

**Manchester City Council
Report for Information**

Report to: Economic Scrutiny Committee – 9 February 2023

Subject: Levelling Up Fund and UK Shared Prosperity Fund Update

Report of: Rebecca Heron, Strategic Director – Growth and Development

Summary

This report provides a summary of the UK Shared Prosperity Fund as it applies to Manchester including the context of the UK Government’s Levelling Up agenda, and the competitive Levelling Up Fund which it sits alongside.

Recommendations

The Committee is recommended to:

- (1) consider and comment on the information in the report.

Wards Affected:

All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
Climate change and zero-carbon is an important theme across both Levelling Up and the Shared Prosperity Fund. Applications to both funds need to show that they are aligned with government strategies around net zero. In addition, Shared Prosperity Fund requires projects to show how they will align with the Greater Manchester 2038 carbon neutral target.
Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
We will produce an Equality Impact Assessment in line with Council policy, which will be reviewed and updated throughout the duration of the programme for each component project working closely with local stakeholders, once funding has been secured.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This report aims to show how Levelling Up can support neighbourhoods throughout the city, through accessing external funding to grow the economy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Shared Prosperity Fund will provide funding to support local businesses and for training and skills for residents.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The report has a city-wide approach to Levelling Up providing resources to unlock opportunities across the city, and to respond to local need.
A liveable and low carbon city: a destination of choice to live, visit, work	Investment in new local infrastructure to be developed in line with the city's net zero targets, and support for local businesses and skills will include low carbon opportunities.
A connected city: world class infrastructure and connectivity to drive growth	Ensure improvements to neighbourhood transport connectivity through local infrastructure improvements and align with the Digital Strategy to ensure improvements to neighbourhoods are able to access the digital connectivity they need.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

There are no new revenue consequences arising directly from this report, and any revenue consequences are considered as part of any funding applications.

Financial Consequences – Capital

The approved funding bid for Culture in the City is included in the approved capital programme. There are no new direct capital implications arising from this update report. Work will be required to review what support is required in areas where we have been unsuccessful in levelling up fund bids, but these will be subject to the normal city council gateway approval processes.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Levelling Up White Paper

<https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

1.0 Introduction and Background

- 1.1. Levelling Up is the UK Government's key policy aimed at providing an end to the economic inequality that affects different geographies in the UK. It aims to drive growth across the whole country.
- 1.2. The Levelling Up agenda is driven by the Department for Levelling Up, Housing and Communities (DLUHC) which was renamed in 2021 from what was previously the Ministry for Housing, Communities and Local Government (MHCLG). The current secretary of state for DLUHC is the Rt. Hon. Michael Gove.

The Levelling Up White Paper was issued in February 2021 and the subsequent Levelling Up Bill is currently going through parliament

- 1.3 The Government's Levelling Up agenda is supported by two main funding streams:
 - Levelling Up Fund
 - Shared Prosperity Fund
- 1.4. This paper provides an update on Manchester's progress in securing funds from the Levelling Up Fund (LUF) and Shared Prosperity Fund (SPF).

2.0 Levelling Up White Paper

- 2.1. "Levelling Up" has been a central aspect of the current UK government's domestic policy agenda since the 2019 general election. The Levelling Up White Paper was issued in February 2022.
- 2.2. The white paper consists of 4 sections
 - Chapter 1: A context section looking at economic geographies and geographic disparities within the United Kingdom, as well as an outline of the role that the public sector can play in tackling them.
 - Chapter 2: Looks at "systems reform" and recommends changes to the information, incentives and institutions which underpin spatial decision-making in the UK.
 - Chapter 3: Containing the detail of the main policy proposals set out under four themes.
 - Chapter 4: Next steps and implementation
- 2.3. Many of the policy proposals within the document refer to previous announcements made in the 2021 spending review (SR21), rather than committing new money.
- 2.4. The new policy regime is based on five mutually reinforcing pillars:
 1. Setting Clear and Ambitious Medium-Term Missions
 2. Central Government decision-making will be fundamentally reorientated

3. UK Government will empower decision-makers in local areas
4. UK Government will transform its approach to data and evaluation
5. UK Government will create a new regime to oversee its Levelling Up Missions.

2.5. The stated aims of the white paper are to:

- Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging.
- Spread opportunities and improve public services, especially in those places where they are weakest.
- Restore a sense of community, local pride and belonging, especially in those places where they have been lost.
- Empower local leaders and communities, especially in those places lacking local agency.

2.6. The key proposals set out to achieve these aims are to:

1. Enshrine in law twelve national levelling up “missions” which aim to shift government focus and resources to Britain’s forgotten communities throughout 2020s.
2. Begin a shift of power from Whitehall to local leaders, with every part of England able to gain ‘London style’ powers and mayor if they wish to, and extension to the devolution settlement for Greater Manchester and the West Midlands.
3. Start a decade-long project to level up Britain, supported by a range of new policies.
4. Increase domestic public investment in research & development by at least 40% across the North, Midlands, South West, Scotland, Wales, and Northern Ireland.

2.7. The twelve levelling up missions are:

1. By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, with the gap between the top performing and other areas closing.
2. By 2030, domestic public investment in Research & Development outside the Greater South East will increase by at least 40% and at least one third over the Spending Review period, with that additional government funding seeking to leverage at least twice as much private sector investment over the long term to stimulate innovation and productivity growth.
3. By 2030, local public transport connectivity across the country will be significantly closer to the standards of London, with improved services, simpler fares and integrated ticketing.
4. By 2030, the UK will have nationwide gigabit-capable broadband and 4G coverage, with 5G coverage for the majority of the population.
5. By 2030, the number of primary school children achieving the expected standard in reading, writing and maths will have significantly increased. In England, this will mean 90% of children will achieve the expected standard,

and the percentage of children meeting the expected standard in the worst performing areas will have increased by over a third.

6. By 2030, the number of people successfully completing high-quality skills training will have significantly increased in every area of the UK. In England, this will lead to 200,000 more people successfully completing high-quality skills training annually, driven by 80,000 more people completing courses in the lowest skilled areas.
 7. By 2030, the gap in Healthy Life Expectancy (HLE) between local areas where it is highest and lowest will have narrowed, and by 2035 HLE will rise by 5 years.
 8. By 2030, well-being will have improved in every area of the UK, with the gap between top performing and other areas closing.
 9. By 2030, pride in place, such as people's satisfaction with their town centre and engagement in local culture and community, will have risen in every area of the UK, with the gap between the top performing and other areas closing.
 10. By 2030, renters will have a secure path to ownership with the number of first-time buyers increasing in all areas; and the government's ambition is for the number of non-decent rented homes to have fallen by 50%, with the biggest improvements in the lowest performing areas.
 11. By 2030, homicide, serious violence, and neighbourhood crime will have fallen, focused on the worst-affected areas.
 12. By 2030, every part of England that wants one will have a devolution deal with powers at or approaching the highest level of devolution and a simplified, long-term funding settlement.
- 2.8 GMCA is involved in one of two new "trailblazer" devolution deals announced in the white paper to extend devolution powers in Greater Manchester and the West Midlands. Discussions are currently ongoing with government with a focus on four areas that GMCA would identify as being a key priority: Funding & Accountability, Transport, Housing, and Skills & Employment.

3.0 Levelling Up Fund

- 3.1 Levelling Up Fund (LUF) is a capital fund for the whole of the UK designed to improve everyday life across the UK. The £4.8 billion fund is designed to support town centre and high street regeneration, local transport projects, and cultural and heritage assets.
- 3.2 LUF is allocated by Government through a competitive process, which is open to eligible local authorities (LAs) and Mayoral Combined Authorities (MCAs). The fund is jointly administered by the Department for Levelling Up, Housing and Communities (DLUHC), Department for Transport (DfT), and His Majesty's Treasury (HMO).
- 3.3 Each local authority is classified as Priority 1, 2, or 3 by the UK Government based upon a formula that considers need for economic growth; for improved transport connectivity; and for regeneration. Manchester has been assessed as a Priority 1 area by the Government.

- 3.4 Each local authority is eligible to make a number of bids throughout the life of the LUF, based upon the number of parliamentary constituencies partly or wholly within their boundaries. For Manchester this means a maximum of 5 successful bids over the course of the programme across the 5 parliamentary constituencies in the city - Manchester Central, Gorton, Withington, Wythenshawe & Sale East (joint constituency with Trafford), and Blackley & Broughton (joint constituency with Salford.) For bids to Round 1, where there is a joint constituency one LA needed to take the lead. This criterion was dropped for Round 2 where both LAs were able to make bids separately for the same constituency. Bids needed to include the involvement of constituency MPs, and each MP could provide a formal letter of support for 1 bid.
- 3.5 In addition to the constituency-based allocation, MCAs are able to make a large-scale transport bid alongside the relevant transport executive.
- 3.6 Local Authorities were able to bid for up to £20 million of eligible funding for each eligible constituency. Large-scale transport bids for up to £50 million were also eligible to apply, and for Round 2, large-scale 2 culture bids up to £50 million were also be funded.
- 3.7 Each Priority 1 LA received £125,000 to help support the development of projects. This money was only made available after the closure of Round 1. This has supported the bid writing process in Wythenshawe for Round 2 and funded the Strategic Regeneration Framework (SRF) for Gorton.
- 3.8 Bids made into the Levelling Up Fund are assessed by Government according to the following criteria.
- Characteristics of place (Prioritisation level)
 - Strategic Fit
 - Value for Money
 - Deliverability
- 3.9. Levelling Up Fund Round 1

LUF Round 1 opened in March 2021 with a closing date of June 2021. Manchester City Council submitted two bids to Round 1:

- Culture in the City (Manchester Central constituency) – November 2022 we were informed that the bid was successful (The total costs of the project are £22.703m, and the Government grant contribution towards the project is £19.822m. (Details below)
- Regenerating Withington Village (Withington constituency)- November 2022 we were informed that the bid was unsuccessful (Details below)

In total £1.7 bn was allocated during the Round 1 process, with 105 bids funded from 85 applicants.

Culture in the City

The project aims to deliver 8,282m² of high quality, affordable, technology and creative work and production spaces in the City Centre across two locations, and they are:

- HOME Arches, three unused railway arches will be converted to provide a creative talent development hub with artists workshops and training accommodation.
- Campfield Market, two dilapidated listed buildings will be repurposed to provide a new technology incubator with flexible, high quality workspaces for start-ups and early stage companies.

The table below provides a breakdown of the overall budget for both elements of the funding bid.

Budget allocations

Item	LUF funding £000's	MCC funding £000's	Other funding £000's	Total £000's
Home Arches	2,309	938	150	3,397
Campfields	17,513	0	1,793	19,306
Total	19,822	938	1,943	22,703

The construction works to HOME arches are being undertaken by Robertson construction and are due to start on site in February 2023 and be completed in February 2024.

MCC has entered into a legal agreement with developer Allied London for the transformation of the grade two-listed Campfield Market buildings into a technology, media, and creative hub. The works have commenced and are due to be completed by June 2024.

Regenerating Withington Village

Regenerating Withington Village was unsuccessful in round 1 of Levelling Up. The following feedback was received from BEIS:

- There was limited evidence of outcome and impact of parts of the application, including the substantial highways component,
- Some reservations over the deliverability, particularly around the investment in the heritage shop fronts, given the ownership profile.
- Better evidencing of need against regional and national benchmarking.
- Positives included the levels of community engagement shown and a good fit with the aims of the fund.
- The fund was highly competitive with 300 applications and 105 receiving funding.

In the absence of Levelling Up funding certain elements of the bid are now being progressed with funding from the Shared Prosperity Fund details of which are below.

3.10 Levelling Up Fund Round 2

LUF Round 2 was announced in March 2022 with a closing date of July 2022.

Changes to Round 2, included guidance on MP support in constituencies that crossed two boundaries, and eligibility for both LAs to apply, and the announcement that 2 large scale (up to £50 million) culture bids would be eligible for funding.

Manchester submitted one bid to LUF Round 2 as follows -:

- Regenerating Wythenshawe Town Centre (Wythenshawe & Sale East constituency.) £20m bid for a £32m project.

£2.1bn was allocated in Round 2 across 111 projects announced on 18th January 2023. The Wythenshawe application to the fund was unsuccessful.

It was confirmed by the Parliamentary Under-secretary of State for Levelling Up, Dehenna Davison, at the Levelling Up select committee on 23rd January, that the government had introduced a rule during the decision-making process that any applicant council who had been successful in Round 1 would be unsuccessful in Round 2. Applicants will receive written feedback for Round 2 with the opportunity to request an interview.

A Round 3 of Levelling Up Fund has been confirmed, and further details will on the application and eligibility process will follow. Feedback will be sought from government ahead of a possible re-application to the fund.

4.0 Shared Prosperity Fund (SPF)

- 4.1 On leaving the EU the UK was no longer eligible for European Structural and Investment Funds (ESIF). The Shared Prosperity Fund (SPF) was announced in the Government's 2020 Spending Review (SR2) with a commitment that "funding for the UKSPF will ramp up so that total domestic UK-wide funding will at least match receipts from EU structural funds, on average reaching around £1.5 billion per year." However, the distribution of this across all areas of the UK means that the GM proportion of this is substantially lower than would have been the case with ESIF,
- 4.2. During 2014-20 GM received c. £364m (at today's exchange rate) from the EU in ESIF funds. This funding was supported by 50% match funding from central government or other sources, therefore totalling investment of £728m. In terms of the activity previously funded, (e.g. skills and training), SPF funding will only replace the ESIF component for a 3-year period.
- 4.3. The SPF was launched in April 2022, with £2.6bn of funding from 2022-3 – 2024-5, which includes £559m funding for the national adult numeracy programme Multiply.

The main fund has 3 overarching priorities which are aligned to the 12 missions of the Levelling Up White Paper:

- Communities & Place
- Supporting Local Business
- People & Skills

- 4.4. Each local authority was allocated funding based upon population (80%) and need (20%) with every eligible LA to receive at least £1 million, regardless of size.
- 4.5. GMCA as the lead authority for the fund in Greater Manchester, will receive the area's allocation to manage, including assessing and approving applications, processing payments and day-to-day monitoring. GMCA will have overall accountability for the funding and how it operates.
- 4.6 As lead authority, GMCA is able to determine, with partners, the most appropriate scale for each intervention – for example, regional, local or through collaboration with places or bodies to deliver specific interventions.
- 4.7 In order to access its allocation, GMCA had to submit an investment plan to UK Government by 1st August 2022. This set out a series of interventions and measurable outcomes that reflect local needs and opportunities. The investment plan was developed in conjunction with LAs.
- 4.8 GMCA was required to demonstrate that they have actively reached out to MPs and their support confirmed in the final investment plan.
- 4.9. Following the submission of the Investment Plan to government, approval was confirmed on 5th December 2022.
- 4.10 GM has been allocated c.£84 million across the period 2022-3 – 2024-5, divided across the three themes of the fund, and with an administration fee of 4% which includes a payment of £62.5k p.a. (pro rata for 2022-3) to each LA to support the administration of the programme. In line with the restrictions of the fund, the Peoples & Skills theme only has funding from 2024-5.

	Year One 2022/23 £000's	Year Two 2023/24 £000's	Year Three 2024/5 £000's	Total £000's	As % of total
Communities and Place	7,269	10,038	9,690	26,997	32.2%
SME Workspace	2,000	3,000	10,000	15,000	17.9%
Local Business	500	6,500	9,500	16,500	19.7%
People and Skills	0	0	22,000	22,000	26.2%
Admin Fee 4%	407	814	2,133	3,354	4%
Total by year	10,176	20,352	53,323	83,851	100%

- 4.11 Governance of the fund is undertaken by GMCA with a Local Partnership Board established to consider how the fund is allocated. The partnership board is chaired by Cllr. David Molyneux (Wigan- GMCA Portfolio Lead for

Resources & Finance). Cllr. Craig sits on the board as GMCA Portfolio Lead for Economy, Business and International alongside Cllr. Martin Cox (Bolton - GMCA Portfolio Lead for Green City Region and Waste), GMCA officers, and key stakeholders from business, academic and VCS communities. The board's recommendations are then reported to the GMCA for approval. The administration of the fund is supported by a team based at GMCA.

4.12 Different processes are in place across each of the three themes of the Investment Plan as follows.

4.13 Communities and Place funding is allocated directly to each Local authority which can make its own priorities. Manchester has an allocation of £5,013,823.

Govt allocation by LA		2022-23	2023-24	2024-25	Total
Bolton	10.8%	752,424	1,014,876	977,109	2,744,408
Bury	6.6%	455,795	614,781	591,902	1,662,478
Manchester	19.8%	1,374,620	1,854,100	1,785,103	5,013,823
Oldham	9.1%	629,431	848,983	817,389	2,295,803
Rochdale	8.5%	593,257	800,191	770,413	2,163,860
Salford	8.9%	614,962	829,466	798,599	2,243,026
Stockport	9.7%	672,840	907,533	873,761	2,454,134
Tameside	7.8%	542,613	731,882	704,646	1,979,141
Trafford	7%	484,734	653,814	629,484	1,768,032
Wigan	11.9%	824,772	1,112,460	1,071,062	3,008,294
TOTAL		6945,448	9,368,086	9,019,466	25,333,000

In line with the GMCA Investment Plan and MCC priorities, Manchester has prioritised investment from the Communities and Place fund in district centres. These proposals were taken to SMT and agreed with Exec Member for Housing and Development and the Leader.

Officers are currently assessing options in North and East Manchester to allocate the remainder of the funding and will bring forward proposals in due course. It is anticipated that funding will be aligned to delivery of Neighbourhood Development Frameworks.

Project	Total
Withington Village	2,147,626
Moston Lane	740,652
North and East Manchester (TBC)	2,125,545
Total	5,013,823

Withington Village

Withington Village funding is to deliver on priorities within the Withington Village Framework (March 2021) as follows:

- **Part-pedestrianisation of Copson Street** - this area has been identified for investment to increase accessibility and quality of the public realm, provide reinforcement for food & beverage operations along with facilitating a location for street markets.
- **Creation of a new library square on Wellington / Wilmslow Road** - provide a new civic heart to the centre of the village, interact with the newly refurbished library, improve accessibility to services but to also reinvigorate ground floor commercial interactions along with a relationship to the investment into the former Natwest Bank adjacent.

Moston Lane

Moston Lane funding will support the development of a Neighbourhood Framework and contribute to wider investment in the area.

- **Environmental Stabilisation Plan** – inc. Alleygating, traffic management, new bin stores for commercial waste, programmed maintenance and pro-active monitoring of MCC owned land
- **Greenspace Investment** – improvements to Simpson Memorial Park (Peace Garden) and Church Green
- **Neighbourhood Framework** – development of neighbourhood framework to support further investment in the area.

Withington Village and Moston Lane projects were approved by the Local Partnership Board and signed off by the GMCA, ahead of receiving confirmation from government of the approval of the investment plan.

The remaining funding will also need to follow the same approvals procedure, however, the overall investment plan has been agreed by government, so once this is secured work can begin immediately.

The VCS element of Communities & Place funding (£1.6m over 3 years) is being coordinated centrally by the GMCA through a GM VCSE Leadership Group. At the request of GMCA, 10GM were asked to submit a programme to deliver this element of the proposals. 10GM is a joint venture to support the VCSE sector in GM, acting strategically and collaboratively across the sector.

4.14 Supporting Local Business

GM set out an ambition in their investment plan to create a Small and Medium Sized Enterprises (SME) Workspace fund to drive investment in town centres and high streets and create new workspaces for SMEs to use. Lack of suitable SME workspace across GM is as a result of a lack of supply, driven

by the fact that such workspace is not financially viable without grant support. The SME Workspace Fund will address several the challenges as set out in the Investment Plan and Greater Manchester Strategy. The SME Workspace fund provides £15m for investment against this priority. Each local authority was able to submit a single LA-led proposal to this fund. As bids were more than £15m it was proposed that each LA would receive 94.2% of their application. Following agreement at the Local Partnership Board and sign off by WLT, Manchester has been allocated £1,847,303 for a Manchester Enterprise Hub. This will see workspace re-developed and businesses supported across 4 locations

- Manchester Town Hall Extension – ground floor
- Royal Mills
- 422 Longsight/Ardwick
- The Yard, Cheetham

Revenue funding will be used by the Library Service to provide a level of continuity to the highly successful Build a Business (<https://buildabusinessgm.org/>) project, which is led by the Business and Intellectual Property Centre (BIPC) at Manchester Central Library. This funding will implement a small dedicated peripatetic team of business coaches who will be co-located in the Enterprise Hubs across the City and will support 422 and The Yard in creating a hub and spoke model.

Each centre will benefit from a business support offer for residents, start-ups, gig economy, entrepreneurs and existing businesses who require additional help. The team will work closely with all partners such as the Business Growth Hub.

The remaining Supporting Local Business measures (£16.5m over 3 years) will be commissioned following discussion with Local Authorities, Business Growth Hub, Chamber of Commerce. Universities and other partners with an agreement that £500,000 (2022-3) will be delivered by the Business Growth Hub during this financial year.

4.15 People & Skills

People & Skills funding (£22m) is ringfenced to be spent from 2024-5. This allows for longer term engagement with LAs and partners to review the policy landscape and develop a data and evidence base to identify gaps and agree strategic priorities. The 3 priority measures are: dealing with economic inactivity; gaining skills for life & work (basic skills) and upskilling employees.

The Commission is likely to be on a GM basis, with a local focus to target areas of greatest need and should add value to mainstream DWP and AEB provision. The additional investment is welcome but the challenge will be the ability of providers to mobilise and deliver skills and employment support in a way that makes a meaningful impact in such a short time period, especially for residents who are at a distance from the labour market.

5.0 Conclusion

Manchester has adopted a city-wide response to the Government's to Levelling Up programme, recognising the need to identify and support projects across the city, whilst also seeking to maximise the impact of the funding available. Our response also reflects the UK government's commitment to include local MPs in the process.

Nationally, the Levelling Up Fund has seen over 900 applications over its first 2 rounds from LAs across the UK. Our successful first round bid for Cultural in the City has brought in £19.8m of capital funding. In addition, LUF revenue funding has supported development of SRFs for both Wythenshawe and Gorton. The work undertaken to prepare for the unsuccessful Wythenshawe bid to LUF in 2022 will provide a strong foundation for attracting further investment and a possible re-submission to Round 3 of LUF.

The Shared Prosperity Fund acts as a partial replacement for European Structural Investment Funds. The fund will not reach the levels of ESIF until 2024-5 across the UK and as this funding is now available across all parts of the UK, it will not provide a full replacement funding in Greater Manchester under the current proposals. Manchester has worked closely with GMCA as the lead body for SPF to develop an effective Investment Plan, and will look to maximise the impact of the funds available across the 3 themes of Communities & Place, Supporting Local Business, and People & Skills from 2022-3 to 2024-5.

6.0 Recommendations

To consider and comment on the information in the report.