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Level best? The levelling up agenda and UK regional inequality

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Abstract

'Levelling up' - a policy agenda focused on reducing regional inequalities - has become the new mantra in British politics. This paper reviews and critiques the agenda from its beginnings in 2019 to the publication of the 2022 Levelling Up White Paper. The agenda is an overdue recognition of gross regional inequality, and the new 'missions' which are set out to drive change are welcome. Yet local institutions lack capacity to deliver, there has been little genuine devolution, and the mechanisms through which the 'missions' will actually be delivered are unclear. Our analysis of spending commitments shows little new money has been committed, and what has been committed has tended to be through top-down competitive bids. There is a danger that levelling up becomes the latest in a list of politically useful but empty slogans which are used as a substitute for resources and devolution.

Keywords: Levelling Up; Inequality; Regions; Cities; Funding; Policy

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1. Introduction

> *"… we will be bringing forward proposals to transform this country with better infrastructure, better education, better technology. If you ask yourselves what is this new government going to do, what is he going to do with his extraordinary majority, I will tell you... we are going to unite and level up."*

Boris Johnson, speaking outside Downing Street, 13th December 2019

> *"I remember chatting to Dom two days before the election and asking what's the strategy for getting re-elected. He said, literally: "Build shit in the north"".*

An anonymous ally of Dominic Cummings, former Chief Advisor to Boris Johnson, cited in Payne (2021: 32)

Boris Johnson has put 'levelling up' at the heart of UK government policy. The 2019 Conservative manifesto set out an "agenda for levelling up every part of the UK – not just investing in our great towns and cities, as well as rural and coastal areas, but giving them far more control of how that investment is made." (Conservative Party, 2019: 26). The Ministry for Housing, Communities, and Local Government has been renamed the Department for Levelling Up, Housing, and Communities, with a significant political figure - Michael Gove MP - put in charge. In early 2022, a Levelling Up White Paper was published and 12 missions to 'level up' were enshrined in law. In his media rounds to publicise the white paper, Gove used the memorable phrase that while London has been the focus of much economic development, "other parts of the country have been overlooked and underfunded".

To its proponents, the levelling up agenda is an overdue recognition of the UK's entrenched spatial inequality (McCann, 2016). It has placed regional inequality in the public consciousness in an unprecedented way, and helped the Conservatives appeal to new electorates outside of their traditional strongholds. In 2019, they won Northern constituencies such as Leigh or Don Valley which had been held by Labour since 1922. Yet others have been sceptical about the substance behind the politics. It is unclear what levelling up actually means, how the government plans to do it, whether new powers and responsibilities have actually been devolved, and how much - in the Covid-interrupted period since re-election in 2019 - extra money the government has actually allocated. Because of this, even George

Osborne, the former UK Chancellor who pushed the Northern Powerhouse agenda, has argued that, without a solid theoretical background, levelling up looks "more like a slogan than a strategy".[1]

This paper reviews the levelling up agenda from Boris Johnson's 2019 speech to the Levelling Up White Paper of 2022. It situates the agenda in the context of the UK's high spatial inequalities and the erratic, piecemeal efforts to address them, traces the levelling up agenda's development up to the white paper, and conducts a new analysis of the funding devoted to it. The critique of the agenda is based on a lack of genuine devolution or institution building, few resources - as far as we can tell - being committed, and a geographical fuzziness which results in piecemeal interventions. Our results suggest the agenda has led to little radical change or significant funding.

This paper makes several contributions to the literature. Studies in political science have focused on the political implications of levelling up: whether it allows the Conservative party to appeal to new constituencies (Jennings et al., 2021; Newman, 2021), and the pork-barrel politics of funding (Hanretty, 2021). Other studies consider the practical problems of the agenda. Tomaney and Pike (2020) suggest that in the early phases the agenda lacked differentiation from past attempts to address regional disparities, while Westwood et al,. (2021) consider the problems caused by regular institutional churn in regional development. Work has also attempted to guide the agenda with lessons from economic development (Martin et al., 2021), health (Bambra, 2021), and evaluation (Connolly et al., 2021). This paper updates this literature to account for the white paper, presents a new critique based on the latest policy, and new estimates of policy measures. It contributes to the literature specifically on levelling up (e.g. Tomaney and Pike, 2020; Nurse and Sykes, 2020; Jennings et al., 2021; Newman, 2021; Hanretty, 2021), but also on longer-term trends in UK economic development policy (e.g. Lee, 2017; Hincks et al., 2017; Beel et al., 2017; Gray et al., 2018; O'Brien and Pike, 2019; Fai and Tomlinson, 2019; MacKinnon, 2020).

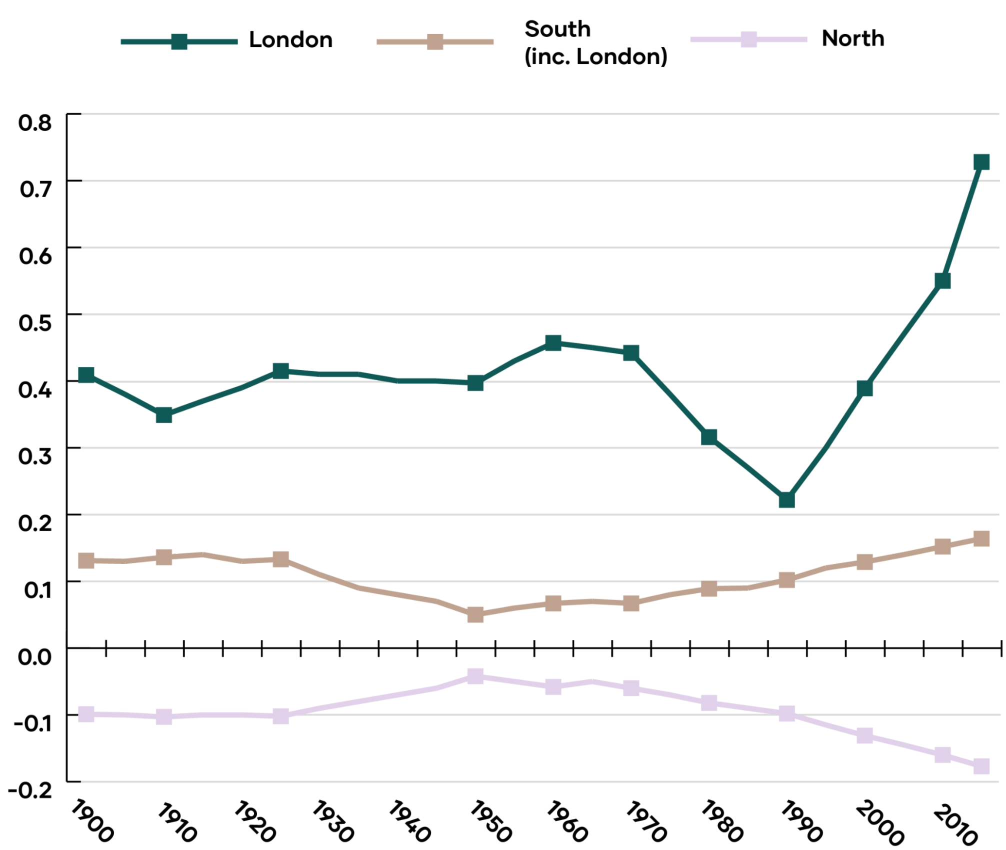
The paper is structured as follows. Section two contextualises levelling up, arguing that the last decade of UK policy in this area has been focused on policy brands rather than new resources or empowered institutions; it compares this to 'levelling up' attempts in Germany post-reunification. Section three investigates what levelling up means politically, rhetorically and in practice. In section four we address some of the issues in the levelling up agenda: devolution, finances, and geographical targeting. We conclude by arguing that levelling up represents an important moment for regional inequality in the UK but, at present, it looks like the opportunity will be wasted.

[1] Paynes Politics on Levelling Up, November 2021

2. Context: Spatial inequality and public policy in the UK

Regional disparities in the UK are high and strongly persistent over time (McCann, 2016; Martin et al., 2021). While richer cities and regions have tended to stay relatively rich over time, poorer cities and regions have tended to stay relatively poor. We show this persistence in figure 1. In 1900, GDP per capita in the North was estimated to be 10% below national GDP, whereas GDP per capita in the South was around 13% higher. By the end of the second world war this gap had narrowed to 4% below and 6% above respectively, but since 1970, and particularly with the rise of London in the 1990s, we can see that GDP per capita has diverged significantly, to the point where in 2015 GDP was 18% higher than the national average in the South, and 18% lower in the North. London and the South East have always been richer, but they are richer than they have ever been. The North has always been poorer, but this problem has worsened over time.

Figure 1. UK regional GDP per capita relative to national GDP per capita, 1900-2015



Notes: data from Roses and Wolf (2021).

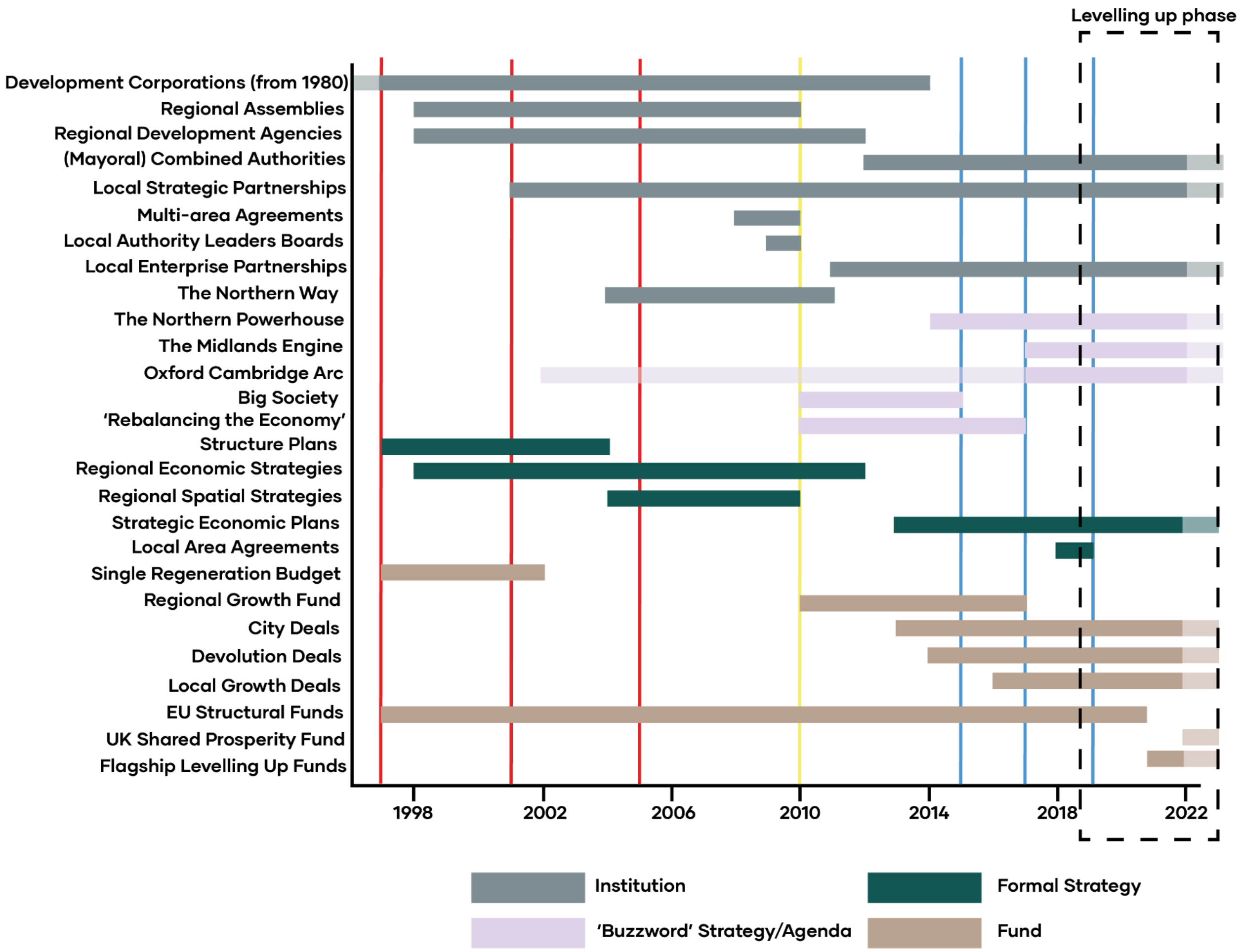
Successive governments have tried to address this regional inequality, running through "cycles of local, urban, and regional regeneration policy" which can be "traced back almost a century" (Tomaney and Pike, 2020: 43). Over the last two decades, there has been a clear break between policy in the New Labour period, 1997-2010, and that from 2010. From 1997, New Labour established Regional Development Agencies (RDAs) covering the nine English regions, with parallel agencies in the three devolved administrations. These had significant budgets, totalling over £2 billion per annum for most of the years they operated; and were supported by the Treasury, which published a series of reports setting out regional policy, focusing on regional and eventually local issues and with a strong focus on productivity (HMT, 2001). While the most deprived areas tended to do relatively better than they had before, regional disparities actually widened over this period, as figure 1 shows. Thus, while significant resources were put into addressing regional inequality over this period, the best which can be said is that these efforts prevented regional inequality growing even further. Essentially, regional policy in the New Labour era went some way at countering the structural forces driving regional inequalities (e.g. shifts towards the service economy), however, they did not ameliorate the patterns completely.

The Conservative and Liberal Democrat coalition of 2010-15 came into office with the overarching goal of reducing public spending. One way they attempted to achieve this was by abolishing the RDAs and replacing them with smaller, 'business-led', Local Enterprise Partnerships (LEPs) (Pike et al., 2018). But these were very different in practice, as they had few statutory powers, lacked substantial core funding, and varied significantly in their capacity. As regional institutions declined in importance, a series of thin, soundbite-friendly agendas which played well with the media were developed. These began with the concept of the Big Society, but later included buzzword strategies such as the Northern Powerhouse and Midlands Engine (Lee, 2017). On the surface these maintained the goal of strengthening and rebalancing the economy. The Northern Powerhouse, for example, was touted to rival London in its international competitiveness. However, as few new resources were available, these buzzword strategies were essentially a way of bringing together disparate policies under an electoral slogan (Lee, 2017). Significant reform did happen in cities. 'City deals', which started in 2012, were bilateral agreements between city-regions and central government (plus the devolved administrations in Scotland, Wales, and Northern Ireland). These led to funding settlements over a designated number of years, but no institutional reform (Ward, 2020). 'Devolution deals' (using legislation from 2009) have had more of a lasting impact. Negotiated between major English city-regions and central government, these have led to Mayoral Combined Authorities (MCA). Areas such as Greater Manchester, the West Midlands, and Liverpool City Region have all gained funding settlements and powers ranging from control over adult education and business support, to bus franchising and housing. These cities have therefore developed a level of institutional capacity which more closely resembles that of the Greater London Authority. But, this approach to devolution has been criticised for not going far enough, and creating a patchwork of institutions which are still at the mercy of central government (Ayres et al., 2018). Overall it is hard to see the 2010s as a time when much progress was made in terms of fundamentally improving the strategic institutions overseeing regional economic development policy.

At the same time, to reduce public spending, central government cut funding for local governments by around 25% per capita (excluding education) (Ogden et al., 2021). This forced local authorities to concentrate on statutory services, such as the provision of social care, and meant wider goals surrounding economic development were sidelined. The impact of these cuts on spatial inequalities was compounded by the fact that grants were cut universally, despite some authorities, particularly those with high levels of deprivation, being both more reliant on central government grants and less able to raise revenue locally (Harris et al., 2019). Actual changes in spending power therefore ranged from -46% in the most affected authorities to -1.6% in the least (Gray and Barford, 2018). Running parallel to these cuts, the government shifted away from the provision of core funding, instead preferring distribution through competitive bidding on a project-by-project basis. The Local Government Association (2020) found that between 2015-2019, English local authorities received 448 unique grants from central government, 32% of which were decided through competitive means. Local authorities have therefore become 'grant hustlers', where some are more capable than others, depending on their post-austerity capacity.

Ultimately, over the last 20 years a well-funded but imperfect system run by functional regional institutions has been replaced by a new model with genuine but patchwork devolution to major cities, faddish policy agendas, often delivered by low-capacity institutions, and a reliance on bidding and deal-making rather than capacity building. This new system is ill-equipped to counter and reverse the persistent regional inequalities shown in figure 1. However, these shifts in policy also speak to a more systemic issue which has been consistently noted in research on regional government and economic development: institution and policy churn (e.g. Westwood et al., 2021). Essentially, the old problem of regional disparities has been met by a long standing problem of churn, as institutions, policy agendas, and funding streams have cycled into and out of existence. Institutions have come and gone, to be replaced with new ones over different geographies. New buzzwords have come into being, but then ended. Long-term plans have been replaced with new ones at different spatial scales. And funds or 'deals' have been abruptly ended and replaced with new ones. To chart this, figure 2 shows some of the key institutions, policies, and funds over the past 25 years of economic development in England (there was much greater continuity in Northern Ireland, Wales, and Scotland).

Figure 2. Institutions and agendas in English sub-national economic development, 1997-2022



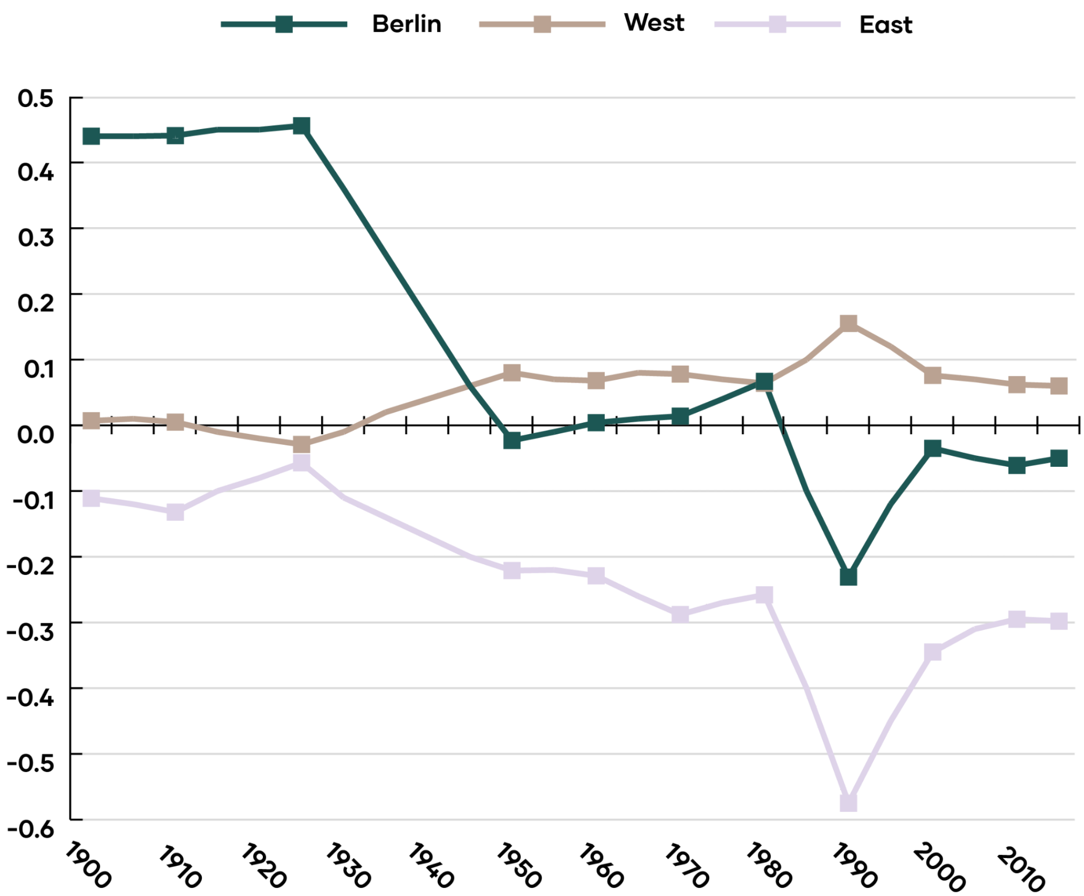
Notes: adapted from Cook et al., 2018. Figure includes key institutions, policies, and funds over the past 25 years of economic development in England.

Other countries have attempted to spatially rebalance their economies. The reunification of Germany is a classic case, and has already been suggested both as a source of inspiration for levelling up (e.g. Centre for Cities, 2021a), and as an example the UK should not follow (e.g. Hoyer, 2022). In reality, the German example is complex and offers both lessons for how regional inequalities should be reduced, and lessons for what should be avoided. The convergence of East Germany, towards the West, post-reunification, is a policy success. Figure 3 shows that in 1990, the GDP per capita in the East was around 60% below the national GDP; by 2010, this had decreased to around 30%. Equally, many of the key East German cities - most notably Leipzig - have seen significant growth over recent years. Some argue that the creation of new jobs and the emergence of a strong SME sector, focused on promising technologies are the key reasons for the convergence seen (Federal Ministry for Economic Affairs, 2021). The Centre for Cities (2021a), a respected think-tank, has applied the German case to levelling up, and argues that there were three factors behind East Germany's success. First, funding. They estimate that up to €2 trillion was spent on reducing regional inequality between 1990 and 2014, equivalent to around £71 billion every year (Centre for Cities, 2021a). These funds were mostly spent on welfare state transfers, infrastructure, and business support measures. Second, clear, long-term objectives were established - these outlived government cycles, meaning that cross-party support was crucial for their viability. Third, Germany went through extensive institutional reforms, re-introducing state governments and giving them expansive powers over taxation and policy areas such as education and health, with the aim of replacing weak local authorities with a smaller number of strong ones and giving them a chance to play an active role in the process.

Despite significant progress in reducing the gap with the rest of Germany, however, standards of living and productivity in eastern Germany still lag behind the national average and the level of highly developed European regions. Since 2008 progress in reducing the gap between East and West Germany has stagnated, as shown in figure 3. Addressing these disparities is still a key ongoing objective of the German government (Federal Ministry for Economic Affairs, 2021). In early 2020, the funding that was formerly restricted to eastern Germany was extended to cover all structurally weak regions across the country. Known as the Joint Federal/Länder Task for the Improvement of Regional Economic Structures (GRW), it is the most important instrument Germany uses to redress regional disparities. It is aimed at boosting economic activity and long term job creation in the area, with a focus on investments related to trade and industry, local commerce infrastructure, facilitating cooperation between local actors, and improving competitiveness, in particular of SMEs (Federal Ministry for Economic Affairs, 2021). What is evident here too, is the extensive funding, the broad range of instruments used, and a constitutionally embedded commitment to equivalence in living standards. All of these build longevity in the system, which in the long run, appear to be a crucial factor in successfully addressing regional inequalities.

In sum, regional disparities in the UK have been increasing. Policy has been fragmented and piecemeal, with a major break point between pre- and post-2010 policy. The attempts at regional rebalancing in Germany offers lessons for the UK. It has devoted considerable resources to rebalancing in a process which has been characterised by the development of strong local institutions and significant funding. The German situation is, of course, very different. But the relative success of efforts to reduce regional disparities in Germany stands in contrast to the policy churn and limited success in the UK.

Figure 3. Regional GDP per capita in East and West Germany, relative to the German average



Notes: data from Roses and Wolf (2021).

3. What is levelling up?

It was in the context of high regional disparities and significant policy churn that 'levelling up' became a significant agenda. The term is not new - it was used occasionally in the New Labour period and by Theresa May's government (Newman, 2021). But it has become increasingly used since Boris Johnson's July 2019 leadership campaign, and was a key part of the December 2019 general election campaign. Between January 2010 and July 2019, when Boris Johnson announced his leadership bid, 'levelling up' was mentioned just 57 times in the Houses of Commons; between 2019 and the release of the white paper in 2022, it has been used 3,227 times[2]. The term has been transformed from an occasional buzzword into

[2] Calculated from Hansard

the key government mantra for reducing spatial inequalities (Nurse and Sykes, 2020; Tomaney and Pike, 2020).

While widely used since 2019, the term ‘levelling up’ has been imprecisely defined. To give a picture of how broad and vague the levelling up agenda has been, table 1 shows how different politicians and documents have imbued it with different meanings. There are some dominant themes: unity, opportunity and life chances, empowerment, and pride. But the concept has been erratically defined - becoming a classic fuzzy concept in the sense outlined by Markusen (1999), carrying significantly different meanings to different people. This confusion has spread into academic and think tank research: for some levelling up is about inequalities in social mobility (Buscha, Gormon and Sturgis, 2021; Bell, Blundell and Machin, 2020), for others, health (Dixon and Everest, 2021), or inequalities in productivity and wages of cities and towns (Centre for Cities, 2021b).

Table 1. Selected definitions of levelling up between 2019 and 2022

Individual/Organisation	Definition
Conservative Manifesto, 2019	*“To **unite and level up, spreading opportunity across the whole United Kingdom**. Infrastructure spending on roads and rail to connect this country, so that everyone can get a fair share of its future prosperity”...“We will use this investment prudently and strategically to **level up every part of the United Kingdom**, while strengthening the ties that bind it together.”* (Conservative Party, 2021).
Neil O’Brien, Onward Report, 2th September 2020	*“Over the last century, many governments in Britain and other countries have had policies to improve the economic performance of poorer areas. At different times and in different places this goal has been expressed differently, from seeking to “level up” weaker areas (an absolute concept) to explicit policies to “equalise! Levels of economic activity (a relative one).”* (O’Brien, 2020).
Rishi Sunak, Spending Review 2021, March 2021	*“Levelling up is about **improving everyday life for people in those places** [left behind]**.** It is about ensuring people can be proud of their local community, rather than feeling as though they need to leave it in order to reach their potential”...“That is why the UK Government’s most important mission is to unite and level up the country. They want to **improve everyday life for communities throughout the UK. Where people live should not be a barrier to their life chances**”.* (HMT, 2021).
Paul Scully MP, 18th May 2021	*“Making sure we can **improve the everyday life and life chances for people in underperforming places around the country.** It is to look at the long-term structural issues that are there, whether it is connectivity, inequalities or productivity, to make sure we can tackle all of these areas, and to raise opportunities around the country that are not able to be realised in certain areas”* (BEIS, 2021).
The Queen’s Speech, 11th May 2021	***“Level up opportunities across all parts of the United Kingdom**, supporting jobs, businesses and economic growth and **addressing the impact of the pandemic on public services”...**“**Creating new good jobs, boosting training and growing productivity in places that have seen economic decline.**”* (HMG, 2021).

Boris Johnson, Levelling Up Speech, 15th July 2021	*"**Uniting our country answering at last the plea of the forgotten people and the left behind towns by physically and literally renewing the ties that bind us together** so that with safer streets and better education and fantastic new road and rail infrastructure and full fibre broadband we level up across Britain with higher wages, and a higher living wage, and with higher productivity we close the opportunity gap giving millions of young people the chance to own their own homes and giving business the confidence to invest across the UK".* (Johnson, 2021).
Michael Gove, Conservative Party Conference, 4th October 2021	*"It will mean empowering local government, to make a bigger difference for good, allowing communities to take back control of their futures, and creating greener and more beautiful places to live. But every department in this government must be a department for levelling up. And every part of the United Kingdom will share in this mission. We are the government of the whole United Kingdom."* (Gove, 2021).
Neil O'Brien, Column in the Guardian, 6th October 2021	*"To **empower local leaders and communities. To grow the private sector and raise living standards - particularly where they are lower.** To **spread opportunity** and improve public services, particularly where they are lacking. And to **restore local pride**, whether that is about the way your town centre feels, keeping the streets safe or backing community life"* (O'Brien, 2021).

Notes: quotes selected from some of the key figures and policy documents related to the development of levelling up before the release of the white paper in February 2022.

In this respect, it is a continuation of a trend in the UK for policy brands - such as the Northern Powerhouse, Midlands Engine, Big Society, or Inclusive Growth - to be used as part of economic development strategies (Lee, 2017, 2019). Doing so has political benefits and can provide coherence to disparate interventions (Lee, 2017). Both Newman (2021) and Jennings et al., (2021) argue that the fuzziness around levelling up is deliberate. Newman (2021) specifically argues that there is an ideological ambiguity around levelling up which is designed to blur the meaning and garner support from different audiences; essentially, meaning something distinctly different in each forum (Markusen, 1999). This fuzziness works both on the political front, to pull together figures in government who may be averse to certain elements of levelling up, and to gain support from the electorate - who all think something is happening for them. One perspective underpinning this is that the Conservatives, as a political party, have a significant 'accommodating instinct', which has allowed them to shift in sometimes quite startling ways if they think it will help to win elections (Jennings et al., 2021). But it can also be a substitute for action, used instead of coherent strategy.

The UK government began to more clearly define levelling up in the 2022 white paper - "Levelling Up the United Kingdom" (DLUHC, 2022). The white paper focused on "ending the geographical inequality which is such a striking feature of the UK" (xii), and suggested that levelling up was crucial to "the success of the whole country" (xiv). There was little obvious attempt to prioritise particular places, instead offering a strategy to realise "the potential of every place and every person across the UK, building on their unique strengths, spreading opportunities for individuals and businesses, and celebrating every single city, town and village's culture" (xiv). It does, however, view local economies in a systemic way, where some have thrived and others declined. It identifies six 'capitals': physical capital (e.g. infrastructure and housing), human capital (e.g. skills and health), intangible capital (e.g. ideas and innovations), financial capital (e.g. business finance), social capital (e.g. community and trust), and institutional capital (e.g. local leadership). The places that have an abundance of these are in a virtuous cycle, where the different capitals reinforce one another. The idea is to increase the UK's stock of these capitals and, crucially, to begin to close the gap between the best and worst performing areas by 2030 (Newman et al., 2022).

To stimulate change, the white paper sets 12 missions (table 2), inspired by Mariana Mazzucato's work (see Mazzucato, 2018), which argues that 'mission-oriented' thinking is a way to tackle economic and social problems. Of the 12, several relate to alleviating traditional regional development problems such as productivity, R&D, and transport connectivity. One relates to devolution and institutional reform at the subnational level, another to encouraging local pride, part of which relates to strengthening local institutional bonds. Others relate to health, wellbeing, and crime reduction. It is hard to oppose any of the missions: reducing inequality is generally seen as a good thing, and the missions are all important policy areas (although climate change is an obvious omission). However, despite 49 metrics being provided for measurement, some mission goals are vague ("significantly increased [mission goal] in every area of the UK"). Equally, if the country improves on one metric, but decreases on another, is this good, bad, or neutral overall? (Centre for Cities, 2022). Some argue that these missions are simply a re-branding of the government's 2017 Industrial Strategy (Merrick, 2022). Table 2 sets out which missions existed within the Industrial Strategy, and which are new with levelling up. They seem an evolution of existing policy, rather than a revolution.

Table 2. The 12 Missions of levelling up

Focus Area	Mission	Existing or New
Living Standards	By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing.	Existing
Research & Development	By 2030, domestic public investment in R&D outside the Greater South East will increase by at least one third over the Spending Review period and at least 40% by 2013, with that additional government funding seeking to leverage at least twice as much private sector investment over the	Existing

	long term to stimulate innovation and productivity growth.	
Transport Infrastructure	By 2030, local public transport connectivity across the country will be significantly closer to the standards of London, with improved services, simpler fares and integrated ticketing.	Existing
Digital Connectivity	By 2030, the UK will have nationwide gigabit-capable broadband and 4G coverage, with 5G coverage for the majority of the population.	Existing
Education	By 2030, the number of primary school children achieving the expected standard in reading, writing and maths will have significantly increased. In England, this will mean 90% of children will achieve the expected standard, and the percentage of children meeting the expected standard in the worst performing areas will have increased by over a third.	New
Skills	By 2030, the number of people successfully completing high quality skills training will have significantly increased in every area of the UK. In England, this will lead to 200,000 more people successfully completing high quality skills training annually, driven by 80,000 more people completing courses in the lowest skilled areas.	Existing
Health	By 2013, the gap in Healthy Life Expectancy (HLE) between local areas where it is highest and lowest will have narrowed, and by 2035 HLE will rise by 5 years.	Existing
Wellbeing	By 2030, measures of well-being will have improved in every area of the UK, with the gap between top performing and other areas closing.	Existing
Pride in Place	By 2030, pride in place, such as people's satisfaction with their town centre and engagement in local culture and community, will have risen in every area of the UK, with the gap between the top performing and other areas closing.	New
Housing	By 2030, renters will have a secure path to ownership with the number of first-time buyers increasing in all areas, and the government's ambition is for the number of non-decent rented homes to have fallen by 50% with the biggest improvements in the lowest performing areas.	Existing
Crime	By 2030, homicide, serious violence and neighbourhood crime will have fallen, focused on the worst affected areas.	New
Local Leadership	By 2030, every part of England that wants one will have a devolution deal with powers at or approaching the highest level of devolution with a simplified, long-term funding settlement.	Existing

Notes: missions are from the white paper (DLUHC, 2022). Existing/New refers to their relation to the 2017 Industrial Strategy.

4. The limits of levelling up

It is hard to disagree with the idea of levelling up. The UK's pronounced spatial disparities are a problem both for individuals, whose opportunity can be constrained by where they live (McNeil et al., 2022), and the national economy, as lagging regions represent a loss of output (Martin et al., 2022). Yet there are some major concerns about the levelling up agenda which make it unclear how effective it can, or will, be. Our focus here is on three problems: the extent to which it is, as claimed, radical devolution; the extent to which new funding has been allocated to it; and the extent to which it is genuinely focused on priority areas and left behind communities.

4.1 Radical devolution or top down regional development?

The government claims that levelling up is about devolution. The white paper argues that "the UK's centralised governance model means local actors have too rarely been empowered to design and deliver policies necessary to drive growth" (DLUHC, 2022: 112), and claims that the devolution framework it outlines is a genuinely radical and far-reaching programme. On this basis, the first test of levelling up is the extent to which genuine devolution is taking place.

The UK currently has a complex system of local government and devolution which results in fragmentation and administrative complexity. In England, local governance has one tier in some areas (unitary authorities) and two tiers in others (county councils sitting above district councils). These bodies are responsible for economic development at the very local level. Sitting at the sub-regional level are groupings of local authorities: the 38 LEPs, and nine MCAs in the core cities. London has its own institutional arrangement, with the Greater London Authority overseeing the area covered by 32 boroughs (unitary authorities). Pan-regional partnerships and sub-national transport bodies have some responsibilities. In Scotland, Wales, and Northern Ireland, there is a single tier of local government. Although, 20 City Deals and Growth Deals, agreed in waves between 2012 and 2022, brought together groups of local authorities to develop local economic development strategies and bid for funds and powers from central government[3]. In Scotland there are also Regional Economic Partnerships, and in Wales, Corporate Joint Committees. In all four nations, there are other bodies with different geographical boundaries for public service delivery, such as for policing and health, policy areas which have now become part of the levelling up agenda.

Despite calls for local government reorganisation as part of the levelling up white paper (e.g. Jeffrey and Swinney, 2020), the white paper has not progressed this, largely for political reasons[4]. Instead, the extent of local government simplification is the integration of LEPs and their business boards into other

[3]These were also developed in England, although have subsequently ended
[4]The Bottom Line: Levelling Up, March 2022

institutions such as MCAs and the GLA (DLUHC, 2022). What the white paper does do is introduce policy levers to deepen devolution to MCAs, and create new County Deals which will shift more rural areas towards a mayoral model of governance. In this, it has attempted to build a framework for simplifying *future* devolution. The areas referenced so far in the white paper are two MCAs - the West Midlands and Greater Manchester - and nine areas which are being invited to agree County Deals. These will be 'trailblazers' for deeper devolution, and act as the blueprint for other places to follow. The devolution framework sets out a system whereby the governance model of an area dictates the powers which central government is willing to hand down, with directly elected mayors wielding the strongest powers.

The overall aim is to shift powers related to local transport, adult education, policing, and spatial planning out of Whitehall. On transport, the devolution framework suggests London-style control of transport (in London, Transport for London runs the bus and underground network, is under control of the Mayor of London and run by a board that is appointed by the Mayor). But it will essentially amount to control over bus franchising. The proposal on planning is weaker, with reference made to new Mayoral Development Corporations, local planning authorities that cover specific geographic areas for regeneration, a provision that already exists and has been exercised by the Greater London, Manchester, and Tees Valley mayors. It appears that spatial planning decisions will continue to reside at a lower geographic level, with district councils and unitary authorities. Fiscal devolution is essentially omitted, despite longstanding concerns about the lack of fiscal autonomy of local government (Muldoon-Smith and Sandford, 2021). The exceptions are a proposal for mayoral authorities to raise funds through council tax precepts and business rate supplements. The detail will be important: in recent times, the ability to raise these funds has been tightly controlled with caps on the amount that can be raised and local referenda required to approve them. "Accountability" is one of the four principles of the proposed new devolution arrangements (the others being "effective leadership", "sensible geography" and "flexibility"). In practice this means that greater local powers will come with greater central government monitoring and oversight, through data collection, an "Office for Place" and "Levelling Up Directors". These have echoes of the New Labour era during which increased public funding came with a large burden of targets, monitoring and audits: the Office for Place and Levelling Up Directors seem to reincarnate the Audit Commission and the Government Office Regional Directors, both abolished in 2010.

The emphasis on accountability to central government and the lack of fiscal devolution suggest that this is, at most, a first step towards genuine devolution. The shift to a directly-elected mayoral model of sub-national governance may offer more security and stability, as abolishing a vocal and public mayor is harder than removing an office of unelected civil servants. However, few new powers are being devolved, and where they are being passed down, the emphasis on local accountability suggests that central government will maintain significant control. Certainly, the rhetorical emphasis on local accountability and local priorities contrasts with the centrally determined missions and mechanisms for accountability to central government. Additionally, carrying out devolution in this patchwork way lays the foundation for more capable areas with successful track records to continue to be successful, potentially increasing inequalities in powers and funding. A radical devolution agenda would provide mechanisms for local government to hold central government departments accountable for meeting local priorities, yet there is no evidence of a shift in this direction.

4.2 Finance: New Labour without the money?

A second test of levelling up is financial. Politics is about choice, and prioritising levelling up relative to other goals demonstrates the government's commitment, chances of success, and the extent to which levelling up is a genuine economic development strategy over a political brand. The example of German reunification shows that even with significant resources delivered consistently over multiple years, reversing systemic regional inequality is difficult. But, it also demonstrates that consistency is key to achieving any meaningful change.

Funds devoted to levelling up can be categorised in different ways. The most concrete form of funding is direct government transfers to sub-national bodies responsible for development. While we focus our analysis on this funding mechanism, the white paper also makes clear the government's aim to drive levelling up investment through quasi-public bodies such as the British Business Bank, UK Infrastructure Bank, and Homes England, and by encouraging institutional investors to take-up the levelling up missions (DLUHC, 2022).

It is hard to say how much money has been committed to levelling up, and there is no clear counterfactual which allows us to see if new money would have otherwise been committed. Two things are clear: the finances are murky, and ‘creative’ accounting is common. Announcements have often restated already-promised sums of money. For example, the Towns Fund is formed of Town Deals, which is new money of around £2.4 billion, but also around £830 million of Future High Streets Fund which was first announced in 2018. And while the Towns Fund aims to regenerate town centres, a goal which relates to several of the white paper missions, with much of the money pre-existing, its relation to levelling up becomes more hazy: would it have happened under a different regional development slogan? Other funds have simply been branded as levelling up when they were announced before the Johnson premiership. The Coastal Communities Fund, for example, has been running since 2012 but ministers have cited it as an example of levelling up policy. While the first four tranches of funding made no reference to levelling up, the latest instalment - £10 million split between five different communities - was touted as part of a plan to 'level up every part of the UK' (Berry, 2019). The £2.45 billion Transforming Cities Fund was first announced in 2017 with 50% designated to mayoral combined authorities and 50% to other local authorities through competitive bidding; despite being delivered between 2020 and 2023, this fund is also mentioned in the 2022 white paper. Equally, the 20 City Deals in Scotland, Wales, and Northern Ireland (ranging in value from £1.3 billion for Cardiff City Region to £40 million for Falkirk), have been branded as levelling up, although many were negotiated and agreed before the agenda was developed.

To assess what is new funding devoted to reducing regional inequality, and what would have likely taken place without the levelling up agenda, we can make a simple distinction between core levelling up funding, and that which is now being attributed to levelling up. Within the core funding is the Levelling Up Fund, Community Ownership Fund, and Community Renewal Fund, along with new place-based initiatives such as the Freeports, and the three Innovation Accelerators. These were clearly designated in the 2022 white paper or in the preceding Spending Reviews. Funds which are less clearly part of levelling up are those which preceded the agenda but have subsequently been branded as levelling up, contain money which was announced before the levelling up agenda, or in the case of the UK Shared Prosperity Fund are simply replacements for funding which would have been provided otherwise (through EU Structural Funds). To get a feeling for what these different funds entail, we studied speeches by UK politicians who mention 'levelling up'. We include details on these policies in table 3 and classify them. Rough calculations suggest that the *total* amount of funding overall is small - and the amount of *new* money smaller still. Table 3 suggests around £30 billion in specific funding, over multiple years and delivered through piecemeal funding settlements. In an austerity-stricken context, where 25% of funding per capita has been stripped from local authorities, it is hard to see how this funding will counter, let alone reduce, the persistent regional inequalities described in section 2 of this paper.

Table 3. Regional development funds and their relation to levelling up

Fund	Amount (£m)	Amount Allocated (£m)	Nation	Geography	Allocation	Clarity	Department	Announced/ Implemented
Levelling Up Fund	4800	1600	UK	MCA & LA	Bids/ Criteria	Clear	DLUHC, HMT	2021

Community Ownership Fund	150	5.3	UK	LA & Specific Institutions	Bids	Clear	DLUHC	2021
Community Renewal Fund	220	126	UK	LA	Bids/ Criteria	Clear	DLUHC	2021
Innovation Accelerators	100	N/A	UK	City Regions	N/A	Clear	N/A	2022
Freeports	200	N/A	UK	City Regions	Bids	Clear	DLUHC	2022
Towns Fund	3600	3180	England	LA	Bids	Unclear	DLUHC	2018/2019
Getting Building Fund	900	900	England	MCA, LEPs & LA	Criteria	Unclear	DLUHC	2020
Rural Mobility Fund	19.4	19.4	England	LA	Bids	Unclear	DFT	2020
Strength in Places Fund	400	400	UK	Specific Institutions	Bids	Unclear	UKRI	2020
National Skills Fund	2500	900	England	MCA & ESFA	Criteria	Unclear	DFE	N/A
National Home Building Fund	7100	N/A	England	MCA & LA	N/A	Unclear	DLUHC	2020
Brownfield Release Fund	75	57.8	England	MCA & LA	Bids/ Criteria	Unclear	DLUHC	2021
Restoring your Railway Fund	500	79	England & Wales	Cross-LA	Bids	Unclear	DFT	2020
Coastal Communities Fund	10	10	England	LA & Specific Institutions	Bids	Unclear	DLUHC	2012-2019
Transforming Cities Fund	2450	2450	England	MCA & LA	Bids/ Criteria	Unclear	DFT	2017/2018
City Region Sustainable Transport Settlements	6900	4200	England	MCA	Criteria	Unclear	DFT	2019
Safer Streets Fund	50	N/A	England	PCCs	N/A	Unclear	HO	2022
Seafood Fund	75	N/A	UK	N/A	Bids	Unclear	DEFRA	2021
City Deals	7265	N/A	Devolved Nations	City & Rural Regions	Negotiation	Unclear	N/A	2012-2022
Historic High Streets Fund	95	95	England	LA	N/A	Unclear	DCMS, DLUHC, MHT	2019
UK Shared Prosperity Fund	2600	N/A	UK	N/A	N/A	Unclear	N/A	2022
Total	32574	13927						

Notes: Amount refers to the total size of the funding pot. Amount allocated refers to that which has been spent. Clarity refers to relation to levelling up. Allocation refers to how the funding is distributed; bids is where relevant bodies submit a business case for resources, criteria is where funds are distributed on the basis of need or some other criteria, and negotiation is where funds are agreed though discussion between city leaders and central government.

Table 3 shows several contradictions between the current funding landscape under levelling up, and how the white paper suggests funds should be distributed. The white paper expresses a desire to simplify the funding landscape. Table 3, by contrast, shows that there are multiple central government departments with links to levelling up. The core levelling up funds are placed (with Treasury input) in the Department for Levelling Up, Housing and Communities (DLUHC), but policies across government are being labelled as levelling up, including the Cabinet Office, the Department for Transport, the Department for Business, Energy and Industrial Strategy, the Department for Education, the Department for Health and Social Care, and the Department for Work and Pensions. This is limiting levelling up in two ways. First, priorities in one part of government may be seen as less important in another. While DLUHC seem to be taking the idea of levelling up seriously, Coyle and Sensier (2019) suggest that the traditional view of the Treasury - that spending should be justified on raw econometric numbers, rather than strategic outcomes - has persisted. Second, funds emanating from multiple departments means multiple bid conditions, which strains local capacity more than if there was one joined-up body responsible for funding local economic development. Both of these issues limit the total amount of funding that is devoted to a strategy such as levelling up, and creates fragmentation and confusion which stifles any attempt at a long-term or consistent approach to development.

The white paper also expresses a desire to simplify bidding processes and reduce the unnecessary proliferation of individual funding pots. Table 3 shows the importance of competitive bidding to the levelling up agenda: 12 of the funds that ministers have suggested are ‘levelling up’ are allocated via some form of bidding, one (the City Deals) are through negotiation, and the rest are solely criteria-based. Competitive grants are often very specific, short-term, delivered at multiple scales, and place significant strain on local capacity as local bodies have to navigate a funding landscape where grants emanate from rapidly changing policy environments (LGA, 2020). While the white paper acknowledges the limits of this approach, detailing how since 2015 one county council has submitted 61 bids ranging from £16,000 to £41 million, the current system of levelling up funding suggests reform has not been a priority. For example, the core funds are all based on competitive bids, and are all designed to support projects which must be completed in the current parliamentary term (Jennings et al., 2021). Round 2 of the Levelling Up Fund, announced at the Spending Review in March 2022, confirms that it will continue to be based on competitive bids. The only fund announced so far which may fulfil the goal of being long-term and under local control is the Shared Prosperity Fund, which is replacing EU Structural Funds. Further details of this are yet to emerge, but the policies and funds which levelling up has created so far have not laid the foundations for a systemic change in how funding is delivered.

4.3 Levelling up where?

A third test of levelling up is whether it is targeted at deprived areas. Public policy strategies should be about setting priorities: about choosing where, and where not, to spend money. This is a clear and obvious feature of German regional development where the fiscal equalisation scheme redistributes tax income until the financially weaker states reach 95% of the financial resources of the richer states (Klamert and Losse, 2018). New Labour's partially successful National Strategy for Neighbourhood Renewal spatially targeted resources according to a single set of metrics designed for the purpose (Hills and Richardson, 2000). Focusing funding on specific geographic areas forces the government to make trade-offs. In doing so, it reveals tensions between providing funding to areas of potential, areas of deprivation, marginal seats, and areas which might otherwise feel overlooked.

At first, levelling up was defined in purely economic terms and thus funding focused on less affluent areas. In 2019, Robert Jenrick, then Secretary of State for Housing, Communities and Local Government, explained that the government's aim was to *"raise productivity, focusing on levelling up parts of the country whose economies are further behind"* (Newman, 2021: 313). This decision meant that funding was unlikely to go to London, which has relatively high productivity but also high rates of poverty. But this raises questions. First, if the focus is on wellbeing, why not concentrate on London where rates of life satisfaction are lower? And second, should the focus be on inter-regional or intra-regional inequalities? Some have argued that levelling up should be about reviving post-industrial towns and struggling coastal communities, pushing them to become economically successful places in their own right (Tomaney and Pike, 2020). Others have argued that the priority should be to boost the productivity of the UK's largest cities outside of London - which lag behind similarly sized cities in other countries; with the idea that these will then boost their wider region (Centre for Cities, 2016). But without prioritisation, the white paper risks spreading the limited resources detailed above too thinly.

We can test the spatial targeting of levelling up in two ways - explicit targeting, by looking at narratives in the white paper, and implicit targeting, through the rough targeting of the core levelling up funds. The explicit message is not clear; the white paper seeks to be all things to all places, dedicating 48 pages of the appendix to how levelling up is being delivered in every region of the UK. As a political strategy, it seems like everywhere gains and nowhere loses out, but in terms of delivery it risks diffusing the programme's focus and reducing its impact. Where there is spatial targeting, it is focused on a narrative of moving funding outside London and the South East. R&D spending is one example: domestic public investment in R&D will be increased by 40% by 2030, with BEIS aiming to invest 55% of its total domestic R&D

funding outside of the South East by 2024-2025 (DLUHC, 2022). The white paper also mentions moving 22,000 civil service jobs out of London, increasing Arts Council England funding outside of London, and creating 55 Educational Investment Areas, none of which will be in London, and only one in the South East (seven out of 10 authorities in Greater Manchester are covered) (DLUHC, 2022). This feeds into the narrative put forth by Andy Haldane, who led the government's Levelling Up Taskforce until March 2022. He describes levelling up as a 'new model of *government*' (spatially-aware central government) coupled with 'a new model of *governance*' (devolution), and argues that 'tilting' existing government spending away from London and the South East is more important than the size of any ringfenced funding streams[5].

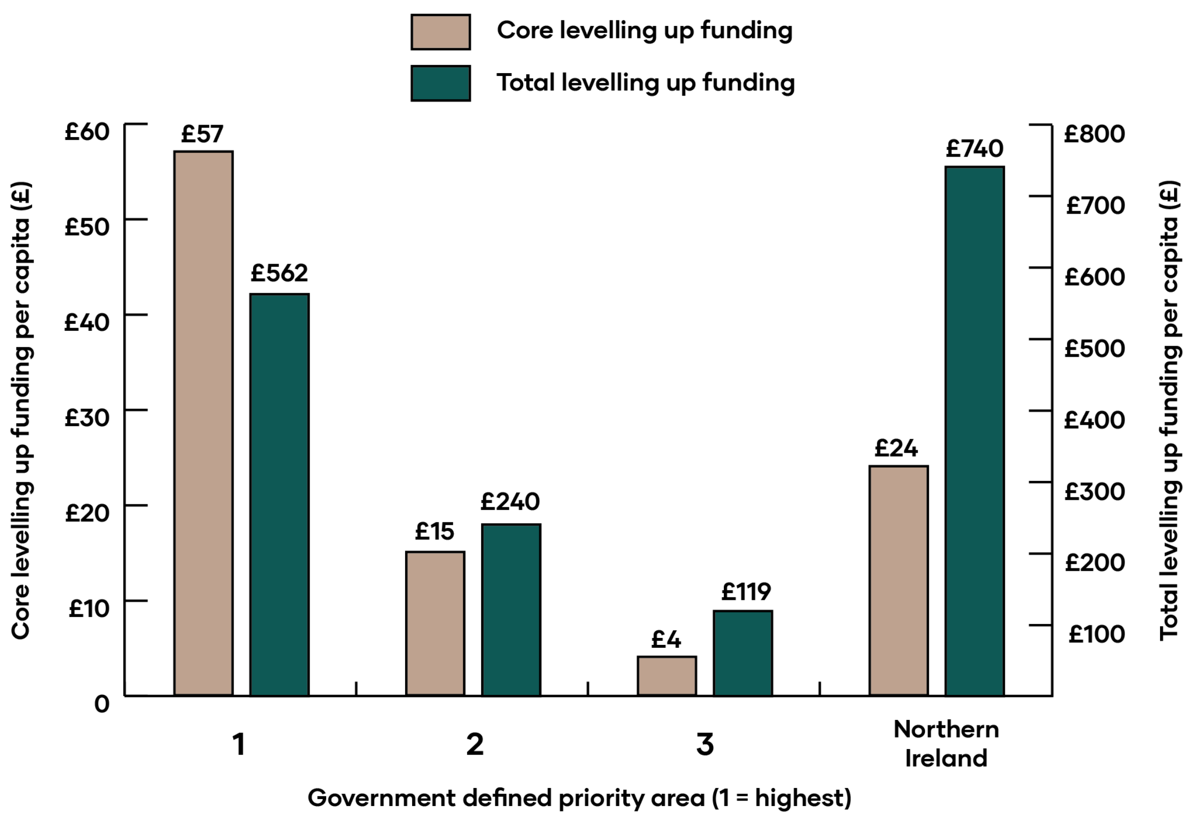
In assessing the implicit targeting, funding allocations provide clues about which type of areas the government is helping to support. In 2021, to assist with the distribution of the first round of the Levelling Up Fund, an index ranking the priority of local authorities from 1 (most in need) to 3 (least in need) was created. This index was formed through a two step process. First, metrics which measured the 'need for economic growth and recovery' were constructed. This was formed of productivity, measured using GVA per hour, the 16+ unemployment rate, and skills, measured using the 16 to 64 population without NVQs or other formal qualifications (DLUHC, 2021). Second, metrics which measure the 'need for improved transport connectivity', and 'regeneration' were constructed. The first of these was based on average journey time to employment centres. For the latter, commercial and dwelling vacancy rates were used (DLUHC, 2021). In the bidding process preference was given to those in more need.

The index has been criticised. Metrics such as journey to work times have prioritised rural locations over parts of major cities. It is not clearly focused on deprivation, ignoring most standard indicators on poverty, such as the Index for Multiple Deprivation - the official measure of relative deprivation for neighbourhoods in England. This has led to considerable overlap across deprivation levels, with some areas marked as low priority even if deprived, but others marked as high priority while being less deprived. For example, Richmondshire and the Derbyshire Dales, both relatively rural areas, are only 256th and 263rd most deprived of the 317 local authorities in England, yet are in the highest priority category (Norman, 2021). There have also been accusations of pork barrel politics, with 14 of the areas with higher than average wealth which are also classified as 'priority one' local authorities having Conservative Party MPs (Bounds, 2021). Despite these criticisms, the development of a concrete index which is considered when deciding successful bids is an important step. Figure 4 shows that funding, both in terms of the three core funds and the total branded funds, is being delivered to those local authorities

[5]Onward Event, March 7th 2022: https://www.ukonward.com/events/levelling-up-from-theory-to-practice/

which are of highest priority. However, there is an explicit prioritisation of transport infrastructure and town centre regeneration. Skills and community development have received relatively little funding in comparison. This raises the question of how well levelling up will actually support left behind communities.

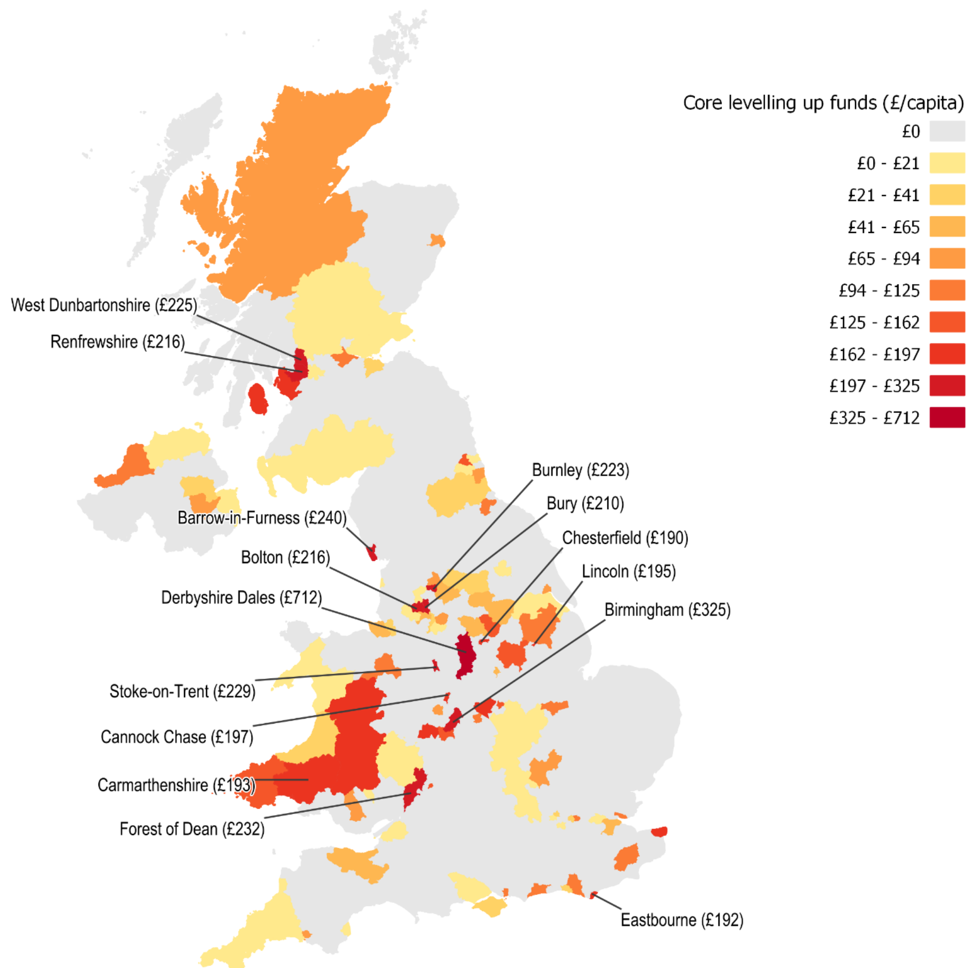
Figure 4. Levelling up funding per capita, by priority area



Notes: 1 = highest priority, 3 = lowest. Northern Ireland was not defined. Core funds refer to Levelling Up Fund, Community Renewal Fund, and Community Ownership Fund. Total funds refers to funding which has been branded as part of the agenda.

Mapping the core funding demonstrates that most places are yet to receive any new money. Figure 5 shows how sums have been allocated in a relatively patchwork way. Overall, London has received around £7 per capita in core levelling up funds, compared to Mayoral Combined Authorities which have received £36 per capita. Scotland and Wales have received £32 and £35 per capita each, and Northern Ireland £24 per capita. Non-MCA England has received £29 per capita. The clear winners have been areas with small populations, and areas with many institutional and fiscal layers: be that the Manchester Combined Authority in England or the recent City Deal geographies in the devolved nations. However, despite rhetoric about a focus on major cities, there is limited evidence that this is happening in a systematic way: the funds Mayoral Combined Authorities have received vary significantly, from £0 in core funds in the Bristol city region, to £67 per person in Sheffield. The second Levelling Up Fund round, announced at the March 2022 Spending Review, will prioritise areas which have not yet received funding: the jam is clearly being spread too thinly.

Figure 5. Distribution of core levelling up funds per capita



Note: figure includes the Levelling Up Fund, Community Renewal Fund, and Community Ownership Fund. Where funds are delivered at higher authorities (e.g. County Councils or MCA) money is averaged across the constituent local authorities.

The distribution of total funds which have been branded as part of levelling up is more complex, as funds are delivered at multiple spatial scales and over varying time periods. Mayoral Combined Authorities, LEPs, county councils, district councils, unitary authorities, city deal areas, and police and crime commissioners are all responsible for levelling up funds in some way. Funds range in their time period: some having already been delivered (e.g. Transforming Cities Fund), and others committed as investment over the next decade (e.g. City Deals). Figure 5a in the annex attempts to map the distribution of all funds. Other research has looked specifically at the distribution of certain funds. Hanretty (2021) investigated the distribution of funding from Town Deals, a component part of the Towns Fund which saw selected towns invited to bid for up to £25 million in funding. He showed that the government favoured towns in constituencies with Conservative MPs, and particularly Conservative marginal seats.

In sum, we find that there is little explicit prioritisation of funds in the white paper, except a commitment for *all* regions to benefit. A radical but politically risky approach would have been to identify the cities in each region that are to be made ‘globally competitive’ - Manchester, Birmingham, Bristol and Leeds, for example - and set out a funding strategy for how this is to be achieved. Eschewing such an approach, the funding is instead being spread thinly - although both core funds, and funds branded as levelling up, appear to have been focused on areas deemed as priority by the government’s metrics and to be relatively regionally balanced.

5. Conclusion

The UK has pronounced spatial disparities. These have persisted over time, despite efforts to address them, and by some measures have been increasing. Since 2010, successive UK governments have only addressed them in rhetorical terms: key institutions have been removed, local government has seen funding cut, and, a model focused on metrics and regional agencies was abolished and, instead, a series of branding exercises have been used to show a commitment to regional development (Lee, 2017). The levelling up agenda is the most significant of these branding exercises. It marries the target-focused approach of the New Labour era with the policy-branding of the 2010s. ‘Levelling up’ has become a powerful catchphrase, and faddish ‘missions’ are used to frame the targets (Brown, 2022).

Efforts to address regional inequality are laudable and the levelling up agenda has done much to put regional inequality at the heart of government policy, at least for now. Many of the missions seem sensible, if centrally governed rather than locally led, yet the agenda is still nascent and problematic. In this paper we have made three major critiques: that it is a form of centrally-led devolution, that it is regional policy on the cheap, and that it is not clear which places are supposed to be ‘levelled up’. The second critique is the most important. The lesson of East German catch-up is that levelling up needs significant resources, sustained over time, and in a strategic manner (UK2070, 2020; Carrascal-Incera et al., 2020). This needs to be complemented with strong local leaders and institutions with the powers and funding to effect genuine change, influence and reshape narratives, and shift attitudes and behaviour (McCann and Ortega-Argilés, 2020). The levelling up agenda is yet to provide the tools to achieve this.

The risk is that levelling up is a critical moment wasted. The agenda looks likely to fail because of the old problems of regional policy in the UK: short-termism and an ingrained institutional, policy, and funding churn; a patchwork approach to devolution which leaves local areas lacking the capacity, powers, or finances to achieve long-term change; inadequate funds through a bidding system which reflects the faddish needs of central government rather than local priorities, and with a significant deadweight cost of application. The resulting fragmentation and confusion stifles attempts at a long-term or consistent approach to development. The extent to which new money is devoted to levelling up tells us how serious the government is about the agenda, the extent to which it is a rhetorical or political brand rather than a substantive one, and also how likely it is to succeed. The danger is that the levelling up agenda will fail to deliver, the political moment will pass, and then a new cycle of inadequate policy - with less political backing - will begin.

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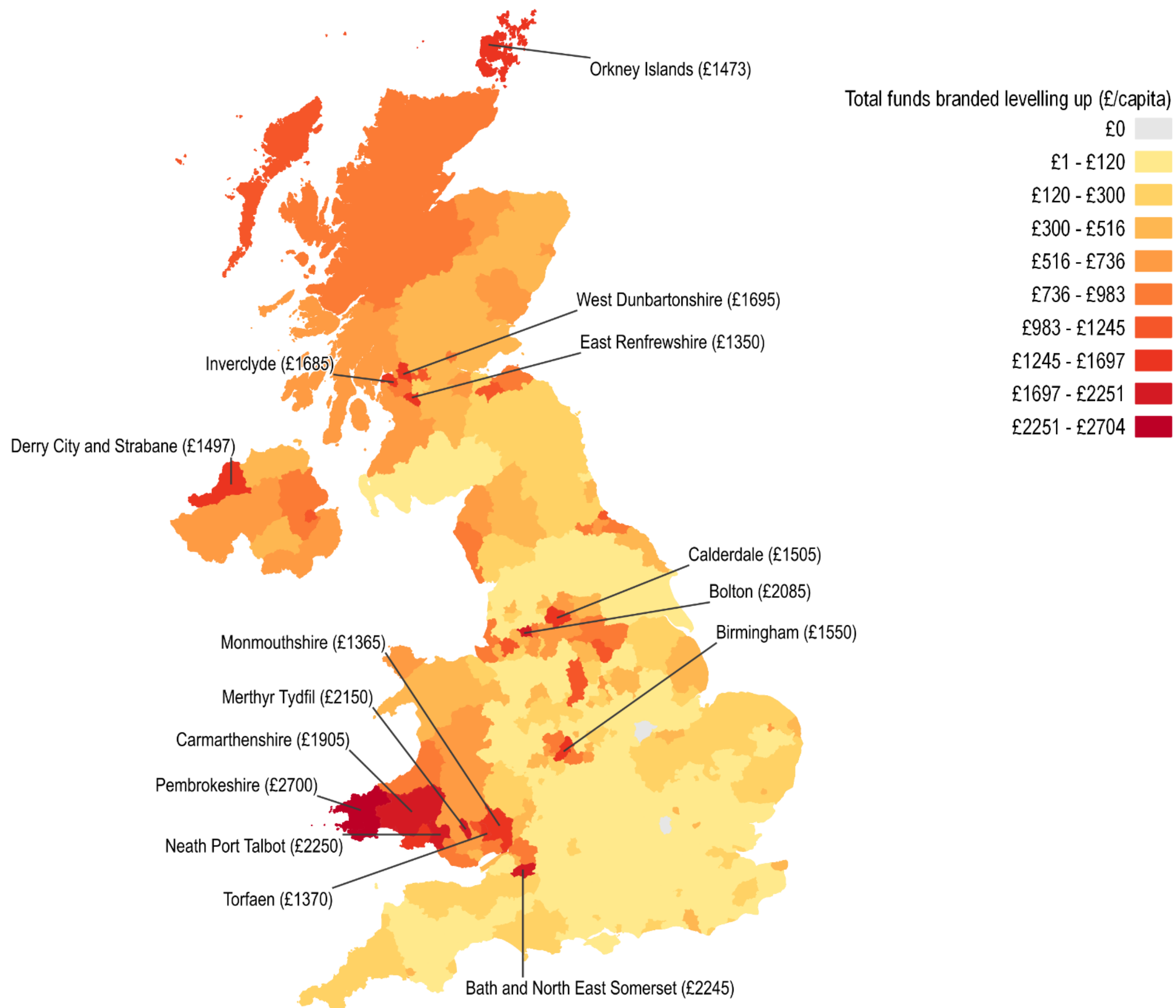
Appendix:

Figure 5a. Distribution of all funds branded as levelling up



Notes: figure includes Levelling Up Fund, Community Ownership Fund, Community Renewal Fund, Towns Fund, Getting Building Fund, Rural Mobility Fund, Brownfield Release Fund, Coastal Communities Fund, Transforming Cities Fund, City Region Sustainable Transport Settlements, and City and Growth Deals in the devolved nations. Figures are therefore variable and include some funding committed up to 2030 (in the nations) and funding already spent.