Ministry of Housing,
Communities &
Local Government

Levelling Up Fund Process Evaluation – Phase 1

Final Report

July 2025
Ministry of Housing, Communities & Local Government

This document/publication is also available on our website at www.gov.uk/mhclg

If you have any enquiries regarding this document/publication, email correspondence@communities.gov.uk or write to us at:

Ministry of Housing, Communities & Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 030 3444 0000

For all our latest news and updates follow us on X: https://x.com/mhclg

July 2025

Contents

List of acronyms

- DCMS – Department for Digital, Culture, Media and Sport
- DfT – Department for Transport
- HM Treasury – His Majesty's Treasury
- LAs – Local Authorities
- LUF – Levelling Up Fund
- MHCLG – Ministry of Housing, Communities and Local Government
- MoU – Memorandum of Understanding
- PAC- Public Accounts Committee
- PAR – Project Adjustment Request
- PMU – Project Management Update
- RFI – Request for information
- TAG – Transport Analysis Guidance

Executive Summary

SYSTRA Ltd and Frontier Economics were commissioned by the Ministry of Housing, Communities and Local Government (MHCLG) in 2024 to undertake a two-phase process evaluation of the Levelling Up Fund (LUF or the Fund). The Fund has awarded £4.8bn for local authorities to invest in local infrastructure projects that improve everyday life in the UK. These focus on regenerating town centres and high streets, upgrading local transport, and investing in cultural and heritage assets. The Fund was awarded in three rounds following a competitive bid process.

This report presents the findings of the first phase of this evaluation carried out between March and November 2024. It provides emerging evidence and lessons learned on the efficiency and effectiveness of awarding funding under Rounds 1 and 2 of the Fund, with initial insights on Round 3. Initial learnings are also reported on the types of interventions being delivered with this funding across the country, along with the barriers and enablers experienced by local areas when planning, designing and implementing them.

The findings are based on the most up-to-date information from a bespoke Request for Information (RFI) issued in September 2024 to all Round 1 and 2 scheme promoters, follow-up interviews with 17 scheme promoters, and a series of interviews and workshops with policy officials from MHCLG, the Department for Transport (DfT) and the Department for Culture Media and Sport (DCMS).

These insights are intended to provide learning to support current LUF projects as they continue their delivery, provide evidence to shape future policy, and inform Phase 2 of the evaluation (to be carried out between 2025 and 2027). All findings presented are preliminary and subject to change following more detailed work in Phase 2.

Application and Assessment

The desire to launch the Fund rapidly created time pressures which impacted its launch as well as the development of bids. Round 1 was launched on 3 March 2021 with the publication of the LUF prospectus, outlining eligibility criteria and bidding processes. Tight timescales between the launch and the 18 June submission deadline put pressure on both officials and bidders. This meant that processes and objectives were not sufficiently defined before launch at an operational level and MHCLG project staff had to be recruited and trained at speed. Bidders also had to develop the schemes they wanted to submit for funding at pace, often with little design or costing information, which led them to reprioritise resources internally to produce bids before the deadline.

By Round 2, changes had been made to the application and assessment processes, which had mixed effectiveness. The changes included the use of an online application portal, including application form questions which varied depending on the type of bid submitted, and an assessment tool. These changes made it easier for MHCLG to manage incoming applications and to assign bids to assessors. However, delays to the launch of the application portal led to frustration and concern about the Fund on the part of bidders.

The decision to reassess unsuccessful Round 2 bids under Round 3 eased pressures on bidders but led to mobilisation delays due to cost increases given the

elapsed time. Bids chosen for Round 3 were asked by MHCLG to provide updated costings and to review outputs following a period of high inflation. This reflected the significantly challenging economic backdrop identified during the Public Accounts Committee (PAC) hearing, including record-high inflation—peaking at 10.4% for construction in May 2022—and ongoing pressures from the COVID-19 pandemic and global supply chain disruptions. This led to a delay in project mobilisation. However, these bids benefited from changes in Fund rules to allow 30% flexibility in the funding profile and in the delivery of outputs, which made it easier to get the bids agreed.

Note on terminology and the Request for Information (RFI)

Each LUF bid can include up to three projects. In this report, 'bid' refers to the overall package, while 'project' refers to individual projects within each bid.

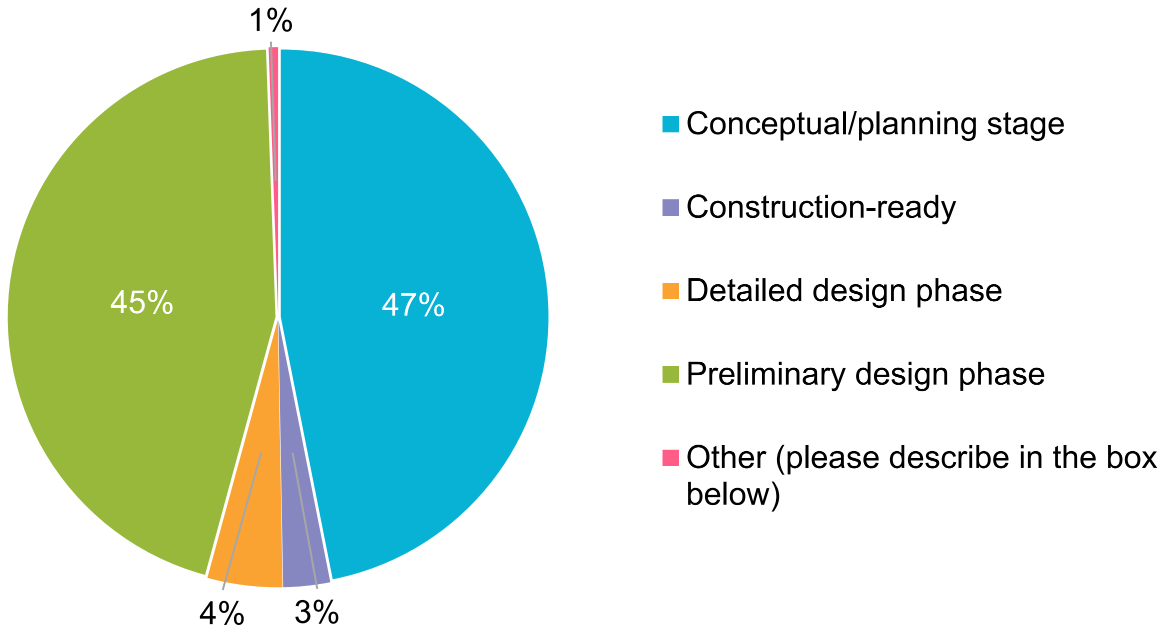
Data on delivery progress was collected at the *project* level via an RFI sent to all 216 Round 1 and Round 2 funded bids, where these bids include a total of 380 projects. Responses were received from 131 scheme promoters (61% response rate at bid level) with information on 177 projects (49% response rate at project level).

Funding data is only available at the *bid* level, which limits the ability to analysis the relationship between project funding and delivery progress.

Mobilisation and Delivery

Local authorities generally did not have eligible well-developed schemes available, which affected the pace at which they could begin project delivery. While only 3% of projects were construction-ready at the time of receiving LUF funding (see Figure 1), the fund's criteria emphasised readiness to spend rather than full construction readiness. According to the Levelling Up prospectus , bids were assessed on the robustness of delivery and procurement plans and the ability to scale and manage risks effectively. This meant that a broader range of project stages — including those still in planning or design phases — were considered deliverable if they demonstrated strong governance, cost controls, and mitigation strategies.

Figure 1. What stage was your project at the time of receiving funding from LUF?



Source: Systra/Frontier Economics. Request for Information, n = 177 projects (one LUF bid could contain up to three projects).

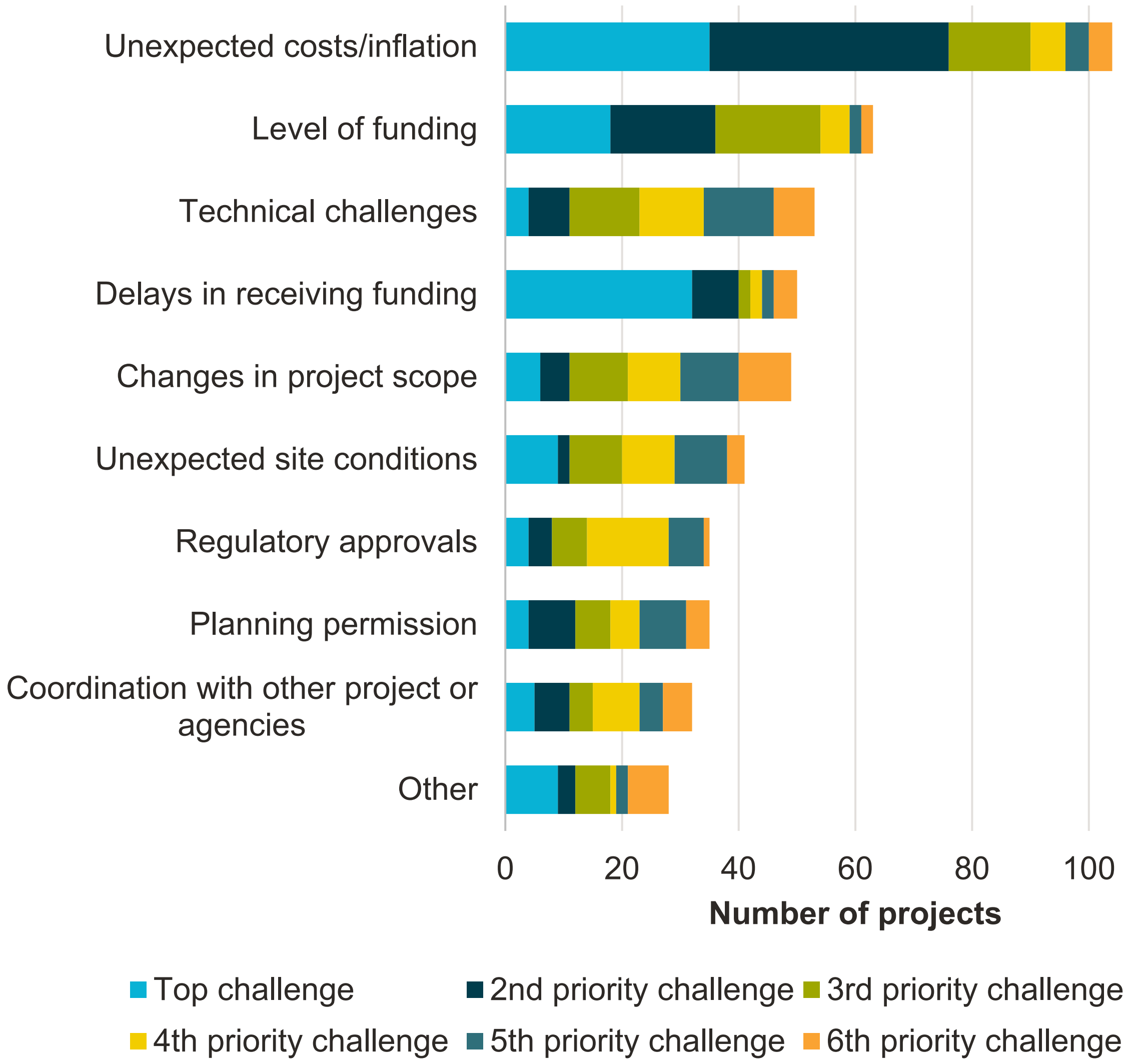
Notes: The chart shows the composition of the RFI responses to the question: "At what stage was your project at the time of receiving funding from LUF?"

Most projects are experiencing delays, largely due to delays before construction. Almost all (95%) of LUF projects reviewed as part of this evaluation reported delays, relative to the timeline set out in their bid. Of those reporting delays, 38% were delayed by more than one year. The average length of delay is around 12 months and is slightly higher for projects overseen by MHCLG than by DfT (although there are fewer DfT projects).

Many scheme promoters, however, believe that their projects are being delivered in line with typical timelines for capital projects. The formal requirements of the Fund were for schemes to be delivered within three years of award, although the guidance acknowledged some flexibility around this (the guidance indicated that places should front-load spend within the funding window — focusing on early mobilisation and visible delivery — rather than necessarily completing all works within the three years). This timeframe was considered very challenging by scheme promoters due to statutory approvals (such as planning permissions and listed building consents) required for projects.

Unexpected costs and high inflation were reported by bidders as the most significant factors preventing timely delivery of projects (see Figure 2). The Public Account Committee highlighted that these pressures were particularly acute in the construction sector, with supply chain disruptions and rapidly rising costs disproportionately affecting SME contractors — key delivery partners for many local authorities — and limiting their ability to absorb inflationary shocks. These factors led to procurement and budget management issues.

Figure 2. As of July 2024, what are the most significant challenges preventing you from delivering your LUF project in line with the timelines in your LUF bid?



Source: Systra/Frontier Economics. Request for Information, n = 177 projects

Notes: The chart shows the composition of the RFI responses to the question: "As of July 2024, what are the most significant challenges preventing you from delivering your LUF project in line with the timelines in your LUF bid?"

In some places, limited market capacity led to delays in project delivery. Particularly in rural locations, many local authorities reported difficulty commissioning specialist contractors, leading to unexpectedly high costs for construction materials, labour and energy.

For some projects, the unexpected cost increases necessitated scheme promoters to seek further funding elsewhere, which compounded delays. To keep the process of delivery underway while facing material cost increases, many local authorities reported the need to swiftly identify alternative funding sources either from other budgets in their local authority, or from external parties. The steps needed to secure this funding led to further delays.

Team skills, previous experience and leadership capability specific to capital project delivery within the local authorities were the driving factors of timely project delivery. In the face of delivery challenges associated with mobilising capital projects at pace, local authorities reported several factors important to help them with delivery. Above all, strong project management was considered a key enabler (67%), along with drawing on experience of delivering similar projects (52%); strong leadership and governance (52%); flexibility and adaptability in project planning (41%); and effective work planning (36%).

Policy considerations

The learning and insights generated by this first phase of the LUF process evaluation will inform the factors of greatest importance to explore in more detail in phase 2. Key considerations for policy makers that have emerged at this stage include:

1. **The duration of future funds should be aligned with the delivery timescales of the schemes they are enabling.** These timescales are likely to vary according to the types of projects being delivered. This would result in bidders setting more realistic timeframes at the bid stage to which they can be held accountable, supported with appropriate change controls, and would also support accurate monitoring. Although the LUF fund formally required schemes to be delivered within three years, the prospectus acknowledged some flexibility — stating that funding could be spent exceptionally into 2024–25 for larger schemes. This reinforces the need for future programmes to build in delivery windows that reflect the varied realities of project mobilisation and implementation. This is particularly important given the range of unforeseen pressures — both procedural and external — that can affect delivery **timelines.**

2. While many LUF projects were initially assessed as deliverable within the three-year timeframe, this has often proven highly challenging due to several factors such as unforeseen economic pressures and procedural issues such as planning permissions and listed building consent. Meanwhile, The Public Account Committee highlighted major external shocks—including the COVID-19 pandemic, the war in Ukraine, and resulting inflation and supply chain disruptions—as key factors affecting delivery. Learning from these challenges is essential to inform the design and resilience of future funding rounds. For example, greater focus on early-stage planning remains important for identifying risks before they impact delivery.

3. **LUF has demonstrated that local capability to develop and deliver projects is critical to timely delivery.** Ensuring this capability is adequate across local government is likely to provide a stronger base with which to deliver local growth initiatives, navigate statutory and approvals processes, manage and mitigate risks and adapt to changing circumstances effectively.

4. **Supply availability varies across the country. Access to skilled contractors is crucial for the delivery of ambitious infrastructure projects.** Early testing of market capacity across delivery locations would provide information to better mitigate the shortages in construction capacity and skillsets, particularly in specialist areas.

Next steps

The second phase of the evaluation will be undertaken between 2025 and 2027. This will involve a project-level evaluation of the implementation of the Fund, looking in detail at particular aspects and themes identified in the first phase through case studies and further stakeholder research. It will examine the factors behind the selection of projects by different bidders, include greater detail on the obstacles encountered when delivering these projects and how they can be overcome, and aim to understand the lessons that can be learned on how central and local government can work more closely together to address challenges to growth. This would supplement the future impact evaluation, with case studies aligned to where there is an interest in undertaking the impact evaluation.

1. Introduction

The £4.8bn Levelling Up Fund (LUF) invests in infrastructure that improves everyday life for residents across the UK, focusing on regenerating town centres and high streets, upgrading local transport, and investing in cultural and heritage assets. A total of 271 bids have been awarded funding over the lifetime of the fund.

SYSTRA Ltd and Frontier Economics were commissioned by the Ministry of Housing, Communities and Local Government (MHCLG) in 2024 to undertake a process evaluation of the Fund. This has examined the activities and processes involved in the Fund's implementation.

This report sets out a preliminary analysis of progress across the portfolio of LUF funded bids and provides an early indication of the characteristics of projects that have been quicker or more feasible to mobilise and deliver at this stage. The analysis aims to generate evidence and learnings to inform the remainder of the Fund delivery as well as future policy decisions. It does not seek to measure the impacts of the Fund. This will be undertaken through a separate future impact evaluation.

This process evaluation has two phases. Phase 1 (carried out between January and November 2024) is the focus of this report. All the findings presented are therefore preliminary and are subject to change following more detailed work in Phase 2, to be completed between 2025 and 2027. Phase 2 will provide richer project-level evidence on the factors that have enabled or hindered delivery of LUF projects across the country.

The report is structured as follows:

Section 2: Background to the Levelling Up Fund
Section 3: Generating evidence to inform the process evaluation
Section 4: Learning about application and assessment of LUF bids
Section 5: Learning about mobilisation and delivery
Section 6: Considerations and next steps.

2. Overview of the Levelling Up Fund

Objectives of LUF

LUF was announced in the 2020 Spending Review as part of the Government's wider policy of reducing economic inequalities across different parts of the UK. The Fund built on and consolidated prior levelling up programmes such as the Local Growth Fund and Towns Fund. It was jointly designed between HM Treasury, Department for Transport and MHCLG (formerly the Department for Levelling Up, Housing and Communities) with the Department for Culture, Media and Sport also involved in the funds management.

The Fund was designed to deliver capital investment in local infrastructure with stated objectives to:

- have a visible, tangible impact on people and place, impacting everyday life;
- support economic recovery.

Investment proposals were required to focus on three investment themes:

- regeneration and town centre;
- transport;
- cultural.

Funding allocations

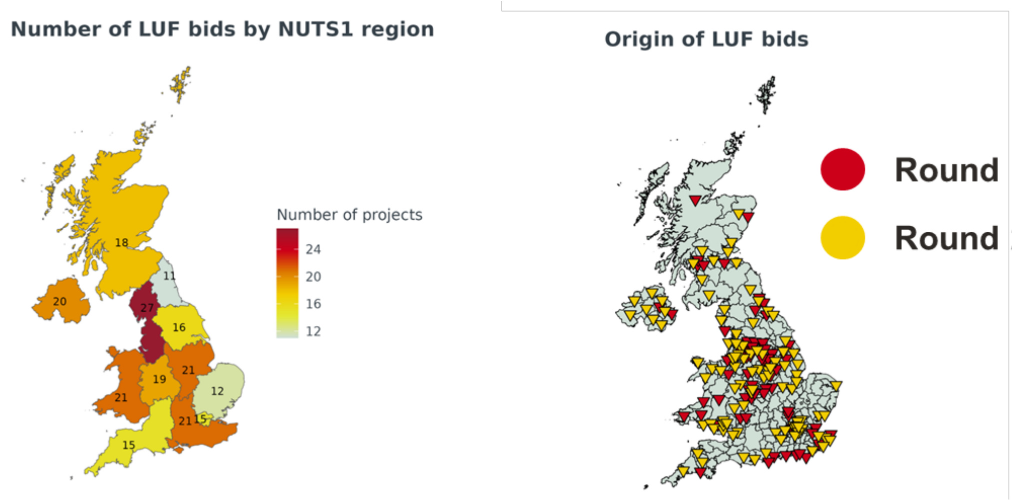
The Fund provided £4.0bn initially (later increased to £4.8bn) with funding awarded over three rounds. Funding was allocated to a total of 271 bids, where a bid could consist of one or more projects (Table 1).

Table 1: Summary of funding by round

	Round 1	Round 2	Round 3	Total
Date of award	October 2021	January 2023	November 2023	**-**
Number of funded bids	105	111	55	**271**
Sum of funded bid value (£m)	1,693	2,088	974	**4,755**
Average funded bid value (£m)	16.1	18.8	17.7	**17.5**

The geographical distribution of funded bids was similar across Rounds 1 and 2 (Figure 3), with the North West securing the highest number of funded bids (27 in total), while the North East had the fewest (11 in total). Note that Round 3 is excluded from this analysis as details of these projects was still being confirmed at the time of commissioning.

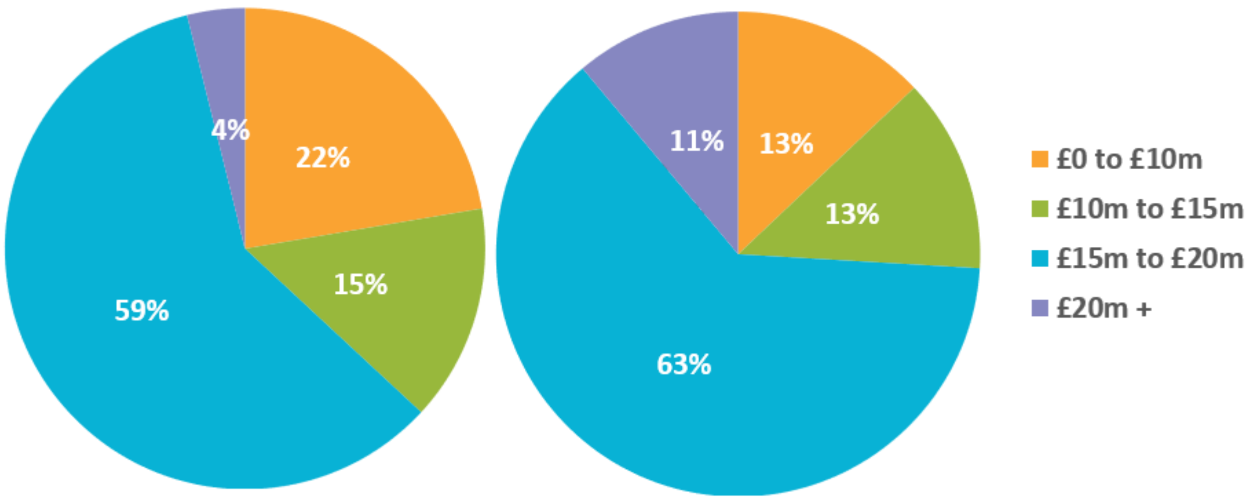
Figure 3. Number of funded bids by NUTS1 region and locations by funding round



Source: Frontier Economics analysis of LUF monitoring data

Funding awards differed slightly between the rounds. Round 1 awarded £1.7bn to 105 bids, averaging £16.2m. Round 2 awards were slightly higher with £2.1bn awarded to 111 bids, an average of £18.9m. The funding awarded to over half of bids across both rounds was in the range £15 to £20m. Round 1 had slightly more funded bids in the range £0 to £10m (Figure 4).

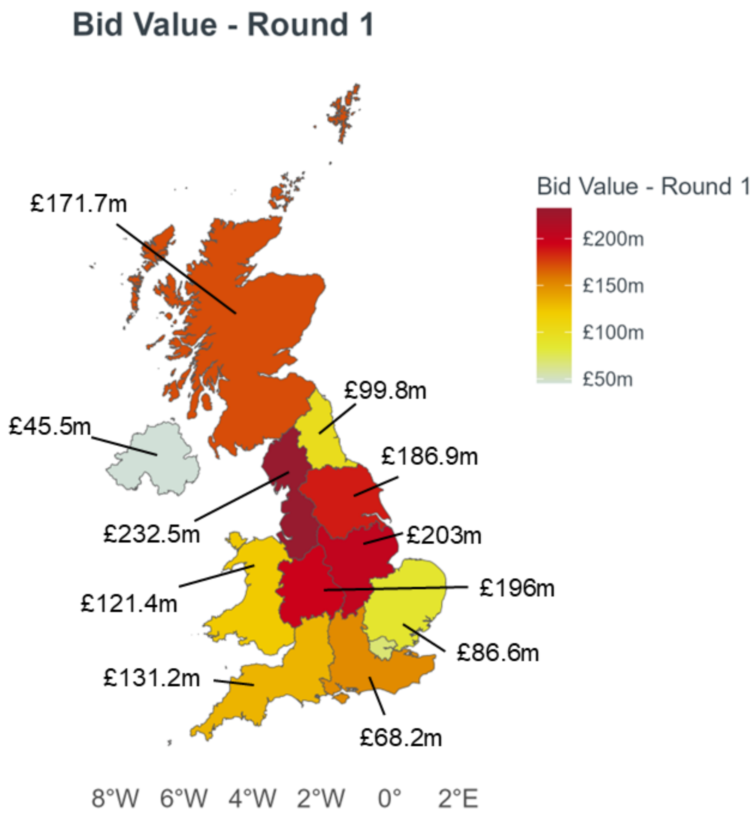
Figure 4. Percentage of funded bids by funding bracket – Round 1 and Round 2

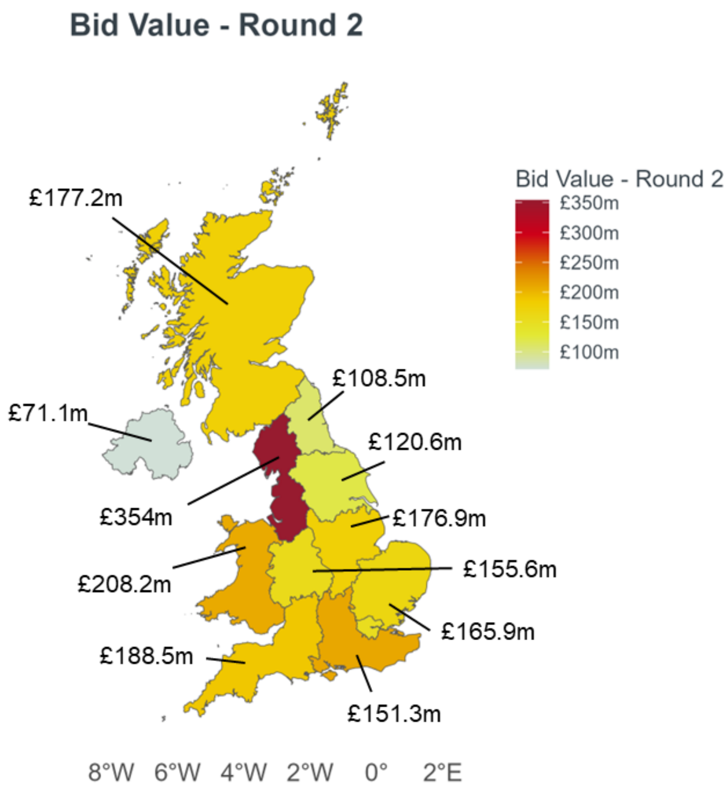


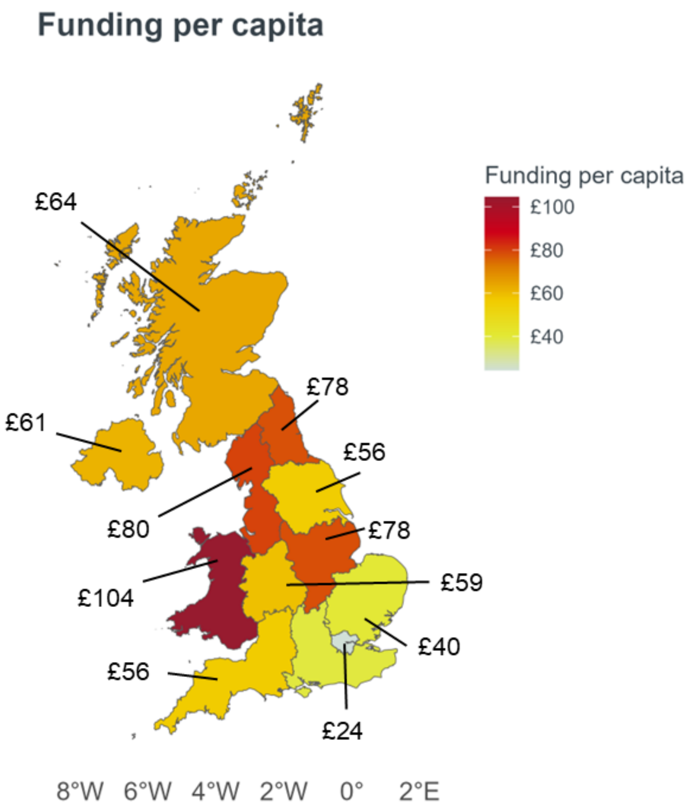
Source: Frontier Economics analysis of LUF funding data
https://www.gov.uk/government/publications/levelling-up-fund-first-round-successful-bidders

On a per capita basis, Wales received the highest funding per capita (£104) whilst Greater London received the lowest (£24) as shown in Figure 5. London, the South East, and the East of England received less funding per capita compared to Wales, the North East, and the North West. This suggests that LUF is consistent with its aims of addressing regional inequality across the UK.

Figure 5. Funding awards by NUTS1 region for Round 1 and Round 2, and funding awards per capita (total for both funding rounds)







Source: Frontier Economics analysis of LUF funding data (https://www.gov.uk/government/publications/levelling-up-fund-first-round-successful-bidders)

Examples of bids awarded funding are shown below.

Regeneration bid: £20m to regenerate a town centre including the creation of a leisure and cultural hub.

Transport bid: £14m to redevelop a multi-storey car park into a sustainable transport hub including car share spaces and an e-bike hire scheme.

Cultural bid: £23m to transform key community and heritage assets within a town centre and bring vacant properties back into use.

On receipt of funding, successful bidders were required to provide updates on project progress via six-monthly monitoring returns on outputs and outcome indicators, and quarterly returns on spend, delivery and risk. All funding provided by the Fund is typically required to be spent within three years of award.

More detail on the Fund, including eligibility criteria, assessment criteria and the breakdown of funding awarded by round, is provided in Appendix A.

3. Generating Evidence to Inform the Process Evaluation

Aims of the LUF process evaluation

This process evaluation aims to assess the effectiveness of the LUF implementation. It examines the activities involved in the implementation and identifies which elements worked well, which less well and the reasons why.

This report presents the findings of the first phase of the evaluation. It provides preliminary evidence and lessons learned on the efficiency and effectiveness of Rounds 1 and 2 of the Fund, with initial insights on Round 3. The insights from this phase will:

- provide insights that will support a future impact evaluation;
- contribute to better-designed interventions;
- enable learning to inform future policy decisions;
- provide evidence relating to the accountability for public funding.

The second phase will involve a more detailed process evaluation of the implementation of the Fund, looking at particular aspects and themes identified here. This is expected to be undertaken between 2025 and 2027.

The process map and key questions guiding the evaluation

To structure the process evaluation and identify the processes from which to generate learning, a **process map** was developed. This identifies the five stages in the Fund's lifecycle: design, application, assessment, mobilisation and delivery. Figure 6 shows the overarching process map and the elements within each stage of LUF. A more detailed process map including relevant stakeholders is provided in Appendix B.

Figure 6. Overarching process map

Design	Application	Assessment	Mobilisation	Delivery
• Develop Fund parameters (objectives, allocation, mechanism, fund value).	• Determine eligibility. • Agree application and assessment criteria. • Promote Fund to applicants. • Develop scheme proposals. • Capacity and capability.	• Screen initial bids. • Implement assessment and moderation process. • Review by ministers. • Determine outcomes. • Review unsuccessful high-scoring Round 2 bids (Round 3 only).	• Develop memorandum of understanding. • Develop scheme business cases (where applicable). • Undertake risk assessment. • Develop project plan. • Submit project adjustment requests (where applicable).	• Start delivery of project. • Start regular monitoring of outputs.

Learning has already been gained and applied on the first three stages (design, application and assessment) through MHCLG's internal evaluations. Consequently, while this process evaluation considers all elements of the Fund's lifecycle, it focusses on the mobilisation and delivery stages. In particular, it provides an early indication of the characteristics of projects that have been quicker or more able to mobilise and deliver at this stage. This ensures learning can be applied while the Fund delivery is still in progress, maximising its impact.

Five key research questions have been developed to provide a framework for the evaluation as shown below:

1. How did the processes change between Rounds 1 and 2, in the application and assessment of bids with regards to value for money and deliverability?
2. How effective were the processes for assessing and awarding funding in Rounds 1 and 2 in ensuring timely project mobilisation?
3. How effective has the process of assessing and awarding funding been for Round 3?
4. What can we learn about the characteristics of projects (and / or local authorities) where Rounds 1 and 2 LUF projects are progressing on track; and where LUF projects are experiencing delays?
5. What are the factors that indicate the reasons for delivery on time or delayed delivery?

These overarching questions are supported with more granular questions that underpin the evaluation (see Appendix B).

Gathering evidence to generate insights and learning

The process evaluation uses a combination of qualitative and quantitative research methods, and primary and secondary data sources. This mixed method approach provides multiple sources to develop a rich evidence base to address the research questions.

The fieldwork research has included:

- a **request for information (RFI)** which was issued to Rounds 1 and 2 funding recipients seeking detail on project progress and the factors that have influenced this;
- **interviews** with 17 local authorities (each of whom responded to the RFI) seeking more detail on their projects' progress to build on their responses to the request for information (Appendix C provides details of how these local authorities were selected);
- **5 individual interviews** and **2 group workshops** with policy officials from MHCLG, DfT and DCMS (one covering the application and assessment stage, and the other mobilisation and delivery).

The quantitative research has involved analysis of:

- **monitoring returns** (data routinely submitted to MHCLG to report on progress);
- **responses to the RFI** (the data were cleaned and synthesised);
- **secondary data sources** including published statistics on local demographics.

This evidence base has provided insights on the characteristics of projects (and their surrounding areas) to uncover the extent to which projects are on track or are experiencing delays, and factors that have influenced whether project delivery is on time or delayed. Further detail on the research methodology is provided in Appendix C.

4. Learning about the Application & Assessment of LUF bids

Key insights
Round 1 of the Fund was launched with little time for officials or bidders to prepare Bidders recognised LUF as an important funding opportunity, and many worked with partners to develop proposals within the timeframes. However, in some instances, a lack of detailed planning at the bid stage led to delays once funding had been awarded. Bidders generally felt that sufficient guidance was provided, and that the application requirements were reasonable considering the level of funding on offer. By the launch of Round 2, a number of lessons from Round 1 had been learned and processes improved. However, the launch of the application portal was delayed for several weeks, which led to uncertainty and frustration and eroded confidence in the process. Significant improvements were made to the assessment of applications during Round 2. The use of an application portal reduced the number of non-compliant bids submitted and the introduction of a new assessment tool streamlined the assessment of the different elements of the application. The Additional Ministerial Consideration to exclude successful Round 1 bidders from receiving Round 2 funding - whilst taken to maximise the geographic spread of LUF - was only made after Round 2 bids had been submitted and assessed. This resulted in additional costs and wasted effort both on the part of bidders and Departmental policy teams.

Introduction

This section focusses on identifying insights from the application and assessment stages of the Fund. This has been achieved primarily through qualitative research including the interviews with local authorities and the interviews and workshops with officials.

Time pressures impacted the launch of the Fund and development of bids

LUF was announced as part of the 2020 Spending Review, with Round 1 launched four months later in March 2021 and officials felt that there was little time to prepare, allocate resources and agree priorities and processes. This resulted in a lack of clarity on the Fund’s detailed operational objectives, and insufficient time to develop and test materials such as the application form and guidance for bidders. These time pressures continued during the assessment period; officials worked hard to recruit and train a significant number of staff to score, quality-assure, and shortlist bids within the published timescales. This was made more challenging as the assessment of bids in Round 1 coincided with the summer holiday period.

"Round 1 was incredibly difficult, we were recruiting people at the same time as trying to launch [LUF]…we were constantly trying to catch up with ourselves…Although I would stand by the assessments that were done with rigour, it was challenging because we didn't have the lead in time."

LUF official - workshop

Time pressures and the multi-themed nature of LUF also led to issues for projects. For example, DCMS was not involved in the development of the Fund from the beginning. This had implications for the application questions and the evidence required for culture-based projects. As a result, bidders found it difficult to demonstrate value for money given the non-monetisable nature of many of the benefits associated with this type of investment. Similarly, transport bids which followed Transport Analysis Guidance (TAG) in the development of the economic case struggled to demonstrate high value for money of a comparable level to non-transport projects.

From a bidder's perspective, local authorities identified LUF as an important opportunity and placed high priority on bidding. When interviewed, they too commented on the tight timescales, and the resource-intensive nature of the process which required engagement with stakeholders and the need for external support to produce the bid. However, interviewees generally agreed that the process was straightforward and transparent, with an appropriate level of detail required for the scale of funding on offer.

Bidders with an existing business case or well-developed scheme had an advantage in the bidding process, although this was not a requirement for all applicants. Others began project development only after the publication of the prospectus and these applicants generally found the process more demanding.

Some interviewees identified a lack of support from officials during the application process and expressed a desire for greater engagement to address technical queries. However, it was acknowledged by some of these applicants that there was a limit to the amount of support that can be provided given the competitive nature of the Fund.

In addition to commenting on the timescales associated with bidding, several interviewees noted that the application window for the Fund coincided with that of other competitions, including the UK Community Renewal Fund, which further stretched resources.

"The application process was quite intense, in terms of what we had to pull together. We did not have the skillset in-house to complete the form required, so had to get a consultant to help with the economic aspects."

Local authority interview

Improvements made to the application and assessment processes in Round 2 had mixed impacts

Officials carried out an early lessons learned exercise following Round 1 and implemented improvements for Round 2. This included additional guidance to bidders on technical aspects of the application, and greater specificity of what should be included in each section. A regularly updated 'Frequently Asked Questions' page was provided on the Fund website to share further information on points of detail commonly raised by bidders.

The application form was amended and benefited from the involvement of a 'critical friend' group, comprising officials from the departments' regional engagement teams, which tested the form in advance of its launch, providing feedback and suggestions for refinement. The questions within the application form were varied to reflect the investment theme of the bid and differences between bidders across each of the four home nations. By tailoring the questions to the project type, the updated application form addressed a previous weakness by making it easier for bidders to demonstrate benefits and value for money in the most appropriate way for their project.

Round 2 bids also benefited from the use of an application portal where bidders inputted data for each section. This had several benefits. It allowed officials to confirm that bids were eligible and compliant at the outset, ensured that each question was answered, and set word limits for responses. The portal also made it easier to track and limit the submission of annexes associated with the bid, which made assessment easier. However, the launch of the portal was delayed by several weeks and did not go live until after the original submission deadline (which was 6 July, but the portal only became active on 15 July). Whilst the deadline was ultimately extended to 2 August allowing bidders to complete their applications, bidders felt that the reasons for the delay were not well communicated, and that the decision to extend the submission date was not confirmed until shortly before the deadline, which caused concern and frustration for some.

The assessment of bids in Round 2 was made easier through a tool which streamlined processes and helped officials to keep to deadlines. Sections of each bid could be assigned to individual assessors, and their scores and feedback captured. However, individual-level permissions were assigned within the tool due to considerations around data protection and objectivity. This caused issues as assessors were not easily able to share bids with subject matter experts, and the results of different assessments were stored in separate databases. It also complicated the reporting process as it required the collation of scores from multiple sources, slowing down reporting and adding costs to the process. Officials felt that in future, there should be a greater willingness to relax such restrictions and place more emphasis on the shared principles of integrity, honesty, objectivity, and impartiality which all officials are held to as part of the Civil Service Code.

Other improvements to the assessment process included improved due diligence processes to capture the full range of different types of bidders and the production of a proforma to allow MPs to state their support for particular projects.

The assessment of bids in both rounds benefited from a comprehensive handbook which provided examples of different types of answers to each question. This offered consistency across different project types, which was important in ensuring an equitable allocation of funding across themes. However, officials acknowledged that there was potentially a lack of rigour applied to the appraisal of delivery timeframe included in bids, noting the political imperative to identify suitable schemes and ensure all funding was allocated.

The shortlisted Round 2 bids were reviewed by Ministers, who applied two of the Additional Ministerial Considerations (‘Ensuring a fair spread of approved projects across Great Britain’; and ‘Taking into account other investment in a local area’). It was also decided at this stage that places that had received funding in Round 1 should be excluded from Round 2. Whilst this increased the number of places that benefited from LUF funding, the decision to apply these rules was only made once bids had been submitted and assessed. This resulted in unnecessary effort and additional costs amongst both local authority bidders and assessment teams.

5. Learning about Mobilisation & Delivery

Key insights
Almost all (95%) of LUF projects on which information was provided in the RFI reported they were delayed, relative to the timeline envisaged in the LUF bid. Of those that reported delays, 38% were delayed by more than one year. Projects led by MHCLG reported slightly longer delays than DfT-led projects, although there are fewer DfT projects. The most common reasons for delay are also different between the two awarding Departments. Due to a lack of revenue funding and limited internal resources, local authorities often have few developed schemes ready to take advantage of funding competitions. This challenge was anticipated in part by the fund's design. The LUF prospectus indicated that funding would prioritise projects able to begin delivery within the funding window, but in practice, this included many still at early design or planning stages. Many LUF bids were therefore developed on the basis of high-level costings with more detailed design work and costings required post-award. This led to delays in many instances, and in some instances, further cost increases/rescoping exercises. Many LUF bids were therefore developed on the basis of high-level costings with more detailed design work and costings required post-award. This led to delays in many instances, and in some instances further cost increases/rescoping exercises. The five reasons most cited in the RFI responses for projects not delivering within timeframes envisaged in the LUF bid, were: o Unexpected costs/inflation (66%) o Level of funding (40%) o Technical challenges (37%) o Changes in project scope (34%) o Delays in receiving funding (32%). Interviews with bid applicants suggested that unexpected costs and inflation were particularly relevant for projects requiring specialist contractors (for example, those with experience working with listed buildings), and contractors in rural areas. Many scheme promoters acknowledged that the tight delivery timeframes were often overambitious. While some projects are officially reported as "delayed", they are progressing at a reasonable pace for those types of projects under typical delivery conditions. The decision to provide scheme promoters with flexibility to make up to a 30% change in funding profile and outputs was a pragmatic step taken as a result of significant cost challenges and was universally welcomed by scheme promoters. The decision to delay the announcement of successful Round 2 scheme until January 2023, meant that scheme promoters were required, post award, to demonstrate that their scheme complied with the Subsidy Control Act 2022. This led to several delays as local authorities sought to understand the requirements.

Introduction

This section presents evidence relating to Research Questions 4 and 5 and focusses on identifying insights from the mobilisation and delivery stages. It presents evidence on what can we learn about the characteristics of projects (and / or local authorities) where Rounds 1 and 2 LUF projects are progressing on track; and where LUF projects are experiencing delays. It also describes evidence on the factors enabling delivery on time or that lead to delayed delivery.

Although monitoring data on progress is routinely collected from local authorities, there are gaps, and further detail was important to understand what was working well or less well in terms of delivery. In July 2024, an RFI was sent to all 216 Round 1 and Round 2 funded bids. Responses were received from 131 scheme promoters (61% response rate) with information on 177 projects (49% of the overall 380 projects). Responses to the RFI provide further insights into project progress.

Explanatory Note: During the bidding process, applications could include up to three projects within their bid. In this report, "bid" refers to the overall package, whilst "project" refers to individual projects within each package or bid. Most data is collected at the project level; this includes both the regular LUF monitoring regime, and the RFI. However, funding data is only available at the bid level, which limits our ability to analysis the relationship between project size (in terms of funding) and delivery progress.

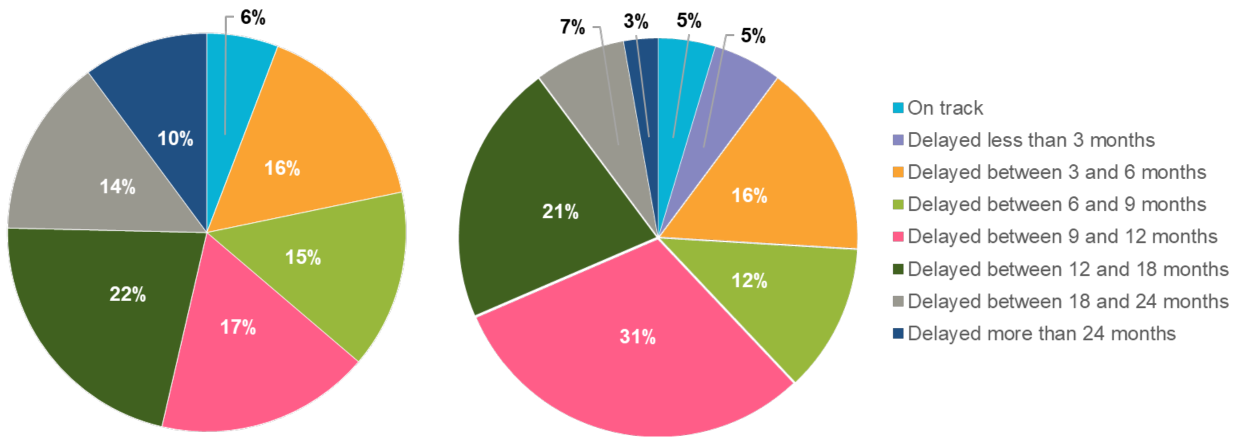
Progress of LUF-funded projects relative to their proposed timelines

Most projects are experiencing delays relative to timelines in their bids, largely due to delays before construction

The RFI revealed that only 5% of projects were on track or ahead of schedule relative to the timelines stated in the LUF bid. The remaining 95% were experiencing delays, with 57% delayed by less than a year; 25% delayed between nine and twelve months; and 38% delayed by more than a year. Delays of more than two years affected 6% of projects.

Progress appears similar across Round 1 and Round 2, with approximately the same proportion of projects on track (Figure 7). The proportion of projects delayed by less than a year is 54% for Round 1 projects and 69% for Round 2 projects. However, Round 2 projects commenced more recently, and have had less time to accumulate delay.

Figure 7. Overall progress in project delivery relative to LUF bid timeline - Rounds 1 and 2 (as of July 2024)



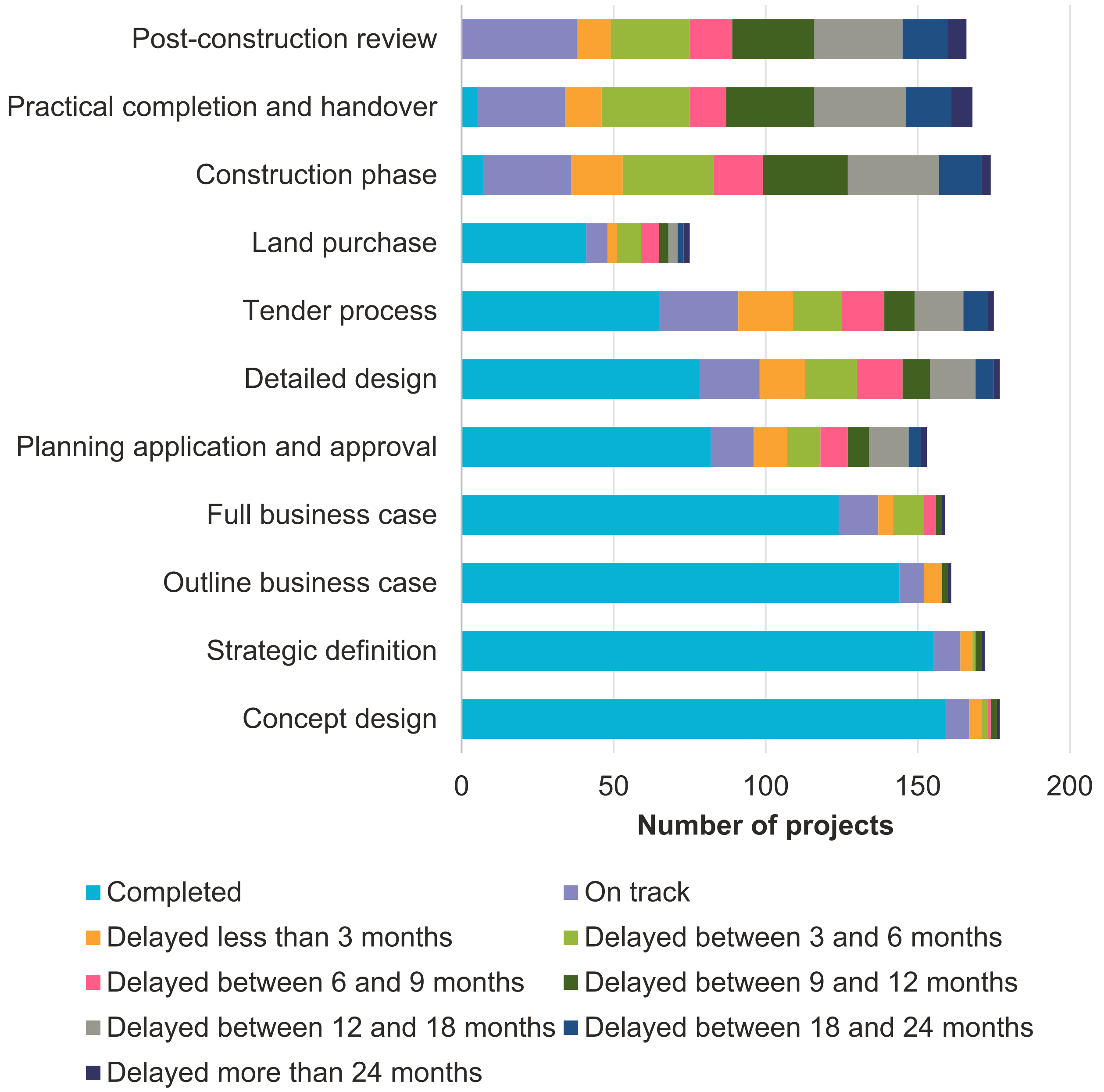
Source: Systra/Frontier Economics. Request for Information, n = 177

Notes: The chart shows the composition of the RFI sample based on answers to question: "How would you describe your overall progress in project delivery relative to the timeline envisaged in your LUF bid?"

Figure 8 illustrates the distribution of projects based on their progress across different stages, as reported in the RFI responses. The majority of projects had completed the initial phases of work (such as concept design, strategic definition and business case development) in line with the timeframes set out in their bid. Delays were more pronounced in the later phases, particularly during construction, as approximately 20% reported that they had completed or were on track to complete the construction, practical completion, and post-construction review phases on time

It is important to note that this is not inconsistent with the earlier finding that only 5% of projects reported being on track; a project's construction phase (or the practical completion or post-construction phases) could still be progressing according to its schedule, even if the overall project timeline is delayed due to a late start or delays in earlier phases.

Figure 8. Progress by project stage (as of July 2024)

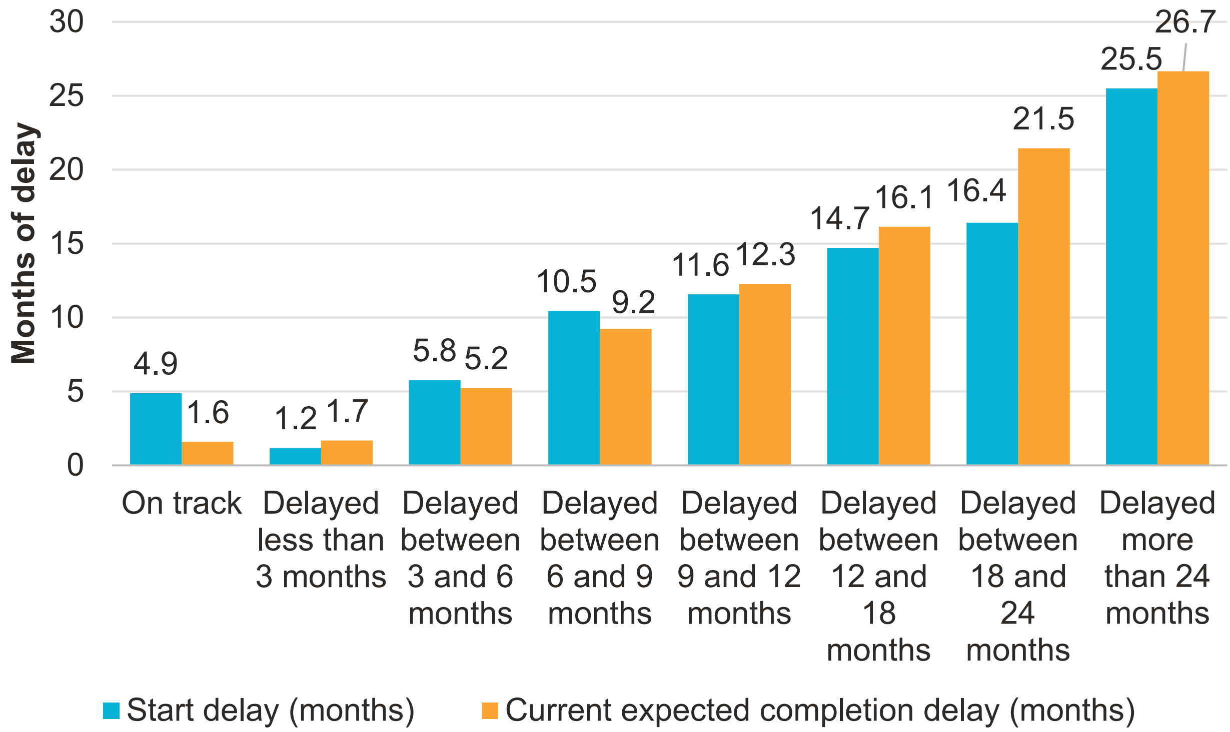


Source: Systra/Frontier Economics. Request for Information, n = 177

Notes: The chart shows the composition of the RFI sample based on answers to question: "As of July 2024, how are the following stages of project planning and delivery progressing? Please select one answer per stage"

Analysis of RFI data shows that the average reported construction start delay across all projects was 11.8 months, while the expected completion delay was slightly higher at 12.4 months. As Figure 9 shows, projects with longer construction start delays tended to have longer expected completion delays, indicating limited ability to recover lost time. It is important to note that projects self-reporting as "on track" relative to the timings in the LUF bid still had an average starting delay of 4.9 months. This could indicate that some projects recover from initial delays to stay on schedule overall. It could also indicate discrepancies in how respondents interpreted the question; the interviews with scheme promoters suggest that some respondents may have assessed “on track” status relative to the timelines stated in their original bid, while others have assessed it relative to updated project timelines.

Figure 9. Average start delay and current expected completion delay for projects relative to LUF bid timeline (as of July 2024)



Source: Systra/Frontier Economics. Request for Information, n = 177

Notes: The chart shows the composition of the RFI sample based on answers to questions: “How would you describe the overall progress in project delivery relative to the timeline envisaged in your LUF bid?”; and “Please enter the following dates: a) planned construction start date in LUF bid; b) actual construction start date; c) planned construction completion date; d) actual expected completion date.”

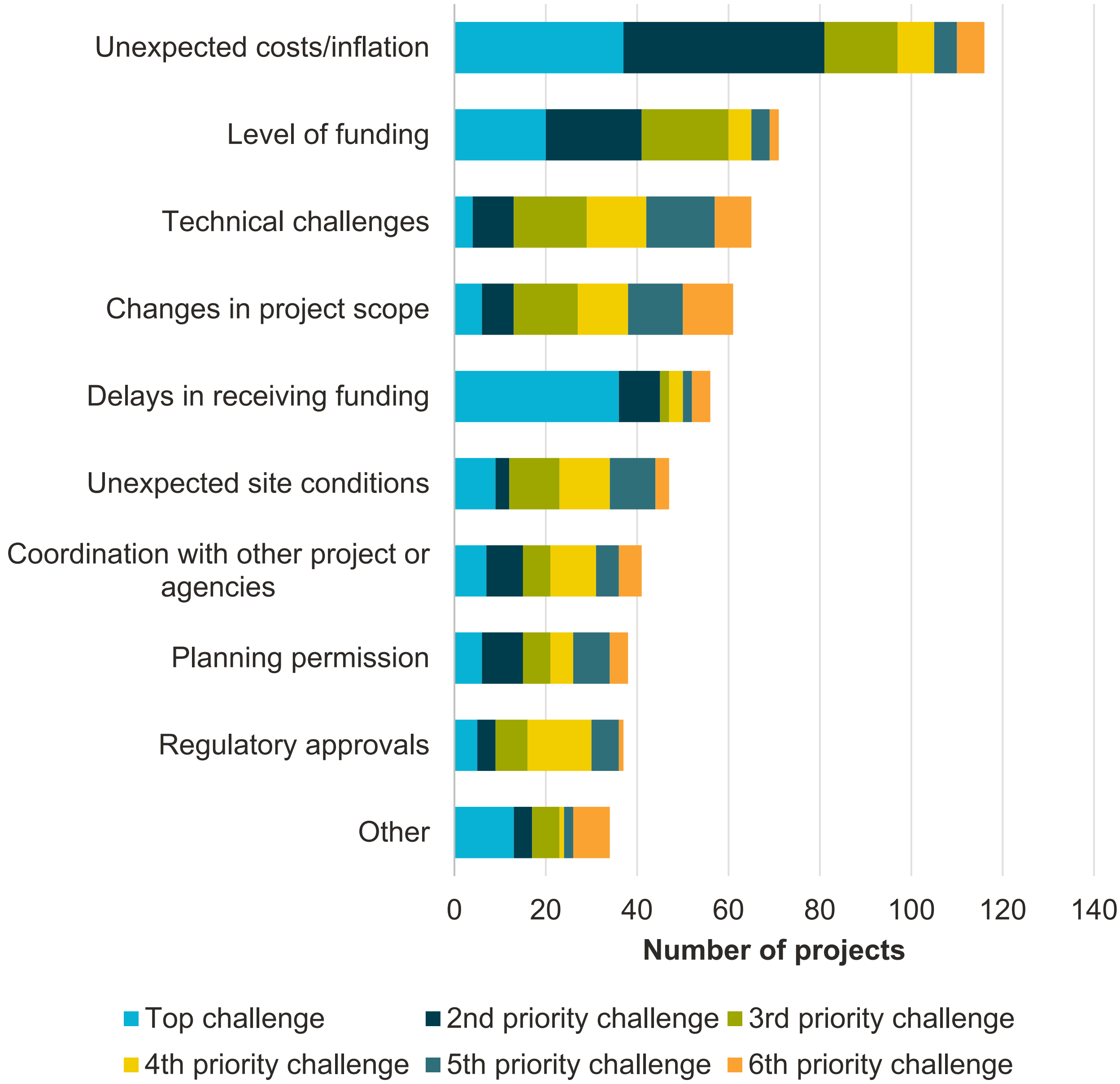
The extent to which projects are progressing does not appear to depend on particular local authority areas characteristics.

Analysis of project progress against socio-demographic characteristics (e.g. population, median annual pay, gross value added, unemployment rate) of the local authorities overseeing LUF bids did not find statistically significant differences.

Factors affecting timely or delayed delivery

RFI respondents identified several critical factors that hindered timely project delivery, as shown in Figure 10.

Figure 10. Most significant challenges preventing delivery of project in line with LUF bid timeline (as of July 2024)



Source: Systra/Frontier Economics. Request for Information, n = 177

Notes: The chart shows the composition of the RFI sample based on answers to questions: (i) "As of July 2024, what are the most significant challenges preventing you from delivering your LUF project in line with the timelines in your LUF bid?"

According to RFI responses, inflation and unexpected costs impacted 66% of projects, whilst insufficient funding affected 40%. Rising prices and unforeseen expenses strained budgets, disrupting project timelines and forcing many projects to adjust their scope. It was also noted in the Public Account Committee hearing that many of these pressures — including sharp increases in the cost of materials and labour — emerged after bids were submitted, making it difficult for projects to adjust within fixed funding envelopes. This mismatch between initial planning assumptions and rapidly changing economic conditions contributed significantly to delivery challenges. The gap between awarded LUF funds and actual project costs frequently led to delays, as scheme promoters had to reduce outputs or secure additional finance from external sources. Whilst LUF funding occasionally unlocked supplementary resources, inflation-driven cost increases often necessitated further fundraising efforts, extending project timelines and complicating delivery schedules.

"The costs have risen exponentially … the price of the raw materials, steel and everything. This is why we have had to move the funding from one area of the building to another to allow us to essentially complete the main part of the project, while the rest will be on hold until we find other funding."

Local authority interview

"In 2022 when the bid was put together, £19m would have bought you so much, but if you roll that forward by 18 or 24 months that [equates to around] £17m [which] is not going to buy you as much. So, to deliver the same outcomes, you then start to look for other sources of funds and that has been ongoing and continues to be the case. There are a lot of other fundraising efforts ongoing to raise the funds to ensure that the project is delivered."

Local authority interview

The most cited obstacles to timely delivery were unexpected costs, inflation, and insufficient funding. These challenges were compounded by a uniquely difficult economic environment. As highlighted in the Public Account Committee hearing, many funds were launched at a time when the UK was emerging from lockdown, and by the time projects entered the delivery phase in 2022, inflation had reached record highs — .Construction companies, especially SMEs, were still grappling with supply chain disruptions caused by the pandemic, leading to material shortages and sharp price increases for essentials such as steel, timber, and skilled labour. Many councils were required to revisit and revise project designs to deliver within the constraints of their original funding allocations, despite rapidly changing market conditions, with construction inflation for new work rising to 12.1%.Construction companies, especially SMEs, were still grappling with supply chain disruptions caused by the pandemic, leading to material shortages and sharp price increases for essentials such as steel, timber, and skilled labour. Many councils were required to revisit and revise project designs to deliver within the constraints of their original funding allocations, despite rapidly changing market conditions.

Steps taken to minimise the impact of inflation on project costs were effective.

LUF was identified by the Infrastructure and Projects Authority as part of the Government's Major Projects Portfolio (GMPP). This placed additional governance processes on the Fund, including the creation of a GMPP Board made up of senior officials from MHCLG, DfT, DCMS and HM Treasury. Given issues caused by cost increases, the GMPP Board decided to allow scheme promoters to make decisions on project changes of up to a 30% change in funding profile, outputs, and outcomes, provided the project "remains materially the same." Changes that exceeded this threshold were still subject to the Project Adjustment Requests (PAR) process. This decision, and the flexibility it provided to scheme promoters, was universally welcomed by local authority interviewees who had been required to make use of it.

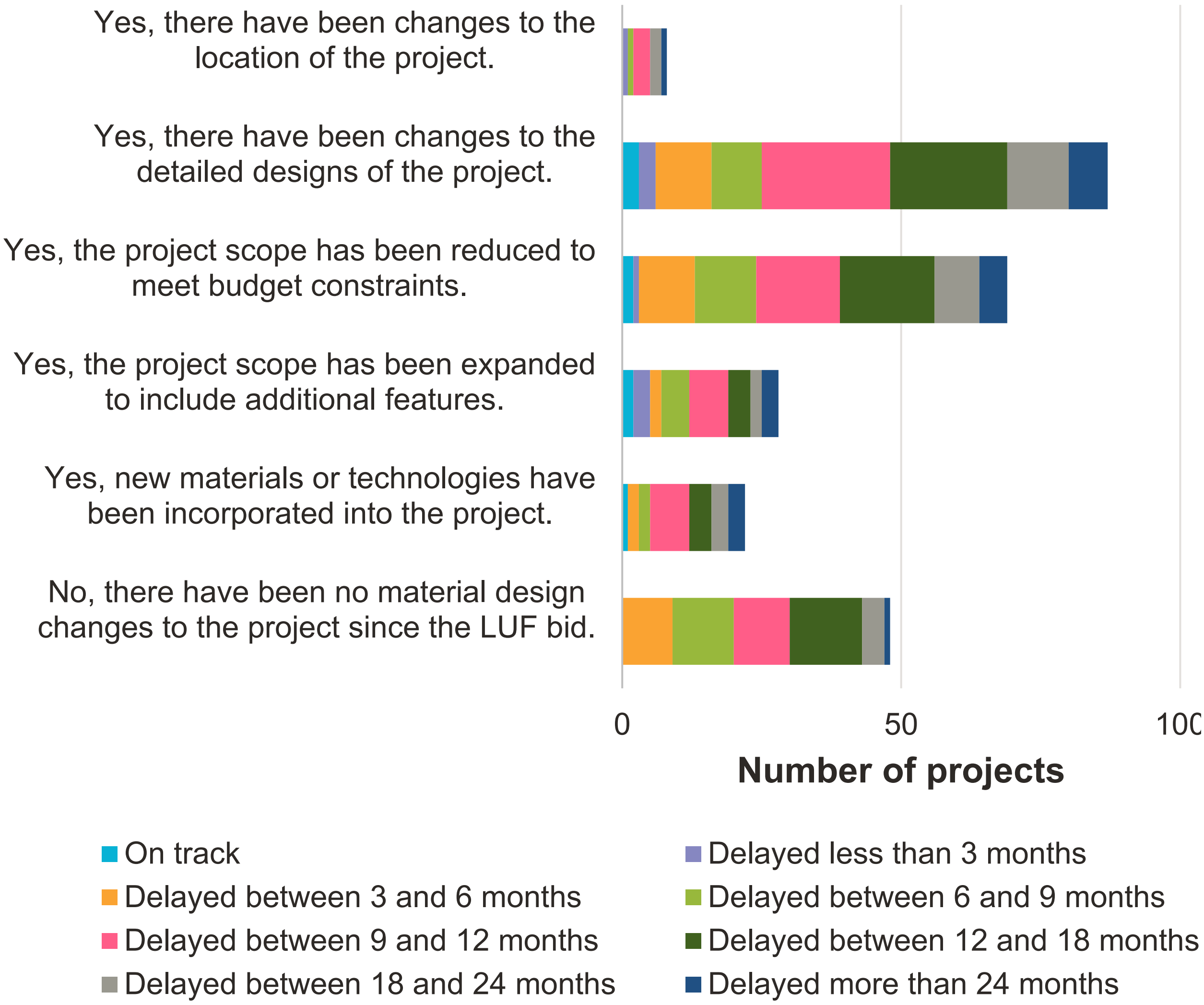
Changes in project scope were common and, in some cases, contributed to delays in mobilisation.

Following confirmation of a successful bid, Round 1 scheme promoters were required to produce a Project Management Update (PMU). This captured changes to the project since bid submission and provided an opportunity to revise timescales, costs and deliverables. It formed the basis of a Memorandum of Understanding (MoU), the formal agreement for the disbursement of funds and the delivery of outputs, and the baseline for all future monitoring and reporting. Local authority interviewees reported that the process for agreeing the MoU was straightforward, which contrasted favourably with that of other funds. However, understanding of the nature of the MoU and its legal status differed between interviewees. Some viewed it as a general agreement to deliver the stated outputs within the budget and timeframe, but a small number of interviewees judged the MoU to be a legally binding document and entered protracted discussions with officials on its contents and terms. These interviewees delayed signing of the MoU until updated and robust costs could be provided for the scheme and used the PAR process at the outset of the project. This led to delays to project mobilisation.

The requirement to complete a PMU was dropped for Round 2 schemes, as the unprecedented increases in inflation at the time had lessened the value of the process; practically all schemes experienced cost increases and the administrative burden of producing the update was recognised. Instead, the information provided by scheme promoters as part of their first monitoring return was taken as the project baseline.

> *"We have had to pull [an] element of the project because the costing came back at more than double, or even treble, what we put in the existing bid, and we just could not cover those costs. The process [of re-scoping and getting approval on the new scope] was awful. If I'm honest, it probably took us 12 months to get a project adjustment request approved".*
>
> ***Local authority interview***

Figure 11. Material changes to projects since bid stage (as of July 2024)



Source: Systra/Frontier Economics. Request for Information, n = 177

Notes: The chart shows the composition of the RFI sample based on answers to question: "Have there been material changes to the project since the LUF bid? Select as many as apply"

Complex negotiations with regulatory bodies frequently delayed delivery timelines, despite promoters' efforts to expedite the process.

Technical difficulties were reported to have impacted 37% of projects, often requiring additional expertise and time to resolve. Securing planning permissions and regulatory approvals emerged as a major hurdle, especially for regeneration projects requiring listed building consents or other statutory approvals. Complex negotiations with regulatory bodies also frequently delayed delivery timelines, despite promoters' efforts to expedite the process. For instance, projects involving heritage sites needed extended discussions with regulatory bodies, such as for flood defence measures or structural alterations, to align with local or national guidelines.

"Once we got on site, there was a discovery of asbestos containing materials in the ground. So that took a bit of time in terms of getting the relevant tests carried out. The remediation strategy that was part of a planning condition had to be done and sent back to planners to get the condition sorted, which took a bit of time."

Local authority interview

Difficulties securing contractors and specialist consultants, especially for technically demanding projects or projects in rural areas, contributed to cost and timeline challenges.

Labour market constraints were a recurring issue, with difficulties securing contractors and specialist consultants, especially for technically demanding projects. Rural areas faced acute shortages, driving up costs and extending procurement timelines. The limited availability of contractors, who were often engaged in multiple LUF projects, exacerbated these challenges. Additionally, in some cases, contractors unexpectedly charged additional costs for travel and accommodation, significantly inflating budgets. These labour shortages and their cost implications were especially acute in areas like Wales, where the pool of available contractors was smaller.

"We had problems getting tradesmen and subcontractors on site. This was probably due to the location … We are in [a remote location] … And although it is a big project and there is a lot of work on site from local companies, it is almost too big for them. A lot of companies [that are not local] are asking for a lot of money for accommodation costs and costs for their subcontractors to stay."

Local authority interview

The main reason for delays has been getting contractors on board and the procurement process. […] A lack of interest from developers and the remaining ones has artificially inflated prices due to this and so we have had to retender bids to attract more interest and bring costs down. My sense is that it is for geographic reasons with [our location being so remote]."

Local authority interview

A greater proportion of projects awarded funding by DfT reported being on track than those awarded funding by MHCLG, with notable differences emerging in the factors preventing timely delivery between the two groups.

Of the projects reported in the RFI, 16.7% of DfT-awarded projects were progressing on-track (relative to the timeline in their bid submission) versus 2.7% of MHCLG-awarded projects. However, there are fewer DfT projects that responded to the RFI (30) compared to MHCLG projects (147), so this is a tentative finding.

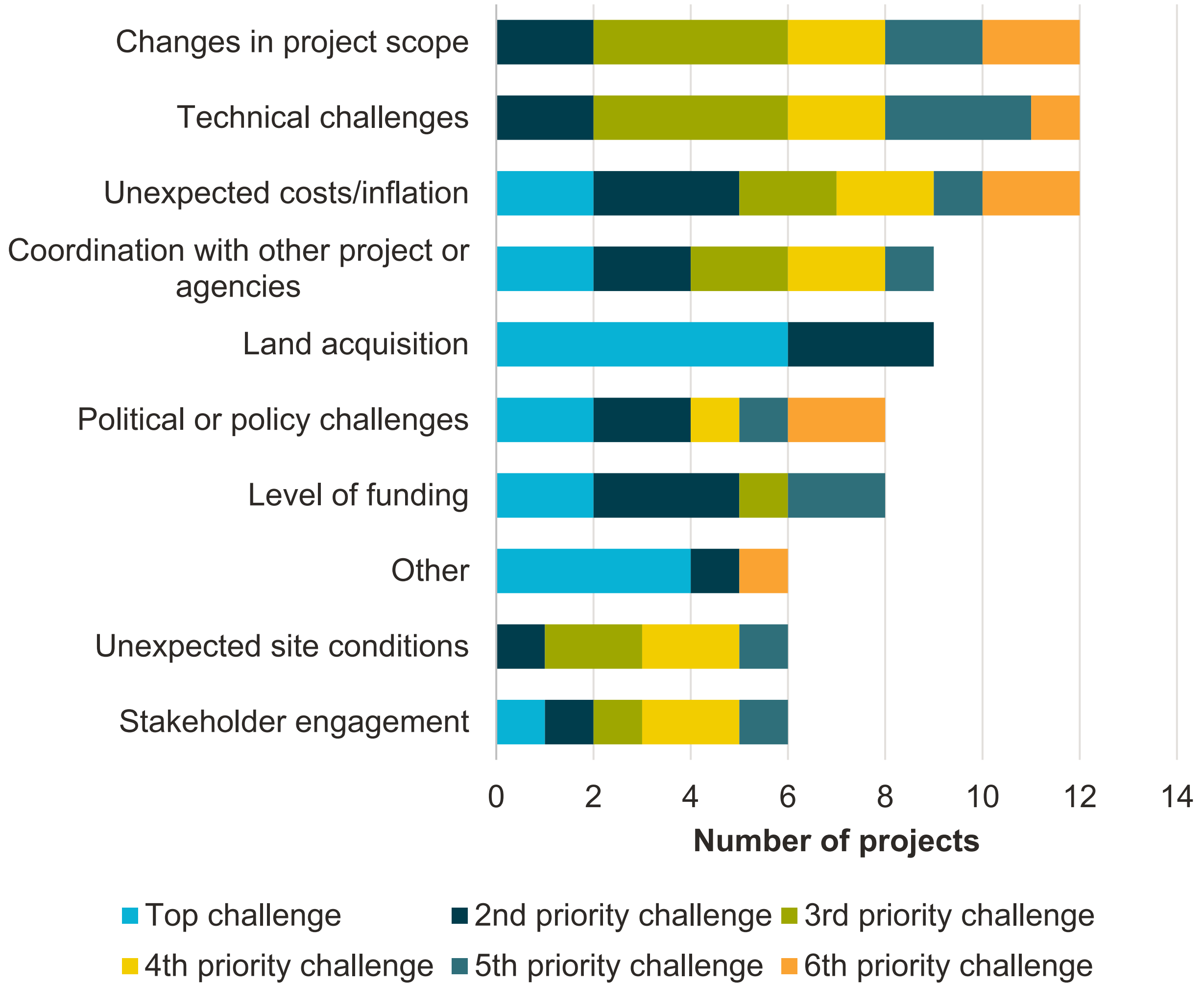
Evidence from the interviews suggested that the higher incidence of delays seen in MHCLG-awarded projects may be linked to their particular characteristics. For example, MHCLG's regeneration projects often involve land acquisition, planning permissions, and compliance with heritage or environmental regulations, all of which can introduce delays. Although DfT-awarded transport infrastructure projects are still subject to many of the same regulations, they typically have clearer definitions and established technical standards which can mitigate some of the complexities that are experienced by heritage projects, for example.

“We have had a lot of issues. Because the [building] is Grade 2 listed, you have so many regulations to meet because it is going to be a hotel and restaurant. There has to be a lot of juggling there to get agreement and sign-off on the listed building consent.”

Local authority interview

RFI data illustrates the similarities and differences leading to delay for different types of projects. Whist both report issues relating to costs, scope and technical issues as major reasons for delay, transport schemes are more likely to identify coordination with other project or agencies and land acquisition as significant, (affecting 30% of projects each, see Figure 12), whereas MHCLG-awarded projects are more likely to highlight unexpected site condition (28%), regulatory approvals (24%), and planning permission (24%) (see Figure 13).

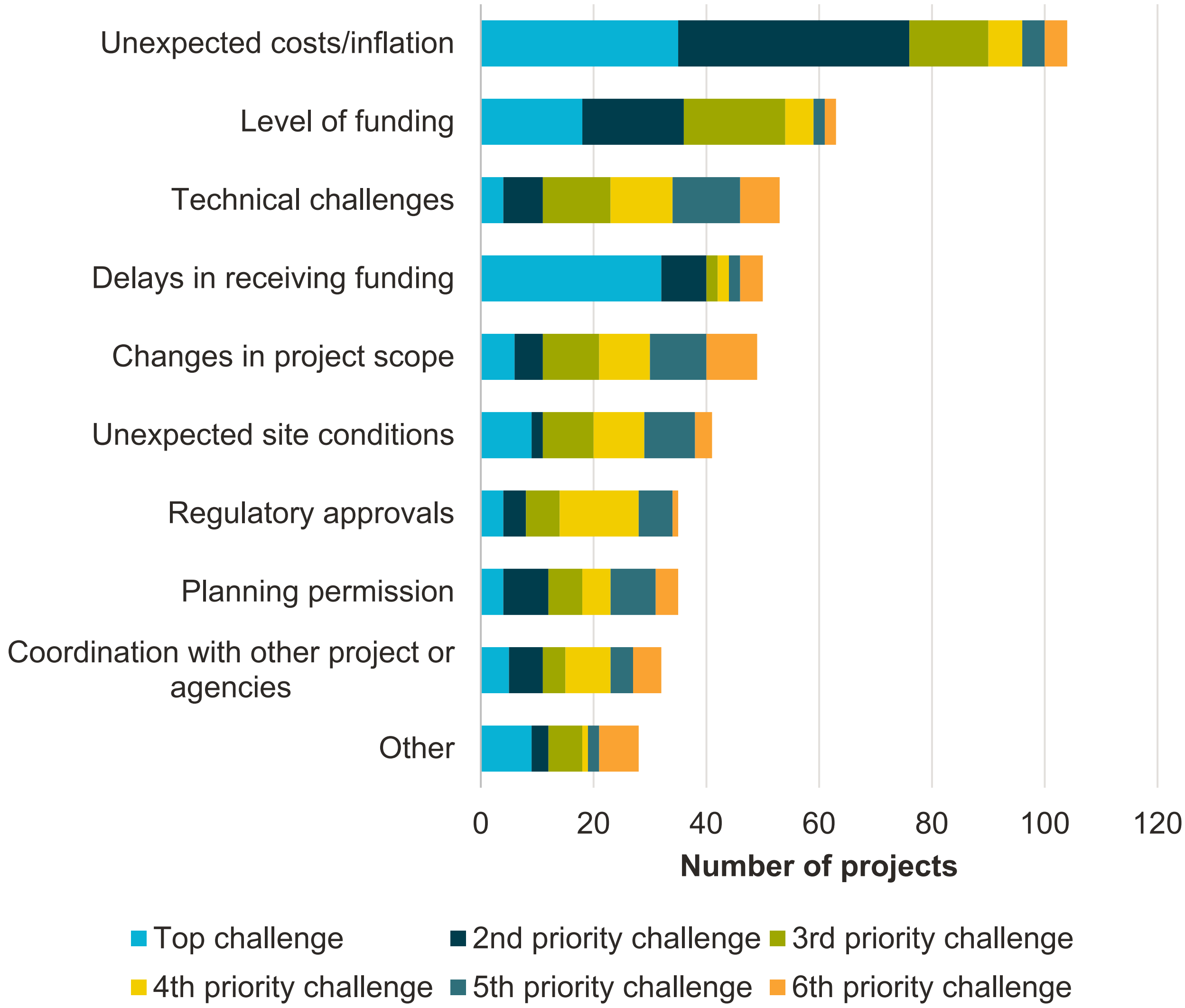
Figure 12. Most significant challenges preventing delivery of project in line with LUF bid timeline – projects awarded by DfT (as of July 2024)



Source: Systra/Frontier Economics. Request for Information, n = 27

Notes: The chart shows the composition of the RFI subsample of projects sponsored by DfT based on answers to questions: (i) "As of July 2024, what are the most significant challenges preventing you from delivering your LUF project in line with the timelines in your LUF bid?"

Figure 13. Most significant challenges preventing delivery of project in line with LUF bid timeline – projects awarded by MHCLG (as of July 2024)



Source: Systra/Frontier Economics. Request for Information, n = 153

Notes: The chart shows the composition of the RFI subsample of projects awarded by MHCLG based on answers to questions: (i) "As of July 2024, what are the most significant challenges preventing you from delivering your LUF project in line with the timelines in your LUF bid?"

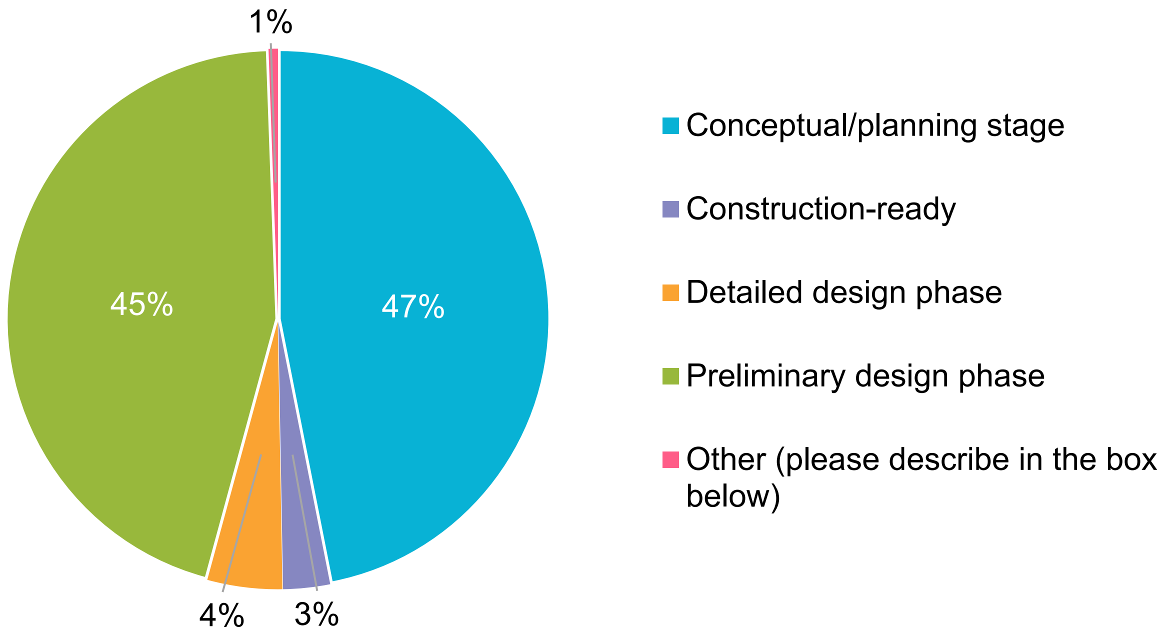
Many scheme promoters acknowledged that the tight delivery timelines stated were often ambitious given the processes involved, particularly for complex regeneration projects.

The competitive nature of LUF required schemes to be deliverable within a three year period. However, this was not feasible given that only 3% of the projects included in the RFI were 'construction-ready' at the time of the LUF bid submission (although due to the small sample size of construction-ready projects - five out of the RFI sample - we could not draw meaningful insights about the correlation between construction readiness and delivery progress.) The large majority were either at conceptual/planning stage (47%) or preliminary design phase (45%) (Figure 14). Although full delivery within three years was the formal expectation, technical guidance indicated that places should aim to demonstrate investment or begin delivery within the [first financial year of funding]. This allowed for some flexibility, particularly for complex or larger schemes that may extend into [later years].

Procedural delays due to extensive approvals and planning requirements were frequently unavoidable. While some projects are officially reported as “delayed” relative to LUF timelines, they are progressing at a reasonable pace given typical delivery conditions.

> *“I think the big challenge in this was a very tight time frame and everybody felt the pressure. The idea that you could deliver a grade one listed building with a submission in March* ‘20 or in July ‘23 and completion by March 25 was, you know, overambitious.”
>
> ***Local authority interview***

Figure 14. Stage of project at time of bidding



Source: Systra/Frontier Economics. Request for Information, n = 177

Notes: The chart shows the composition of the RFI sample based on answers to question: “At what stage was your project at the time of bidding?”

In Round 2, scheme promoters struggled to understand new subsidy control regulations and to demonstrate that their projects complied with the law.

Following the UK’s departure from the European Union, the Government produced new legislation to set a framework for new state aid rules, contained within the Subsidy Control Act 2022. The Act sets out the principles that public authorities must assess their proposed subsidies against, prohibits certain subsidies, and states that others can only be granted where specified requirements are met. The legislation came into effect on 4 January 2023. This meant that, as a result of the decision to delay the announcement of successful LUF Round 2 schemes from November 2022 to 18 January 2023, successful bidders had to demonstrate that their project complied with the Act.

Some local authorities interviewed found it difficult to understand what was expected of them in terms of satisfying the subsidy control conditions. Furthermore, they felt that this lack of clarity applied equally to government officials, who were not able to provide clear advice on the steps to be taken, or the type of external expert that should be commissioned. Whilst several scheme promoters addressed this issue in parallel to other workstreams necessary to begin delivery of their schemes, a number paused their projects until the necessary steps had been taken to demonstrate compliance. This further delayed project delivery.

Awarding Round 3 funding to unsuccessful Round 2 projects eased pressure on bidders but inflation and the 2024 election have led to mobilisation delays.

Following the announcement of successful Round 3 bids, scheme promoters were required to review and confirm their proposals and costs based on their Round 2 submissions. Given the high levels of inflation at the time, the majority of bids could not be delivered in full with the original level of funding and required rescoping. In response to the need for rescoping, officials developed a validation process through which scheme promoters could vary the output of their projects so that they could be delivered within budget. The output of this validation process will then form the basis of the MoU, setting out the timeframes, outputs and outcomes to be delivered with LUF funding.

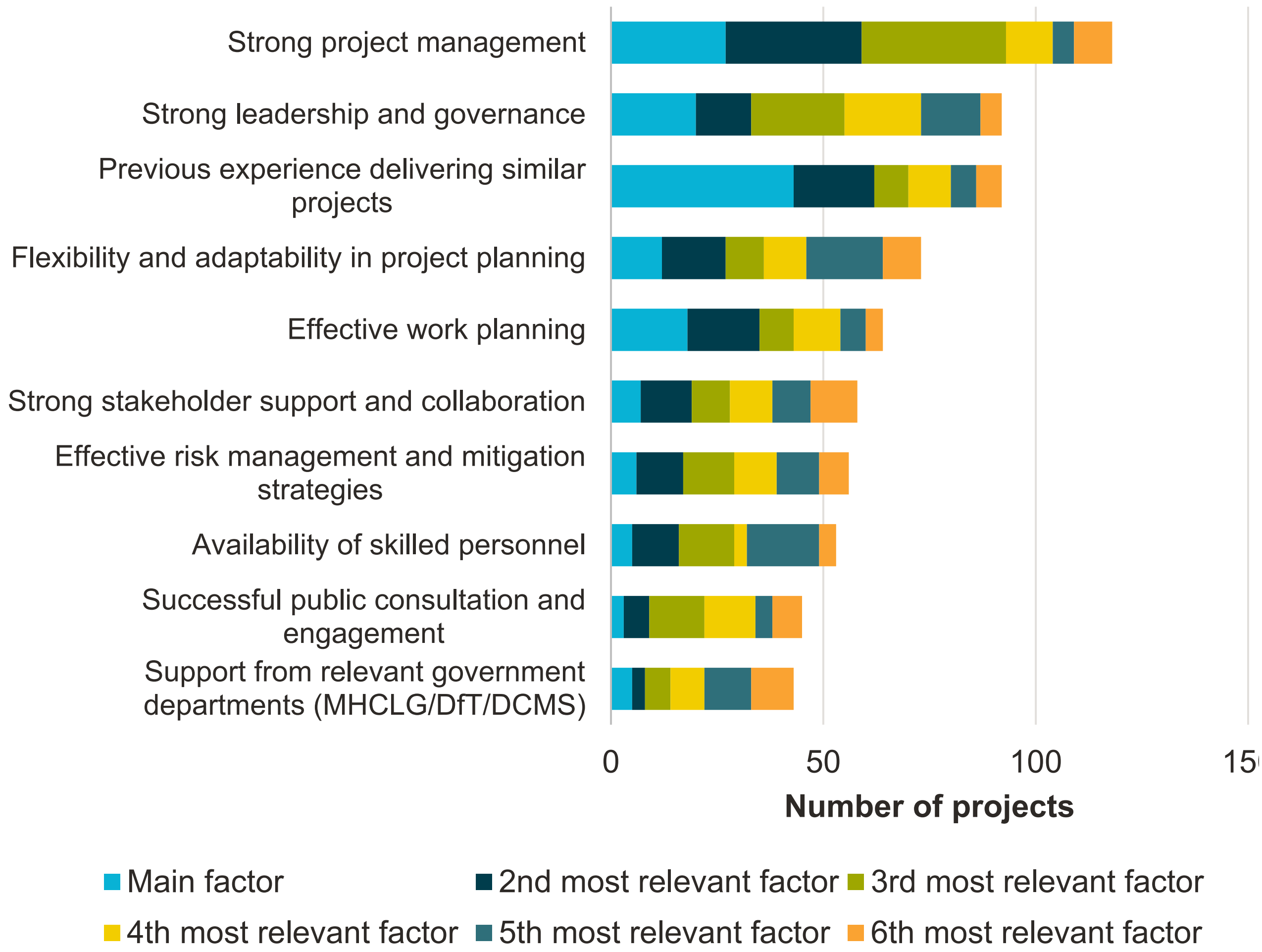
The decision to call a general election in July 2024 also led to further delay in mobilising Round 3 projects as officials were restricted in the execution of some of their responsibilities. Whilst business as necessary to ensure the smooth running of government and public services could continue, officials and Ministers were required to observe discretion in approving actions which would have implications for a new incoming government. This had some impact on Round 1 and 2 schemes, as PARs, which required Ministerial sign-off, could not be approved. However, it had a more significant impact on Round 3 schemes as all validations were put on hold, pending the outcome of the election.

However, to achieve validation for Round 3 projects, scheme promoters have been able to take advantage of the same 30% flexibility in funding and delivery as Round 1 and 2 schemes. This has enabled, as of November 2024, 45 of the 55 Round 3 projects to achieve sign-off for delivery, with 10 still undergoing validation.

Factors that helped projects to progress included strong project management and experience delivering similar projects.

Despite the challenges faced, several key enablers emerged that helped projects progress at pace (see Figure 15). Strong project management, prior experience in similar initiatives, flexibility in planning, and proactive local authority support all played a significant role in driving progress. These factors, often working in combination, allowed projects to navigate complexities, manage risks effectively and maintain momentum.

Figure 15. Most significant factors that have helped advance projects (as of July 2024)



Source: Systra/Frontier Economics. Request for Information, n = 177

Notes: The chart shows the composition of the RFI sample based on answers to questions: (i) "As of July 2024, what are the three most significant factors that have helped advance your project?"

The majority of projects included in the RFI (67%) credited strong project management with aiding their advancement. Effective leadership and organisation helped teams navigate challenges and keep their projects on track. Strong leadership and governance structures were important for 52% of projects, providing clear direction and robust oversight that supported timely decision-making and accountability.

> *"Having an in-house team definitely helped us [to deliver the programme], because obviously it has meant that we have been able to move things a bit more quickly; whereas if had had to go out to appointed external consultants, this might have taken a bit longer."*
>
> ***Local authority interview***

More than half of the projects reporting in the RFI (52%) found that prior experience in similar initiatives was beneficial. This background provided valuable insights and lessons learned, enhancing efficiency and problem-solving abilities.

"Every team that's involved in this project in [the local area] has done this kind of thing a million times before. It's not new. It's just standard business as usual for us"

Local authority interview

According to RFI data, flexibility in planning was a positive factor for 41% of projects. The ability to adapt to changing circumstances and revise plans accordingly helped mitigate potential delays. This was supported by the flexibility introduced in Round 2, allowing scheme promoters to make up to 30% changes to funding profiles, outputs, and outcomes without jeopardising their funding agreements.

"The flexibility of the contractor to move the programme helped when we got stuck with one element of the site. They always asked if there were any elements of the work that they could progress".

Local authority interview

As reported in the RFI, effective scheduling and work resource allocation aided 36% of projects. Thorough work planning ensured that tasks were prioritised and managed efficiently, contributing to timely progress.

The availability of a network of Delivery Associates (DA) has provided departments with some assurance around necessary changes in project scoping, as a part of the process to get ministerial approval. All councils were aware of the DA network; several of them found their help useful (e.g. in securing planning permissions or land assembly); other had been approached by them and felt that they could not help with specific local issues. Overall, the use of the DA network has allowed several projects to overcome delivery issues and has supported timely delivery.

"The project director … stated that Delivery Associates have been really useful, and they've saved us £700,000"

Local authority interview

The financial and political support from local authorities also emerged as a critical factor. Several councils demonstrated a willingness to work at risk, advancing their projects despite uncertainties around funding disbursement or scope finalisation. Promoters acknowledged this support as pivotal in maintaining momentum and minimising further delays.

The monitoring regime was generally considered reasonable, though both sides recognise there is scope to improve the quality of reporting.

Submission of monitoring returns was a critical element of the process with scheme funding provided six months in advance on the basis of forecast expenditure. This required approval from the local authority's Chief Finance Officer. Local authorities were generally complimentary about this process. Several interviewees noted that this approach had facilitated smoother project delivery, and compared favourably to other funding streams in which funding was only provided retrospectively on the basis of fully audited accounts. Some interviewees however requested clarity on the audit processes associated with LUF, which they felt were unclear.

Interviewees noted some frustration with the monitoring form itself, stating that some of the formulas contained errors which needed to be explained to the CFO before approval. Several officials highlighted issues around the quality of the data received through the monitoring forms, and the differing levels of detail provided by bidders. However, local authority interviewees independently noted that they did not receive any comments on the substance of their reporting and expressed a desire for feedback from LUF officials. Such feedback is likely to have benefits on both sides: assisting local authorities in providing proportionate and appropriate information and providing officials with more valuable insight.

"I never really got any feedback on any of it, on any that I've done. I kind of take no news as good news… it would be nice to get thanks for sending, or this is exactly what we want, or this isn't it; what we want is something else…But you never get anything back which can be a bit frustrating...I have no idea whether what I'm producing is really detailed or really sparse."

Local authority interview

Local Authority interviewees had a positive view of LUF and good working relationships with officials.

Local authority interviewees have been overwhelmingly complimentary of the support they have received from officials as part of the LUF process. This applies equally to the delivery teams located within the LUF Departments, locally based area representatives, and the Delivery Associates tasked with acting as troubleshooters on projects.

"Staff involved in this project have been very generous in the efforts and resources that they have put into this project. There's been a lot of goodwill in trying to progress and would say everybody's pushed in the same direction."

Local authority interview

6. Considerations for Future Policy and Next Steps

Policy considerations

The learning and insights generated by this first phase of the LUF process evaluation will inform the design of future funding competitions, and areas of interest to explore in more detail in phase 2. Key considerations for policy makers that have emerged at this stage include:

1. **The duration of future funds should be aligned with the delivery timescales of the schemes they are enabling.** These timescales are likely to vary according to the types of projects being delivered. This would result in bidders setting more realistic timeframes at the bid stage to which they can be held accountable, supported with appropriate change controls, and would also support accurate monitoring. Although the LUF fund formally required schemes to be delivered within three years, the prospectus acknowledged some flexibility — stating that funding could be spent exceptionally into 2024–25 for larger schemes. This reinforces the need for future programmes to build in delivery windows that reflect the varied realities of project mobilisation and implementation. This is particularly important given the range of unforeseen pressures — both procedural and external — that can affect delivery timelines.

2. **Stronger scrutiny of project readiness, delivery timescales, and costs can help manage delivery risks more effectively.** While many LUF projects were initially assessed as deliverable within the three-year timeframe, this has often proven highly challenging due to several factors such as unforeseen economic pressures and procedural issues such as planning permissions and listed building consent. Meanwhile, the Public Account Committee highlighted major external shocks—including the COVID-19 pandemic, the war in Ukraine, and resulting inflation and supply chain disruptions—. Learning from these challenges is essential to inform the design and resilience of future funding rounds. For example, greater focus on early-stage planning remains important for identifying risks before they impact delivery.as key factors affecting delivery. Learning from these challenges is essential to inform the design and resilience of future funding rounds. For example, greater focus on early-stage planning remains important for identifying risks before they impact delivery.

3. **LUF has demonstrated that local capability to develop and deliver projects is critical to timely delivery.** Ensuring this capability is adequate across local government is likely to provide a stronger base with which to deliver local growth initiatives, navigate statutory and approvals processes, manage and mitigate risks and adapt to changing circumstances effectively.

4. **Supply availability varies across the country. Access to skilled contractors is crucial for the delivery of ambitious infrastructure projects.** Early testing of market capacity across delivery locations would provide information to better

mitigate the shortages in construction capacity and skillsets, particularly in specialist areas.

Next steps

The second phase of the evaluation will be undertaken between 2025 and 2027. This will involve a project-level evaluation of the implementation of the Fund, looking in detail at particular aspects and themes identified in the first phase through case studies and further stakeholder research. It will examine the factors behind the selection of projects by different bidders, include greater detail on the obstacles encountered when delivering these projects and how they can be overcome, and aim to understand the lessons that can be learned on how central and local government can work more closely together to address challenges to growth. This would supplement the future impact evaluation, with case studies aligned to where there is an interest in undertaking the impact evaluation.

Appendices

Appendix A: Levelling Up Fund Rounds

Round 1

The first round of the Fund was launched in March 2021 as a competitive process between local authorities. The Fund focused on three distinct types of investment:

- **Regeneration and town centre** including 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;

- **Transport investments** including public transport, active travel, bridge repairs, bus priority lanes, local road improvements and major structural maintenance, and accessibility improvements;

- **Cultural investment** including maintaining, regenerating, or creatively repurposing museums, galleries, visitor attractions and heritage assets as well as creating new community-owned spaces to support the arts and serve as cultural spaces.

Eligibility was limited to unitary local authorities (including metropolitan boroughs), London boroughs and lower tier (tier two) local authorities in England, and unitary authorities in Scotland and Wales. The backing of local Members of Parliament was a key requirement of the competition, and authorities could submit up to one bid per MP whose constituency lay wholly within their boundary. In addition, County Councils with transport powers, Combined Authorities and the GLA were all eligible to submit one transport bid, as were unitary authorities in Scotland and Wales, and unitary authorities with transport powers in England, which could submit an additional transport bid. In Northern Ireland a different approach was taken, and bids were accepted from a range of local applicants, including voluntary and community sector organisations, district councils, the Northern Ireland Executive and other public sector bodies.

Projects up to a value of £20m were eligible, although transport projects up to £50m were also considered, subject to the development of a suitable business case and a higher scoring threshold. Cross-boundary projects were also eligible, provided one of the local authorities agreed to act as lead-bidder and could secure the agreement of an eligible MP.

Whilst the Fund was open to all eligible local authorities (and other bodies in Northern Ireland), priority was given to those places considered in greatest need, through the development of an Index of Priority Places. The Index was based on a range of metrics, designed to capture the need for:

- economic recovery and growth
- improved transport connectivity
- regeneration.

On this basis of this scoring, all local authorities were placed into one of three categories, with Category 1 representing areas of greatest need. While this categorisation indicated areas where a preference for funding would be given, all areas were eligible, based on the merits of their bids.

To assist in bid production, authorities in Category 1 of the Index of Priority Places each received £125,000 in capacity funding to help support the development of high-quality bids. This funding was also provided to all local authorities in Scotland and Wales. Capacity funding was also provided to bidders in Northern Ireland.

Following the submission of applications, bids were initially screened for compliance, and then scored by assessors within the relevant Department, based on strategic fit, value for money and deliverability. Bids which covered more than one investment theme were assessed by a joint team from the relevant departments. Following a moderation exercise to ensure consistency in scoring, a preliminary list of successful and unsuccessful bids was passed to ministers in the four Departments for consideration. These ministers had the power to exercise discretion to apply any of the following additional considerations:

- Ensuring a reasonable thematic split of approved projects e.g. across regeneration and town centre, transport and culture and heritage.
- Ensuring a fair spread of approved projects across Great Britain.
- Ensuring a fair balance of approved projects across places in need.
- Prioritisation of either ‘strategic fit’ or ‘deliverability’ or ‘value for money’ over the other criteria (noting this must be applied consistently to all projects).
- Taking into account other investment in a local area. In future rounds, this would include funding provided to local areas through the earlier rounds of the Fund.

The results of the first round of LUF were announced in October 2021; The Fund supported 105 projects with a total value of almost £1.7bn, including over £170m of funding in Scotland, £120m in Wales, and £49m in Northern Ireland. This is shown Table 2 below.

Table 2: LUF Round 1 results

Nation	Number of successful bids	Sum of bid value (£m)
England	76	1,351.4
Northern Ireland	11	48.8
Scotland	8	171.7
Wales	10	121.4
Total	**105**	**1,693.3**

Round 2

The second round of the Fund was announced in March 2022, with the deadline for applications closing in August. That round progressed broadly in line with the previous one. It focused on the same three investment themes and previous bidders were able to re-apply, provided they were able to secure the support of a local MP who had not previously provided support for a bid. Projects could also relate to more than one of the investment themes; the only exception being the large transport bids (up to £50m), which must be for at least 90% transport. Round 2 also undertook to support a total of up to two large (up to £50m) projects under the heritage and cultural investment theme.

Round 2 retained the Index of Priority Places, which was updated to reflect the latest data, although it was determined that places could move into a higher category, but not into a lower one. Those areas that were moved into Category 1 automatically became eligible for capacity funding.

The outcome of the competition was announced In January 2023, with £2bn awarded to 111 schemes, shown in Table 3 below.

Table 3: LUF Round 2 results

Nation	Number of successful bids	Sum of bid value (£m)
England	80	1,631.8
Northern Ireland	10	71.1
Scotland	10	177.2
Wales	11	208.2
Total	**111**	**2,088.3**

Round 3

In October 2023 it was decided that Round 3 of LUF would be awarded to high scoring but unsuccessful Round 2 bids. This decision was taken to reduce the burden on local authorities of producing repeated applications and followed the principles of the Funding Simplification Plan proposed in the Levelling Up White Paper. It was also the result of the

the negative press associated with the large number of unsuccessful bids for Round 2 which some officials felt outweighed the positive press associated with successful schemes. The detailed approach adopted to identify the 55 Round 3 schemes is set out in the published note entitled 'Levelling Up Fund Round 3: explanatory and methodology note on the decision-making process'.

Following feedback from local authorities on the level of time and resource required to submit bids, as well as MHCLG guidance on Simplifying the Funding Landscape for Local Authorities, Round 3 of the Fund moved away from a competitive approach and focused on an assessment high quality but unsuccessful bids received in Round 2. A different methodology was used to identify those places most in need of funding. In England, this utilised data on local authorities in the bottom quartile for level 3+ equivalent skills in the adult population, Gross Value Added (GVA) per hour worked, Median Gross Weekly Pay and healthy life expectancy. In Scotland, data from the Regional Economic Partnerships, and in Wales, from the City and Growth Deals was used. These approaches identified 45 'Priority Places' in England, four in Scotland, and four in Wales. Northern Ireland was not included for consideration for Round 3, because of the absence of a working Executive and Assembly.

Following internal assessment of submissions scores and the ranking on as a Priority Place, 55 projects were announced in November 2023 as successful within Round 3 of the Fund, as shown below in Table 4.

Table 4: LUF Round 3 results

Nation	Number of successful bids	Sum of bid value (£m)
England	42	742.2
Scotland	6	122.0
Wales	7	110.7
Total	**55**	**974.9**

Appendix B: Process Evaluation Research Questions

A detailed process map was developed following the early engagement with findings from the literature review and then validated during the workshop with internal stakeholders. The detailed map outlined in Table 5 identifies granular tasks within each stage mapped to key stakeholders.

To address the key research questions, a series of sub-evaluation questions have been developed, informed by the early stakeholder engagement activities, evidence review and feedback from the validation workshop. They are designed to capture insight into different stages of the process. These are presented in the Table 6 below, mapped to the key research question they are designed to answer. Note that whilst the evaluation team will consider all questions, those in **bold** will form the focus of the analysis utilising the qualitative and quantitative research. The other questions have been answered, at least in part, by recent lessons learnt and evaluation exercises, and this evaluation will look to build on that knowledge base and provide additional insights.

Table 5: Detailed process map

	DESIGN	APPLICATION PHASE	ASSESSMENT PHASE	PROJECT MOBILISATION	PROJECT DELIVERY
MHCLG/DFT	Determine Fund allocation mechanism Determine Application Process	Determine Eligibility (R1 LUF Index R2 Updated LUF index R3 LUF Priority Places) Develop LUF Prospectus (R1 and 2) Promote Fund to applicants (R1 only) Engagement with Applications (webinars etc) (R2 only) Launch Round (R1 and 2 only) Award of capacity funding	All Rounds Develop Assessment Criteria Strategic Fit Economic Case Deliverability Application of Additional Ministerial Considerations (with other depts) Determination of successful schemes (with other depts) Rounds 1 and 2 only Bid screening "triage" Assign Bid to lead Dept (some bids straddled depts, so joint assessment) Assessment period Strategic, Economic, Commercial elements each assessed by different team	Public Announcement of winners Letter sent to winners Memorandum of Understanding agreed with successful scheme promoters Creation of Quarterly Monitoring Form	Lead Department issues Quarterly Monitoring Form Funding allocated in 6 monthly tranches Develop and update output and expenditure profiles Project Adjustment to capture project scope change Delivery officers, each responsible for c10-20 projects MHCLG/DCMS direct engagement with Local Authority as requested, or if Delivery Officer identifies problems with delivery DfT meet regularly with LAs (timings appropriate to their experience in

			Moderation Board compared results between sample of projects. **Ranking of shortlisted schemes** **Provide feedback on unsuccessful bids** **Round 3 Review/update of application data** **Develop/Apply award scenarios**		**delivering the project)** **Delivery Associates to trouble-shoot on projects (DfT-led only)**
DCMS			Same as for MHCLG/DfT	Memorandum of Understanding agreed with successful scheme promoters	Same as for MHCLG/DfT
HM Treasury	Establish strategic criteria Determine level of funding available Agree timing		Application of Additional Ministerial Considerations (with other depts) Determination of successful schemes		
Cabinet Office			Application of Additional Ministerial Considerations (with other depts) Determination of successful schemes		
Local authorities (and, in		Develop Schemes (R1 and 2 only)	Receive feedback on unsuccessful bids	Receive notification of successful bid	Delivery of scheme

Northern Ireland; business, community and voluntary organisations)		Complete Funding Application (R1 and 2 only)		Memorandum of Understanding agreed with lead Department Development of Business Case for large transport projects Develop Project Plan	Completion of Quarterly Monitoring Form Direct engagement with Department as appropriate

Table 6: Sub-evaluation questions

KEY RESEARCH QUESTION	DESIGN	APPLICATION	ASSESSMENT	PROJECT MOBILISATION	PROJECT DELIVERY
1. How did processes change between Rounds 1 and 2, in the application and assessment of bids with regards to value for money and deliverability?		**1.** What was the detailed process for managing the application process in Round 1? How has this changed in Round 2? What was the reason for this change? **2.** How effectively were process changes between Rounds agreed and implemented? **3.** How did bid assessment change between Rounds? What were the reasons for these changes?	**4. Did the process for moderating scores between departments change between rounds? What was the reason for this?** **5. How did the methodology for agreeing the thresholds for successful bids change between rounds? What was the reason for this?**		
2. How effective were the processes for assessing and awarding funding in Rounds 1 and 2 in ensuring timely project mobilisation?		**6. How did changes to the thresholds for determining successful bids affect the types of projects that received funding?**	**7. How could future assessments be improved?**		
3. How effective has the process of assessing and awarding funding been for Round 3?			**8. What procedures were put in place to reassess bids for Round 3?**		

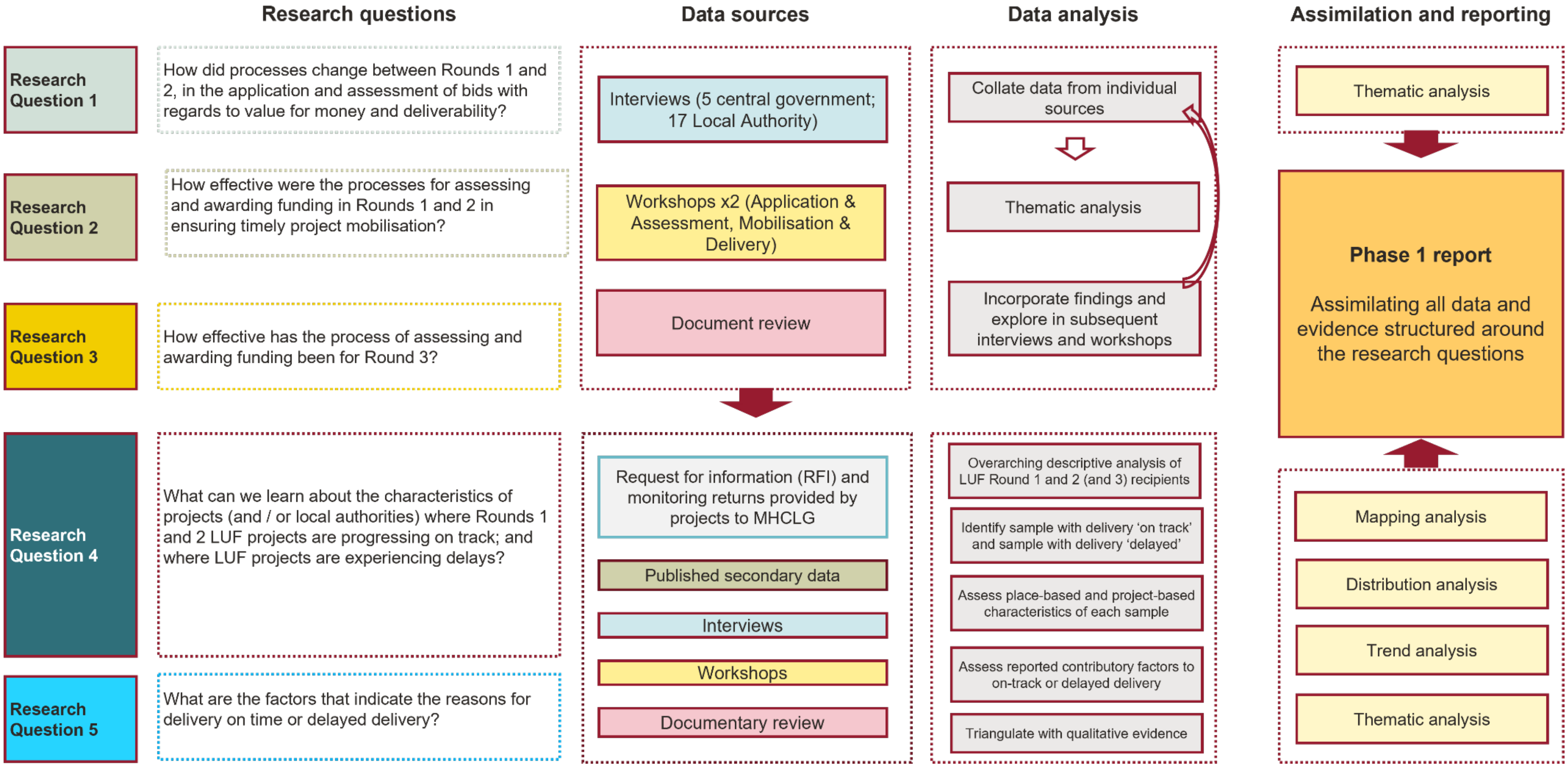
			9. **How effective have these processes been?** 10. **What can be learnt from the reassessment of bids in Round 3?**		
4. What can we learn about the characteristics of projects (and / or local authorities) where Rounds 1 and 2 LUF projects are progressing on track; and where LUF projects are experiencing delays?				11. **What are the characteristics of projects that received Round 1 and Round 2 funding?** 12. **What are the characteristics of LUF recipients that have progressed on-track with their delivery, and what are the characteristics of those that have experienced delays?** 13. **What impact does the level or amount of matched funding have on project mobilisation and delivery?** 14. **How appropriate are Departmental governance procedures and**	16. **How appropriate are processes related to risk management and how does this impact project mobilisation and delivery?** 17. **How appropriate are monitoring and reporting procedures and how dot these impact project mobilisation and delivery?** 18. **What actionable findings can be identified to address the above?**

				how do these impact project mobilisation and delivery? **15. How appropriate are processes related to scope change and how does this impact project mobilisation and delivery?**	
5. What are the factors that indicate the reasons for delivery on time or delayed delivery?					

Appendix C: Process Evaluation Methodology

A mixed methods approach has been adopted for this evaluation, combining quantitative approaches with insights from interviews and workshops, and reference to internal guidance documents and reports. This is summarised below.

Figure 16. Evaluation Framework



The following data collection and research activities have been undertaken to support this evaluation:

Monitoring and secondary data

Monitoring data provided by local authorities has been used to perform a high-level analysis of progress against milestones for all Round 1 and Round 2 projects (focus on Research Question 4). Monitoring data was also combined with secondary data on local authority characteristics to identify a sample of local authorities to interview to generate more detailed insights.

Request for Information

To understand the characteristics of projects and local authorities that are progressing on track and those that are delayed, a short Request for Information (RFI) was sent to all Round 1 and Round 2 local authorities in July 2024. This provided up to date data and helped fill gaps in the monitoring data such as the latest view on overall progress and the key reasons behind any delays.

Stakeholder Interviews

A total of 22 interviews were undertaken. Five interviews were held with officials within MHCLG, DfT and DCMS and other evaluation teams (July-August 2024), who were not interviewed as part of the early research activity, to gain their insights into the issues captured in the key research questions.

17 interviews were held with local authority officers (October-November 2024), to understand their perspectives on project mobilisation and the challenges, enablers, and barriers to successful project delivery. To select these local authorities, we created a longlist of 30, using the following criteria:

- Individual indicated in the RFI that they would be willing to be contacted for interview (114 out of 177 projects)
- RFI contained non-missing key variables
- Projects are broadly representative of the full sample in terms of:
  - Geography
  - Round 1 vs Round 2
  - Managing department (MHCLG vs DfT)
  - Investment theme
  - Bid value
  - Overall project progress (as self-described in RFI).

We split the list of 30 into a priority list and a reserve list, where the reserve list was used if priority-list projects were not available. Projects were brought into the priority list from the reserve list to ensure broad representation across the characteristics listed above.

Workshops

In November 2024 two workshops were held with officials who had previously or who are currently working on LUF. The first of these workshops covered issues from the

Application and Assessment phase of the Fund, whilst the second examined the Mobilisation and Delivery phases. The workshops provided a forum to capture insight into different experiences of the Fund, supporting the development of actionable findings at the reporting stage.

For both the interviews and workshops, all discussions were recorded with participant consent, ensuring that detailed write-ups could be completed by the moderator. The data underwent thematic analysis wherein each write-up was read several times and emergent core messages were clustered together to devise higher-order themes. These themes have been reported on, with the inclusion of verbatim quotations.

As with the interpretation of all qualitative data, the following should be noted:

- The small sample size of participants who took part
- The views and opinions reported are the views and perceptions of participants and are not necessarily factually correct.