelling Up projects being measured in terms of value for money and for their contribution to Levelling Up?**



**A.** Local councils have often only been consulted after successful Sustainable Transport Fund bids, involving several million pounds. Rural and urban areas need to be levelled up, with a presumption in favour of rurality. Value for money is key. As far as we can see, they are not being measured in these terms. Instead, it often feels this is a way to shore up some principal authorities' immediate budgets, as levelling up funding has not been awarded directly to local councils.

**Q8. Is the UKSPF a sufficient replacement of the European Structural Investment Funds?**

**A.** We are reliant on local council examples. We need to try to evidence the impact on local areas. Funding accessibility by local councils is key. We do not have sufficient information to know whether UKSPF is a sufficient replacement for European funding, as the UKSPF is not allocated to local councils.

**Q9. What is your assessment of the Levelling Up Fund, and what improvements could be made, with reference to:**

- **The bidding process** - Allow parishes to bid for funding.
- **Feedback on unsuccessful and successful applications** - Make criteria clear, the results of spending the funding must result in an improvement in productivity and GDP.
- **Transparency** - There is no transparency when principal authorities refuse to even discuss levelling up funding with parishes.
- **The impact of inflation** - Inflation will be reduced when there is better productivity and improved GDP.

**A.** Under ESF, local councils were factored into the planning process. The system needs to be more inclusive, consultative and partnership based. The current system needs to be reviewed and amended to include local councils. More support is needed with the bidding process and / or a less complex one. Funding opportunities notified from a single website would be helpful. Timescales for bidding need to be longer especially if several partner organisations are involved in jointly delivered projects. One anomaly is that whilst local councils cannot bid for funds for local projects, community groups can (e.g., under the Community Ownership Fund). Bidding for local projects via local councils would be accountable and transparent due to mechanisms already in place. Current proposals for government to provide direct funding to a range of community groups seeking to acquire assets of community value, challenges arguments that direct funding cannot be provided to individual parishes because the overall number makes this too complex.

**Q10. How should the success of Levelling Up funding be measured against the government's desired outcomes for Levelling Up?**

**A.** The government is only partially thinking sub-regionally. EU funding auditing was too tight. Agricultural funding should only be controlled by funding agencies. As the government has never clearly expressed its desired outcomes for Levelling Up, this question is impossible to answer. This should be measured not just regionally, but to a hyper-local level too.

**Q11. How will the proposed Investment Zones contribute towards the key objectives of Levelling Up? And is this different approach the right approach?**

**A.** We are not seeing the same level of involvement. The system is too short term, too complex. Local councils are just one part of the system.

**Q12. Will the government's approach to funding for levelling up achieve its objective of levelling up the country?**

**A.** Consistency is needed. LEADER programmes involved local councils and gave them funding. Whilst the aim is clear, the objectives are woolly, and there is no transparency. Funding alone will never achieve the government's levelling up objectives. Levelling up should be about more than just money, it also needs to be about equality and unity of purpose. Some urban regions may reach objectives, but unfairness will still exist in local (particularly rural and coastal) neighbourhoods that do not fit the IMD.

We are puzzled about the appointment of regional levelling up directors. These posts were advertised. Presumably interviews were then held. Were any appointments made? Where will these people fit into the equation? What size staff base will they control? We were told that each levelling up director would be based in their region. This was good news. There used to be civil servants based in our regions, they knew their patches well. The country cannot be governed efficiently from Whitehall.

Should you require any further information on this response (we are happy to attend an oral evidence session as needed) please do not hesitate to contact Chris Borg, policy manager, on 07714 771049 or via email at [chris.borg@nalc.gov.uk](mailto:chris.borg@nalc.gov.uk) . © NALC 2022