



# Department for Levelling Up, Housing & Communities

Department for Levelling Up, Housing  
and Communities

4th Floor,  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF

Dear Colleague,

As you may be aware, we have been engaging with Treasury colleagues to confirm our approach to the management of Year 2 underspends, well in advance of Year 3 of the Fund.

We are pleased to confirm a threshold-based approach, which will enable you to plan with certainty and know how much funding you will receive at the beginning of the next Financial Year (2024/25). We are also pleased to confirm that 100% of underspends from Year 2 can be retained by all lead local authorities for spend on your local priorities.

Under this threshold-based approach, you will be able to **access all of your Year 3 allocation**. Your initial payment for Year 3 will be determined by previous spend over the first two years of the Fund.

Those authorities who, on account of their spend in 2022/23 and 2023/24, are not paid their full allocations in the initial payment at the start of the next Financial Year will be paid the remaining balance at the end of Financial Year 2024/25, based on actual spend. Where any underspends remain at the end of 2024/25, as set out previously, we will expect these to be repaid to DLUHC.

We have established five bands of spend performance, shown in the table below, which shows the percentage spend required to receive each band of funding for initial payments in 2024.

% Total spend 2022/23 & 2023/24 (combined)	Initial Year 3 payment to local authority	Amount local authority can claim (in arrears)
1. less than 20%	0%	100%
2. 20% -39%	20%	80%
3. 40% - 59%	50%	50%
4. 60% - 79%	70%	30%
5. 80% and higher	100%	0%

Regarding reporting, as underspends will not materialise until year-end, please adhere to existing guidance and record spend and forecasts in line with your annual allocations for the mid-year report. If you would like to inform us of your likely underspends at the mid-year point, please include this in the narrative section of your report only.

We believe that this approach is far simpler and easier to both understand and achieve than the previous credible plans approach, and we hope that this delivers on the requests you have made over the past few months seeking certainty on underspends.

We also hope that the guarantee of retention of 100% of Year 2 underspends and the confirmation that Year 3 allocations will be fully available allows you to plan with confidence for delivery for Year 3 of the Fund.



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**Jessica Blakely & Carmen Suarez**

Directors (Jobshare), Levelling Up: Major Programmes