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Level best? The levelling up agenda and UK regional inequality

Mark Fransham[a,b], Max Herbertson[b], Mihaela Pop[c], Margarida Bandeira Morais[d] and Neil Lee[b,d]

ABSTRACT
'Levelling up' – a policy agenda focused on reducing regional inequalities – has become the new mantra in British politics. This paper critiques the policy programme from its emergence in 2019 to the publication of the 2022 levelling up White Paper. While it is a welcome recognition of gross regional inequality, local institutions lack capacity to deliver, there has been little genuine devolution and our analysis shows that little new funding has been committed. 'Levelling up' could simply become 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

JEL O18, R1, R12, R58
HISTORY Received 1 July 2022; in revised form 7 December 2022

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, 13 December 2019)

During his time as Prime Minister, Boris Johnson put 'levelling up' at the heart of UK government policy. The 2019 Conservative Party 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, p. 26). In 2021, the Ministry for Housing, Communities, and Local Government was renamed the Department for Levelling Up, Housing, and Communities, with a significant political figure – Michael Gove MP – put in charge.[1] In early 2022, a levelling up White Paper was published, including a proposal to enshrine in law 12 missions to 'level up'. In media rounds to publicize 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 and 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 extra money the government has actually allocated in the COVID-interrupted period since re-election in 2019. 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'.[2]

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

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Conservatives 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, 2022) 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 analysis of policy measures. It contributes to the literature specifically on levelling up (e.g., Hanretty, 2021; Jennings et al., 2021; Newman, 2021; Nurse & Sykes, 2020; Tomaney & Pike, 2020), but also on longer term trends in UK economic development policy (e.g., Lee, 2017; Beel et al., 2017; Fai & Tomlinson, 2019; Gray et al., 2018; Hincks et al., 2017; MacKinnon, 2020; O'Brien & Pike, 2019).

The remainder of the paper is structured as follows. Section 2 contextualizes 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. Section 3 investigates what levelling up means politically, rhetorically and in practice. Section 4 addresses some of the issues in the levelling up agenda: devolution, finances and geographical targeting. Section 5 builds on this critique by suggesting ways policy could be improved. 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 may be wasted.

2. CONTEXT: SPATIAL INEQUALITY AND PUBLIC POLICY IN THE UK

Regional disparities in the UK are high and strongly persistent over time (Martin et al., 2021; McCann, 2016). While richer cities and regions have tended to stay relatively affluent over time, poorer cities and regions have tended to stay relatively poor. We show this persistence in Figure 1. In 1900, gross domestic product (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. Martin (1988) presents evidence showing that this situation existed as far back as 1859.

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 & Pike, 2020, p. 43). Policies have included the Special Areas Act of 1934, which provided a fund for the development of areas with the highest unemployment, the 1945 Distribution of Industry Act, which introduced negotiations

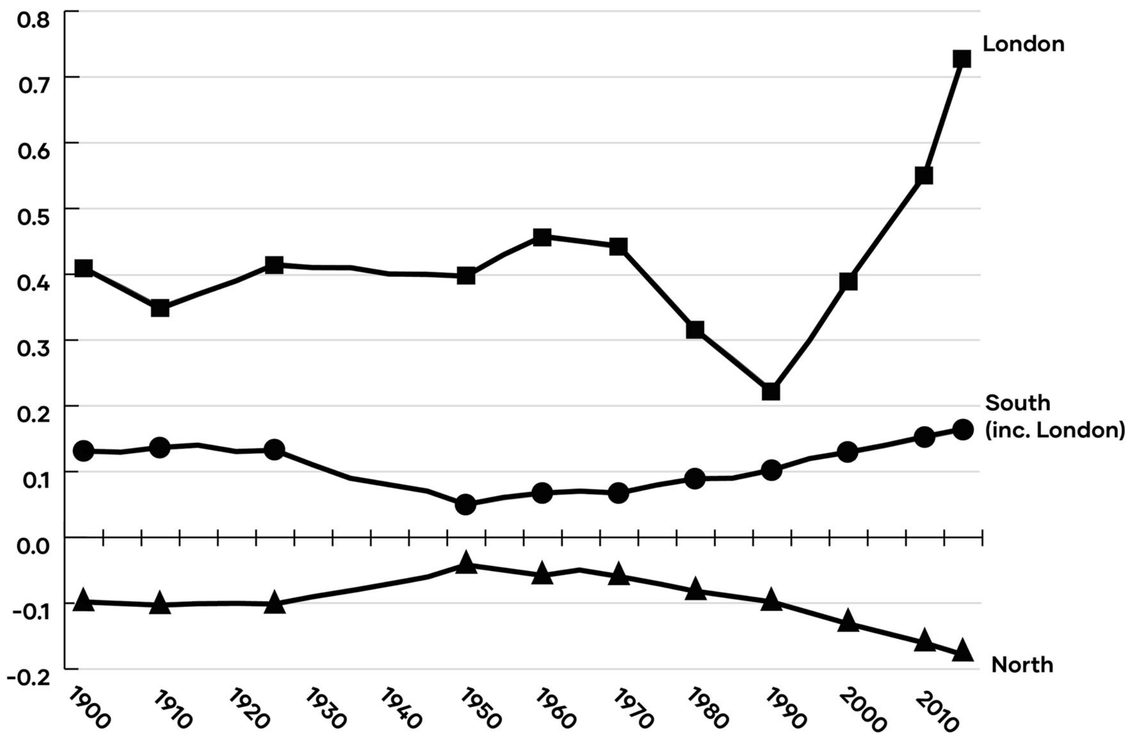

Figure 1. UK regional gross domestic product (GDP) per capita relative to national GDP per capita, 1900–2015. Source: Roses and Wolf (2021).

over the location of large factories, and the Regional Employment Premium, a tax subsidy for employment in particular areas (Martin & Hodge, 1983; McCrone, 1969). The Margaret Thatcher period saw a change in emphasis, with 'traditional' regional policy phased out and other forms of regeneration often focused on the stimulation of enterprise introduced (Greene et al., 2004). Over the last two decades there has been a clear break between policy in the New Labour period, 1997–2010, and that from 2010 (Figure 2). From 1997, New Labour established regional development agencies (RDAs) covering the nine English regions, with parallel agencies in the three devolved administrations (Morgan, 2006). These had significant budgets, totalling over £2 billion per annum for most of the years they operated and were supported by HM Treasury (HMT), which published a series of reports setting out regional policy, focusing on regional and eventually local issues and with a strong focus on productivity. While the most deprived areas tended to do relatively better than they had before, regional disparities continued to widen over this period, as Figure 1 shows. While significant resources were put into regional economic policy over this period, the best which can be said is that these efforts prevented regional inequality growing even further by countering structural forces, but did not succeed in reducing inequality.

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 'business-led' local enterprise partnerships (LEPs) at a smaller geographical level. But these were very different in practice, as they had few statutory powers, lacked substantial core funding and varied significantly in their capacity (Pike et al., 2018). As regional institutions declined in importance, a series of thin, soundbite-friendly agendas that 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 the economy and 'rebalancing' it in favour of the private sector. The Northern Powerhouse, for example, was a network of Northern cities touted to rival London in its international competitiveness. With few new resources available, these buzzword strategies were essentially a way of bringing together disparate policies under an electoral slogan (Lee, 2017).

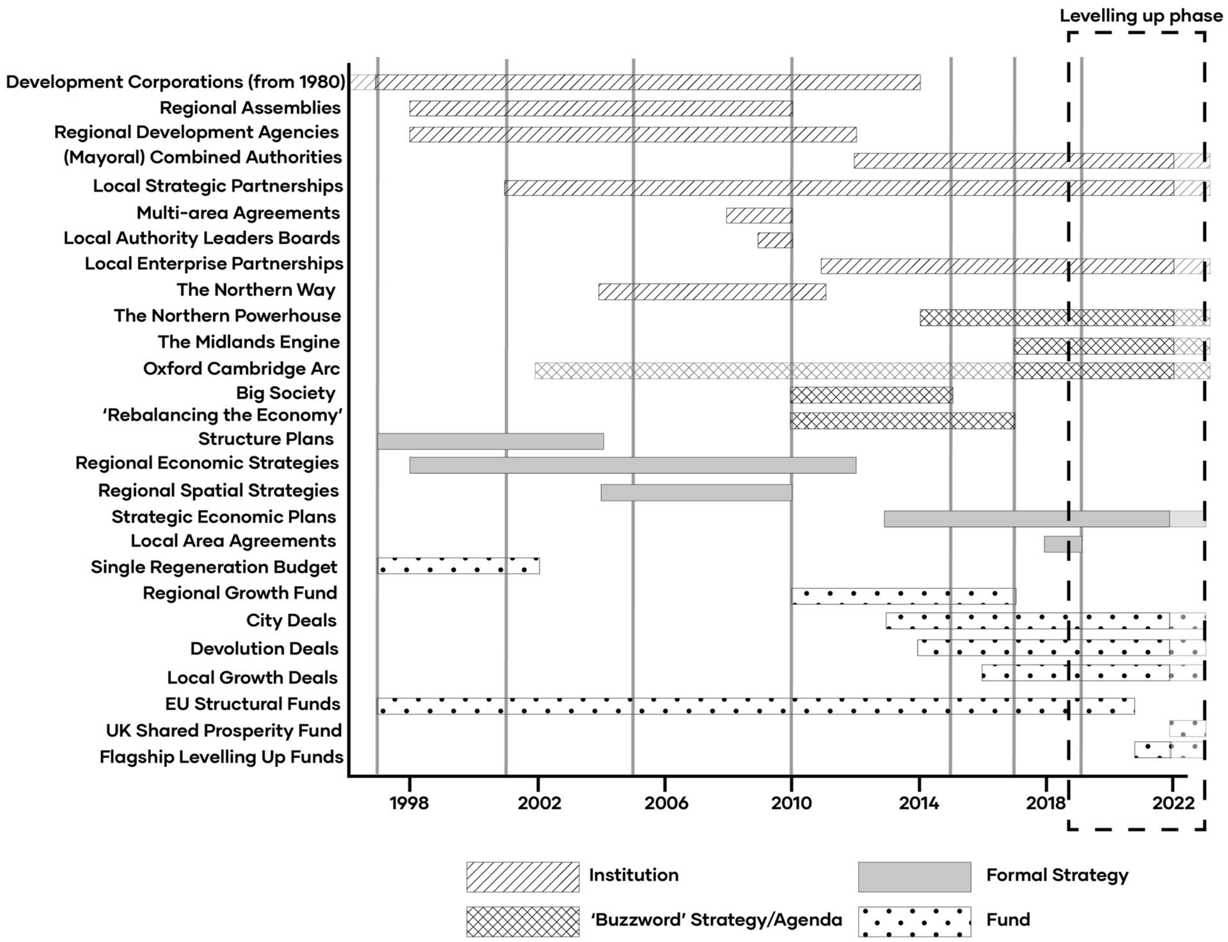

Figure 2. Institutions and agendas in English subnational economic development, 1997–2022.
Note: Included are key institutions, policies and funds over the past 25 years of economic development in England.
Source: Based on Cook et al. (2018).

Significant reform did happen in cities which were seen as the drivers of productivity by George Osborne (Chancellor of the Exchequer, 2010–16) and were privileged accordingly (Beel et al., 2021; Jones, 1997). '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) in areas such as Greater Manchester, the West Midlands, and Liverpool City Region,[3] which alongside gaining a mayor have received funding settlements and powers ranging from control over adult education and business support, to bus franchising and housing (Sandford, 2019). These cities have therefore developed a level of institutional capacity which more closely resembles that of the Greater London Authority (GLA). However, this approach to devolution has been criticized for not going far enough and creating a patchwork of institutions which are still at the mercy of central government for both funding and powers (Ayres et al., 2018; Sandford, 2019). Hambledon (2017, p. 6) states in relation to devolution deals: 'ministers decide the criteria [for funding] … ministers decide what funding will flow to the selected areas'. And Waite and Morgan (2019) argue that a 'tit-for-tat' form of policy making emerged, with cities being granted powers based on the deals done elsewhere. Overall, with few exceptions the 2010s were not a time of significant progress in terms of fundamentally improving the strategic institutions overseeing regional economic development policy.

At the same time, to reduce public spending, the coalition government cut funding for local government 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 & 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 and 2019 English local authorities received 448 unique grants from central government, 32% of which were decided through competitive means. This increase in competitive funding logics instead of technocratic allocation or insider lobbying has forced local authorities to become 'grant hustlers' (Peck, 2012) to attract investment for non-statutory spending and economic development. The main issue going forward is that austerity has stripped local authority capacity unevenly. While some local authorities maintain in-house bid-writing teams and can afford expensive external consultants, others cannot; this creates a vicious circle which counters efforts to reduce inequalities between places.

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 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 that has been consistently noted in research on regional government and economic development: institutional and policy churn (e.g., Westwood et al., 2021). The old problem of regional disparities has been met by a longstanding condition of churn, as institutions, policy agendas and funding streams have cycled into and out of existence. As illustrated in Figure 2, institutions, funding streams, 'deals' and strategic plans have come and gone over the last 25 years of economic development in England, to be replaced with new ones over different geographies (though there was much greater continuity in Northern Ireland, Wales and Scotland).

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 Conservative government (Newman, 2021). It became increasingly used since Johnson's July 2019 leadership campaign, and was a key part of his December 2019 general election campaign. Between January 2010 and July 2019, when 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 3227 times.[4] The term has been transformed from an occasional buzzword into the key government mantra for reducing spatial inequalities (Nurse & Sykes, 2020; Tomaney & Pike, 2020) and is used to satisfy Conservative concerns that reducing inequality could involve restricting high productivity areas.

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 A1 in Appendix A in the supplemental data online illustrates 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 et al., 2021; Bell et al., 2022), for others, health (Dixon & Everest, 2021), or inequalities in productivity and wages of cities and towns (Centre for Cities, 2021).

Levelling up is a continuation of a trend for UK 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 a broad section of the electorate.

The UK government has defined levelling up more clearly in the 2022 White Paper – 'Levelling Up the United Kingdom' (Department for Levelling Up, Housing and Communities (DLUHC), 2022). The White Paper focuses on 'ending the geographical inequality which is such a striking feature of the UK' (p. xii) and suggests that levelling up is crucial to 'the success of the whole country' (p. xiv). There is little obvious attempt to prioritize particular places, instead offering a strategy to realize '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' (p. xiv). It does, however, view local economies in a systemic way, where some have thrived and others declined. It identifies six 'capitals': physical capital (infrastructure and housing), human capital (skills and health), intangible capital (ideas and innovations), financial capital (business finance), social capital community and trust), and institutional capital (local leadership). It argues that the places that have an abundance of these are in a virtuous cycle, where the six capitals reinforce one another. The policy logic is that evening out the spatial distribution of these six capitals will close the economic gap between the best and worst performing areas (Newman et al., 2022). Progress is targeted by 2030.

The White Paper sets 12 missions (see Table A2 in Appendix A in the supplemental data online), inspired by Mazzucato (2018) who argues for 'mission-oriented' thinking to tackle economic and social problems. Several missions relate to conventional economic development issues such as productivity, research and development (R&D) and transport connectivity. One relates to devolution and institutional reform at the subnational level, another to encouraging local 'pride in place'. Others relate to health, well-being and crime reduction. Although 49 monitoring metrics are provided, some mission goals are vague ('significantly increased [mission goal] in every area of the UK'). In large part the missions are a re-branding of the government's 2017 Industrial Strategy (Merrick, 2022). Our analysis (see Table A2 in Appendix A in the supplemental data online) shows that nine of the 12 levelling up missions are carried over from the Industrial Strategy: they are an evolution of existing policy, not a radical break.

4. THE LIMITS OF LEVELLING UP

There is considerable consensus that policy action on geographical inequality is required. 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., 2021). Yet there are major concerns about how effective the agenda will be. Our focus 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 New Labour managerialism?

The White Paper claims that levelling up is about devolution, arguing 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, p. 112). The devolution framework outlined in the White Paper is proclaimed as a genuinely radical and far-reaching programme. In its own terms, the first test of levelling up is the extent to which genuine devolution is taking place.

The UK has a complex system of subnational governance resulting in fragmentation and administrative complexity. Consequently, there are frequent calls for local government reorganization (e.g., Jeffrey & Swinney, 2020) to simplify the English system of unitary authorities, district councils and county councils, perhaps along the lines of the single tier model that exists in Scotland, Wales and Northern Ireland. The White Paper eschews imposing reorganization, though leaves it open as a 'locally-led avenue available where there is broad local support'. Instead, the UK government prefers to continue the fashion for reshaping subnational governance by encouraging existing bodies to pool their sovereignty, as has been the case in regional economic partnerships (in Scotland), corporate joint committees (in Wales), city deals, growth deals, LEPs and MCAs (in England). The government's preferred model is shown in its Devolution Framework presented in the White Paper. This is based on the Greater Manchester Combined Authority model, with 'a directly-elected leader covering a well-defined economic geography with a clear and direct mandate' (DLUHC, 2022, p. 133). Other models not involving directly elected mayors are offered, but with fewer powers over policy areas. The framework restricts devolution deals to areas large enough to be a single functional economic area, operationalized as upper tier authorities or county councils (or combinations thereof) with a minimum population of 500,000 residents. 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 in more rural areas. These are described as 'trailblazers' for deeper devolution, acting as the blueprint for other places to follow.

The prize offered to English local authorities willing to shift to a mayoral model of leadership over a functional economic area is greater control over local transport, adult education, policing and spatial planning. On transport, the devolution framework suggests London-style control over bus franchising (Transport for London is run by a board that is appointed by the mayor). The proposal on planning is weaker, with reference made to new mayoral development corporations, local planning authorities that cover specific geographical areas for regeneration – a provision that already exists. It appears that spatial planning powers will continue to reside at a lower geographical level, with district councils and unitary authorities.

Fiscal devolution is largely omitted from the Devolution Framework, despite longstanding concerns about the lack of fiscal autonomy of local government (Muldoon-Smith & Sandford, 2021). The exceptions are a proposal for mayoral authorities to raise funds through council tax precepts and business rate supplements. The detail of these arrangements will be important: in recent times, the ability to raise council tax or business rates has been tightly controlled by central government, with caps on the amount that can be raised and local referenda required to approve them. This has left local authorities at the mercy of central government funding decisions for its spending plans, something felt keenly in the 2010s austerity era (see section 4.2 below).

New powers under the Devolution Framework come with conditions. The White Paper emphasizes 'accountability' as a core principle of devolution, which is to be implemented via central government monitoring and oversight through data collection, an 'Office for Place' and 'Levelling Up Directors'. These 'accountability' mechanisms have echoes of New Labour managerialism in 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.

Local government, starved of genuine autonomy, will no doubt seek to make the most of the devolution that is on offer. If by 2030 all England's residents live in areas covered by a directly elected mayor with oversight over a whole functional economic area, this could be a significant shift in the visibility of local government, with Greater Manchester's high-profile mayor Andy Burnham leading the way. However, 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. Few new powers are being devolved, and where they are being passed down it appears that central government will maintain considerable oversight. Certainly, the rhetorical emphasis on local accountability and local priorities contrasts with the centrally determined missions and accountability mechanisms. 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. Finally, carrying out devolution via a series of locally negotiated deals raises the prospect that economically successful areas with the highest administrative capacity will benefit the most, increasing inequalities in powers, funding and ultimately economic outcomes.

4.2. Funding levelling up: New Labour without the money?

We have seen above how levelling up is adopting New Labour's approach of encouraging local organizations to work together with some additional powers, whilst using central oversight to keep them yoked to the delivery of national priorities. Another key aspect of New Labour's approach was generous funding of its targeted programmes. If directly elected mayors are to make the most of their new powers, they require the resources to deliver against their local priorities. The same goes for local authorities not set to gain new powers. We analyse this in two ways: by investigating the volume of new money that has been committed to the levelling up agenda, and by investigating to what extent this represents a simplified funding landscape.

We focus our analysis on the most concrete form of levelling up funding: direct government transfers to subnational bodies responsible for development (largely local authorities and MCA). We recognize that this is important but does not cover everything: the White Paper makes clear the government's aim to shift the geographical distribution of investment made by quasi-public bodies such as the British Business Bank, UK Infrastructure Bank and Homes England (DLUHC, 2022). There is also an argument – announced in speeches but not documented in the White Paper – that 'tilting' existing government spending away from London and the South East is more important than the size of any ringfenced funding streams.[5] This is an interesting aspiration but it has not yet been formulated into a policy that can be analysed.

Table 1 shows our analysis of funds associated with levelling up, created by studying the speeches of UK government ministers who mention 'levelling up' and identifying policies that they associate with the agenda. We make a simple distinction between core levelling up funding, and that which is now being attributed to levelling up (clear versus unclear in Table 1). 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

Table 1. Regional development funds and their relation to levelling up.

Fund	Amount (£ millions)	Amount allocated (£ millions)	Nation	Geography	Allocation	Relation to levelling up	Department	Announced/ implemented
Levelling Up Fund	4800	1600	UK	MCA and LA	Bids/criteria	Clear	DLUHC, HMT	2021
Community Ownership Fund	150	5.3	UK	LA and 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	2018/19
Getting Building Fund	900	900	England	MCA, LEPs and 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 and ESFA	Criteria	Unclear	DFE	n.a.
National Home Building Fund	7100	n.a.	England	MCA and LA	n.a.	Unclear	DLUHC	2020
Brownfield Release Fund	75	57.8	England	MCA and LA	Bids/criteria	Unclear	DLUHC	2021
Restoring your Railway Fund	500	79	England and Wales	Cross-LA	Bids	Unclear	DFT	2020
Coastal Communities Fund	10	10	England	LA and specific institutions	Bids	Unclear	DLUHC	2012–19
Transforming Cities Fund	2450	2450	England	MCA and LA	Bids/criteria	Unclear	DFT	2017/18
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 and rural regions	Negotiation	Unclear	n.a.	2012–22
Historic High Streets Fund	95	95	England	LA	n.a.	Unclear	DCMS, DLUHC, HMT	2019
UK Shared Prosperity Fund	2600	n.a.	UK	n.a.	n.a.	Unclear	n.a.	2022
Total	32,574	13,927						

Note: Amount refers to the total size of the funding pot. Amount allocated refers to that which was 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. ESFA, Education and Skills Funding Agency; LA, local authority; LEP, Local Enterprise Partnership; MCA, Mayoral Combined Authority; PCC, Police and Crime Commissioner; DEFRA, Department for Environment, Farming and Rural Affairs; DFE, Department for Education; DFT, Department for Transport; DLUHC, Department for Levelling Up, Housing and Communities; HMT, HM Treasury; HO, Home Office; UKRI, UK Research & Innovation.

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, or contain money which was announced before the levelling up agenda was constructed. 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. The £2.45 billion Transforming Cities Fund was first announced in 2017 with 50% designated to MCAs 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. The UK Shared Prosperity Fund is a replacement for funding which would have been provided otherwise, through European Union Structural Funds.

Our calculations suggest that the *total* amount of funding overall is £32.5 billion, over multiple years and delivered through piecemeal funding settlements. The amount of *new* money is around £5.5 billion (£8.1 billion including the UK Shared Prosperity Fund). Comparisons between years are difficult as there tends to be a lag-time between fund announcement and fund allocation. However, over the levelling up agenda period (2019–22), spending on levelling up averaged 0.5% of GDP, with most of this coming from large funds delivered at the start of the period such as the Towns Fund and city-region sustainable transport settlements. Since 2010 English local authorities have reduced their service spending by 25% per capita due to funding cuts, equivalent to £240 per person per year (Harris et al., 2019). Over the eight-year period envisaged by the White Paper, this amounts to reduced funding of around £128 billion (assuming no further cuts); or around 5% of GDP. In the face of previous cuts made by austerity policies, it is difficult to see how the volume of funding committed to levelling up will counter, let alone reduce, the persistent regional inequalities described in section 2.

The other lesson from our analysis of levelling up funding is that, contrary to the White Paper's expressed desire to simplify the funding landscape, there are multiple funding streams run by multiple central government departments, and competitive bidding mechanisms – which force local authorities to be grant hustlers – remain an important mode for distributing funds (Peck, 2012). The core levelling up funds are placed (with Treasury input) in the Department for Levelling Up, Housing and Communities (DLUHC), but six other departments have related funding streams (Table 1). This means that local authorities have to be agile and flexible enough to meet the priorities of multiple central government departments – be it the raw economic numbers favoured by the Treasury (Coyle & Sensier, 2019) or the broader strategic aims of DLUHC. In a sense, to make the most of the levelling up agenda while it lasts, local authorities need to become entrepreneurial investment-chasers (Peck, 2012). Local authorities are capable of doing this, but it favours those with greater strategic capacity and consumes considerable resources that could be used in developing local policy.

Of the levelling up funds we have identified, 12 are allocated via some form of bidding, one is through negotiation, and the rest are solely criteria-based (Table 1). The reliance on short-term, specific competitive grants places strain on local capacity as local authorities have to navigate funding emanating from rapidly changing policy environments (LGA, 2020). The White Paper acknowledges the limits of this approach, yet the core levelling up 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). The only fund announced that approaches the ideal of long-term, stable and locally controlled funding is the Shared Prosperity Fund, though further details are awaited. Regardless, the policies and funds that levelling up has created so far have not laid the foundations for a systemic change in the volume of funding and how it is delivered.

4.3. Levelling up where?

A third test of levelling up is whether it is targeted at less economically successful areas, however defined. Effective public policy strategies involve setting priorities and making choices about where, and where not, to allocate resources. New Labour's partially successful National Strategy for Neighbourhood Renewal spatially targeted resources according to a set of metrics designed for the purpose (the Indices of Deprivation; Hills & Richardson, 2000). In this section we analyse the extent to which the government has made effective decisions about the spatial targeting of its levelling up efforts.

We see levelling up's fuzzy conceptualization (see section 3) reflected in the fuzzy spatial prioritization articulated in the White Paper. The explicit message on geographical targeting of resources 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. It is ambiguous about whether inter- or intra-regional inequalities are the priority. Levelling up was originally defined as an interregional strategy, focusing funding on less economically successful places: the aim was to 'raise productivity, focusing on levelling up parts of the country whose economies are further behind' (Newman, 2021, p. 313). This naturally leads to an argument that the priority should be to boost the productivity of the UK's largest cities outside of London, which will then boost their wider region (Centre for Cities, 2016). However, the White Paper also highlights deprived neighbourhoods within London and argues for the revitalization of smaller urban and rural areas. This reflects the argument 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, not just dormitory towns for larger cities (Tomaney & Pike, 2020).

The White Paper does engage with the idea that London and the South East should receive a lower share of public investment. Public R&D spending is one example: the aim is to invest 55% of its total domestic

R&D funding outside the South East by 2024–25 (DLUHC, 2022). The White Paper also proposes moving 22,000 civil service jobs out of London, increasing Arts Council England funding outside London, and creating 55 educational investment areas, none of which will be in London, and only one in the South East (DLUHC, 2022). Although there are some places where funding is to be shifted away from, there are no proposals in the White Paper about where it should be moved to.

Before the levelling up White Paper, the prioritization of areas for levelling up was articulated in the first round of the Levelling Up Fund, for which an index was created ranking the priority of local authorities from 1 (most in need) to 3 (least in need). This much-criticized index is formed of metrics on productivity (gross value added (GVA) per hour), the 16+ unemployment rate, low skills (population without National Vocational Qualifications (NVQs) or other formal qualifications), average journey time to employment centres, and commercial and dwelling vacancy rates (DLUHC, 2021). Using journey time to employment centres has prioritized rural locations over urban areas. It is not clearly focused on economic deprivation, ignoring most standard indicators on poverty, including the index of multiple deprivation. Consequently some areas are categorized as low priority even if deprived, but others as high priority while being less deprived. For example, Richmondshire and the Derbyshire Dales, both rural areas, are 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 less deprived 'priority 1' local authorities having Conservative MPs (Bounds & Smith, 2021). These accusations echo concerns about earlier rounds of associated funding such as the Towns Fund which favoured constituencies with Conservative MPs, particularly Conservative marginal seats (Hanretty, 2021).[6] Despite these criticisms, the development of a concrete index which is considered when deciding successful bids is an important step in developing a programme of spatial prioritization.

In the bidding process preference was given to those areas in higher priority categories, though all areas were still able to apply. Figure 3 shows our analysis of how the core and total levelling up funds have been distributed according to the priority categories developed for the Levelling Up Fund. It shows that areas have indeed been prioritized according to their priority banding: £57 per capita of the core levelling up funding has gone to priority 1 areas compared with £4 per capita to priority 3 areas. The total levelling up funds – a much larger sum of money – have been more evenly distributed, but nonetheless the priority 1 areas have received nearly five times as much per capita than priority 3 areas. It appears that prioritization of areas in the index is related to the likelihood of receiving funds, which should bring greater focus on the limitations of the index outlined by its many critics.

Mapping the core levelling up funding demonstrates that most places are yet to receive any new money. Figure 4 shows how sums have been allocated to date. London has received around £7 per capita in core levelling up funds compared

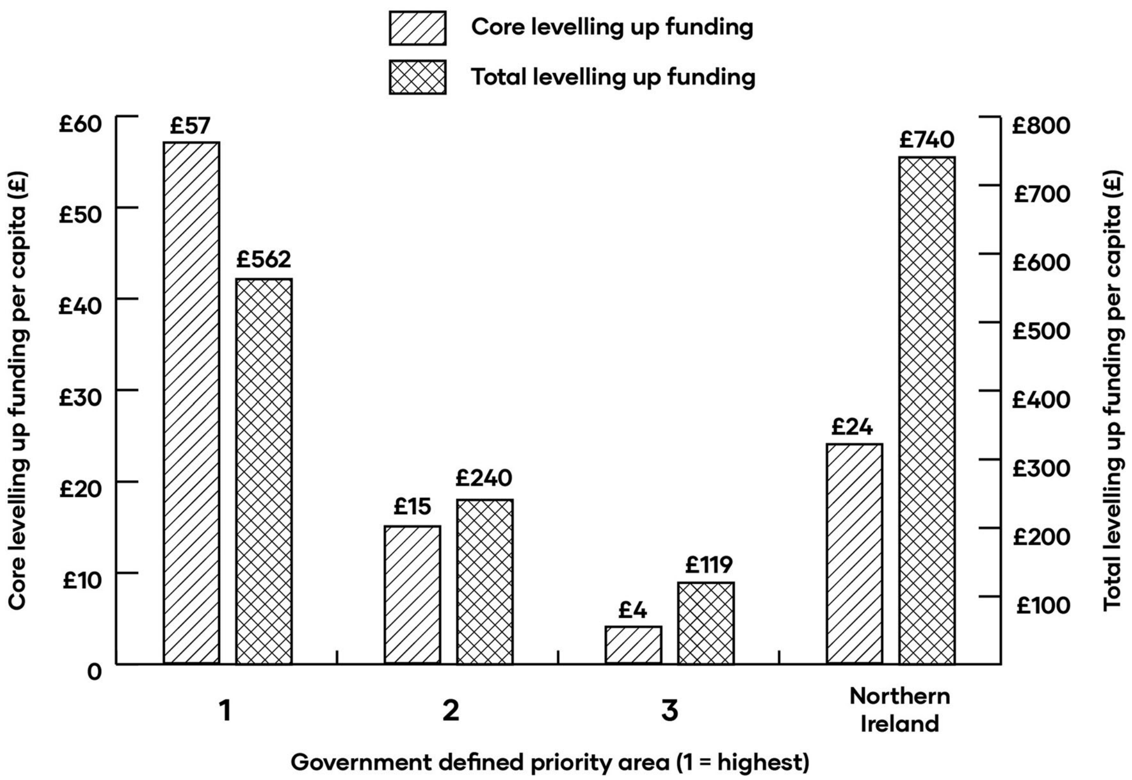

Figure 3. Levelling up funding per capita, by priority category.
Note: 1 = Highest priority, 3 = lowest. Northern Ireland was not defined. Core funds refer to the Levelling Up Fund, Community Renewal Fund and Community Ownership Fund. Total funds refers to funding that has been branded as part of the agenda.

with MCAs which have received £36 per capita. Scotland and Wales have received £32 and £35 per capita, respectively, and Northern Ireland £24 per capita. Non-MCA England has received £29 per capita. Despite rhetoric about a focus on major cities, there is limited evidence that this is happening in a systematic way: the funds MCAs 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 prioritize areas that have not yet received funding and so, whilst there is some evidence of spatial prioritization in the funds spent so far, the limited funding may end up being spread out thinly. Analysing the spatial distribution of the total levelling up funds is more complex, as funds are delivered at multiple spatial scales and over varying time periods, but Figure A1 in Appendix A in the supplemental data online shows evidence of a more even distribution of funds.

In sum, we find that there is little explicit prioritization of funds in the White Paper. It is unclear whether inter- or intra-regional inequalities are the priority, and there is a stated commitment for *all* regions to benefit from levelling up. Some policies propose moving public investment outside London, although there is little indication where it should be moved to. Levelling up funds are being distributed in line with the priority categorization developed by the government, but there are significant concerns about the construction of this index. Eschewing such an approach, the limited funding risks being spread too thinly to have a significant impact.

5. A POLICY AGENDA FOR LEVELLING UP

Our critique of the levelling up agenda has focused on three areas: devolution, funding and geographical targeting. We now set out how the UK government might address these critiques. First, if the White Paper's devolution framework succeeds in delivering mayoral authorities for every functional economic area in England, this would provide greater stability to the subnational governance of economic development. Mayors in places such as Tees Valley, Greater Manchester and West Midlands have become high profile political figures able to negotiate effectively with central government, develop and deliver plans over the medium term, and seem likely to remain in power longer than limited Westminster policy cycles. The devolution framework should be pursued but with greater urgency. Change needs to happen quickly before the political window closes.

At the same time, existing arrangements need to be deepened and mayors given more effective policy levers. Our principal proposal would be greater fiscal devolution so that mayoral authorities are better able to borrow and tax to fund local services and infrastructure, and to incentivize them to pursue economic growth policies. English local government is unusual in its reliance on property tax on households (council tax) and businesses (business rates); giving mayoral authorities the power to set tax based on income (for households) and profit or turnover (for businesses) would provide a stronger incentive to drive economic growth (Breach & Bridgett, 2022). One challenge of fiscal devolution is the spatially unequal tax-raising capacity of local economies – high income areas being able to raise more revenue via local income taxes – which could result in inequalities in public services and local government capacity. This would require careful policy design but is not insurmountable; Sweden, Denmark, Finland and Spain operate local income taxes, and Germany and Italy have local corporation taxes (Amin-Smith et al., 2019), and are able to combine strong incentives for local growth with redistribution to less affluent places (Breach & Bridgett, 2022). Another concern with this proposal is that fiscal devolution could result in tax competition between mayoral authorities, leading to the flight of mobile high-income individuals to lower tax areas. This is a question of good policy design and is unlikely to be a problem at low tax levels (Amin-Smith et al., 2019). The UK is an outlier in the centralization of its tax system (Mirrlees, 2011), and some movement to the international norm would be unlikely to lead to a flight of mobile workers. The UK government should carefully consider approaches to fiscal devolution that provide revenue for local economic development and incentives to pursue it, whilst managing the potential spatial inequalities that could result.

There also need to be greater efforts to build local capacity. Well-designed devolution can be positive for local economic growth, but particularly where quality of government is high (Rodríguez-Pose & Muštra, 2022). An initial capacity fund was provided to MCAs to help them build capacity; these efforts should be expanded and renewed. Successful fiscal devolution would require significant investment in the capacity of mayoral authorities to design such policies; a vital role for central government would be providing expertise from the civil service to support policy design and facilitate policy learning between mayoral authorities. In this vein, the proposed 'office for place' could become a facilitating body that provides an evidence clearing house and 'levelling up directors' could be tasked with linking mayoral authorities to the central government expertise they require.

Second is a set of proposals for simplifying funding to the mayoral authorities. The current patchwork of small funds would be better replaced with pots which allow local policymakers to plan for long-term local objectives. These might include pots combined into broad areas covering key objectives such as skills and education, infrastructure, regeneration, and innovation and entrepreneurship. Some of these should be competitive to allow resources to be concentrated (for example, having a 'world-leading creative quarter' in every city would be a waste of resources). But there are major costs of competitive bidding and the process benefits areas with greater capacity rather than greater need. Effective, strategic use of these funds should be pursued by allowing a greater division between basic and more specialized funding (i.e., between skills and some innovation funds).

Figure 4. Distribution of core levelling up funds per capita.
Note: Included are the Levelling Up Fund, Community Renewal Fund and Community Ownership Fund. Where funds are delivered at higher authorities (e.g., county councils or mayoral combined authorities – MCA) money is averaged across the constituent local authorities.

Third, strategic use of levelling up funds requires greater clarity in geographical targeting. The levelling up White Paper conflates two distinct problems – regional economic development and town/neighbourhood revitalization – and separating these two distinct goals would allow clearer targeting of resources. The levelling up vision should be to reduce economic inequalities – measured by wages, productivity or incomes – between labour market areas in the UK, such that the UK becomes a genuinely spatially multipolar economy rather than the London-dominated economy that many observers take it to be today (Martin et al., 2015). The goal of town and neighbourhood revitalization is an important one, but requires a separate strategy. The current approach of distributing levelling up funds to individual local authorities should be discontinued and funding should be directly solely through authorities that cover functional economic areas.

Finally, there need to be efforts to ensure the emphasis on levelling up is not lost in the UK's increasingly short political cycles. One way to do this would be to develop independent, authoritative institutions focused on monitoring and evaluating levelling up. This could partly be done through extending the remit of existing institutions. For example, the Office of Budget Responsibility – an arm's-length body which provides forecasts of the implications of government policy – could also be asked to consider regional issues as part of its forecasts. The Levelling Up Advisory Council, designed as a critical friend to government, should be funded to conduct research in a manner similar to the Low Pay Commission, as could the new Office for Place. There should also be further efforts to ensure that local areas are represented in these bodies and that the representation is cross-party. There is currently a general consensus that levelling up is important for the

UK – by bringing the opposition into policy on levelling up, the government can help ensure that it outlasts them.

6. CONCLUSIONS

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, 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, 2021).

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 nascent and problematic. In this paper we have made three major critiques: that it has so far been 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. Levelling up needs significant resources, sustained over time, and in a strategic manner (Carrascal-Incera et al., 2020; UK2070, 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 & Ortega-Argilés, 2021). The levelling up agenda is yet to provide the tools to achieve this.

The levelling up agenda has evolved under the two prime ministers that succeeded Johnson. The guiding vision of the short-lived Liz Truss government was to increase economic growth by radically cutting taxes and reducing regulation. This paradigm was applied to levelling up through investment zones, geographical areas that could attract private investment through tax relief and planning deregulation (Kwarteng, 2022). Truss's break with economic orthodoxy caused her downfall and further damaged the UK's already weak fiscal position. Consequently, the Rishi Sunak administration that replaced Truss in October 2022 adopted a policy of 'sound money', tax rises and public spending cuts that amounted to a complete Conservative policy *volte-face*. Being incompatible with this new policy environment, the Truss-era investment zones have been shelved and local authorities were told that their submitted investment zone proposals would not be taken forward. In a presumed attempt to cast a veneer of policy continuity, the name 'investment zones' has been kept; but the scant detail released so far reveals they will be very different, focusing instead upon localized growth in R&D. In the new 'austerity 2.0' policy climate, funding for regional development is likely to be yet thinner on the ground. Whilst levelling up survives as a policy agenda in the Sunak government, it does so in a diminished form.

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; and 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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NOTES

1. Gove resigned in July 2022, one of the events that led to the resignation of Johnson as Prime Minister; he was reappointed by Rishi Sunak in October 2022.
2. Paynes Politics on Levelling Up, November 2021.
3. As of August 2022 there were 11 MCAs, covering around 45% of England's population.
4. Calculated from Hansard.

5. Onward Event, 7 March 2022 (https://www.ukonward.com/events/levelling-up-from-theory-to-practice/).
6. Pork-barrel politics is not a new phenomenon in the distribution of funds. Fouirnaies and Mutlu-Eren (2015) study grants to English local authorities between 1992 and 2012 and find that governments allocate up to 17% more money to local councils controlled by their own party.

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