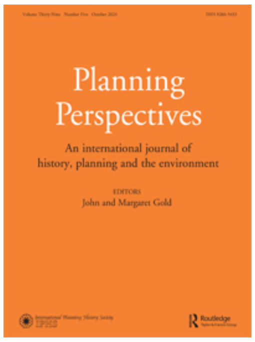
The UK levelling up strategy and changing the spatial economy



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The UK levelling up strategy and changing the spatial economy

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ABSTRACT
The United Kingdom is one of the most spatially unequal Western countries. There have been continuing policy efforts to address this issue: the latest was a 'levelling' up strategy by the previous Conservative government. At the time of writing a new Labour government has dismissed the strategy as a slogan but the problem remains. The paper examines the detail of the Conservative's levelling up policy and the theory underpinning it. It queries its basic premise that the problems of localities can be addressed in isolation. The paper argues that promoting mainly low-productivity jobs would not have instigated fundamental change.

KEYWORDS
Levelling up; north-south divide; urban regeneration; spatial economy

The United Kingdom is one of the most inter-regionally unequal countries in the Western world. Indeed McCann[1] finds that within the 30 OECD countries only Slovakia and Ireland are more unequal. There are also substantial inequalities across even short distances within regions bringing significant variations in unemployment, deprivation, and productivity. These marked and proximate disparities underwrote political discontent as well as arguably the BREXIT vote in 2016.[2] In addition, it has been recognized for decades that the low productivity of many areas creates a severe hindrance to macroeconomic growth.[3]

These spatial economic differences have contributed to the rise of the phrase 'Left behind Britain',[4] and to the Conservatives' win at the 2019 general election. Many parliamentary seats in traditional 'working class' heartlands responded positively to the Conservative call to 'level up' the country.[5] However, following the Labour Party's win in the 2024 general election the new government dismissed the strategy as a slogan. Nevertheless, the problem of spatial inequality remains and still represents a policy challenge, and there has been no evaluation of levelling up.

This paper seeks to offer a perspective on the logic and implementation of the previous levelling-up specifics as undertaken by the Conservative government. Previous research has focused on the political and spatial distribution dimension of the policy, noting widespread concerns about the political bias in the choice of areas for funding.[6,7] There has not been a study that focuses on

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[1] McCann, "Regional Inequality."
[2] Hall et al., *Levelling Up*.
[3] Fothergill, "Regional Policy."
[4] Tomaney et al., *Land Use Planning*.
[5] Jennings et al., "Politics of Levelling Up."
[6] Ibid.
[7] Nurse and Sykes, "Levelling Up."

the dissection of the effectiveness of the policy mechanics in local areas. This paper addresses this vacuum by examining the potential influence on local economies.

First, it sets out the strategy and then provides a diagnosis of the levelling-up problem by reference to spatial economic change. The next section briefly examines previous spatial policies to place levelling up in context. In the light of these findings the rest of the paper offers a critique of levelling up policies, focusing in particular on the Levelling Up Fund.

Levelling up strategy

The concept of levelling up was arguably ambiguous and the government was slow to elucidate the precise meaning of this slogan despite its centrality to the 2019 General Election campaign.[8] Eventually, in February 2022 the government published its thoughts in a White Paper (WP) on the subject that states in its foreword,

> Levelling up is a mission – part economic, part social, part moral – to change that for good. It is about unleashing opportunity, prosperity and pride in places where, for too long, it has been held back. It is about growing the pie and everyone sharing in the fruits of this success, increasing not only peoples' living standards but the length and quality of their lives.[9]

Defined in this way levelling up was all embracing, encompassing every aspect of life and government policy, and difficult to disagree with. From a political perspective it implied an ambitious set of goals that would be difficult to achieve and could be seen as a long-term policy prospectus that could only be fulfilled over decades.

The WP argued that it will require a new devolved system of government and a long-term plan that will be judged on performance against a framework defined by missions. These missions were phrased within six inter-related 'capitals'.

- Physical – infrastructure, machines, and housing.
- Human – the skills, health, and experience of the workforce.
- Intangible – innovation, ideas, and patents.
- Financial – resources supporting the financing of companies.
- Social – the strength of communities, relationships, and trust.
- Institutional – local leadership, capacity, and capability.

These 'capitals' were derived from a range of disciplines although no sources are given. Levelling up was then conceived as ensuring that every location has a rich endowment of all six capitals, thereby spreading universally economic and social benefits. Achieving this overarching goal it was argued will require profound change.

Levelling up was perceived to require a boost to productivity, pay, jobs, and living standards by expanding private sector employment in lagging areas; improving public services where they are weakest; re-establishing lost local community pride; and empowering community leaders. The WP then translates these goals into 12 missions listed in Table 1 covering every aspect of life to be achieved by 2030 and not all of which are directly economic. It is further pronounced that,

[8]Ibid.
[9]DLUHC, *Levelling Up White Paper.*

Table 1. Levelling up missions.

1. Living Standards	Pay, employment and productivity will have risen in every area and the gap between the top performing and other areas closing.
2. Research & Development (R&D)	Domestic public investment in R&D outside the South East will increase by at least 40%. It will seek to leverage at least twice as much private investment to stimulate innovation and productivity growth.
3. Transport Infrastructure	Local public transport connectivity across the country will be significantly closer to the standards of London, with improved services.
4. Digital Connectivity	5G coverage for the majority of the population.
5. Education	Number of primary school children achieving the expected standard in reading, writing and maths will have significantly increased.
6. Skills	The number of people successfully completing high-quality skills training will have significantly increased in every area.
7. Health	Gap in healthy life expectancy between local areas will have narrowed, and by 2035 it will rise by five years.
8. Well-being	It will have improved in every area with the gap between top performing and other areas closing.
9. Pride in Place	It will have risen in every area with the gap between top performing and other areas closing.
10. Housing	Renters will have a secure path to ownership with first-time buyers increasing in all regions; and the number of non-decent rented homes to have fallen by 50%, with the biggest improvements in the lowest performing areas.
11. Crime	Homicide, serious violence and neighbourhood crime will have fallen, focused on the worst affected areas.
12. Local Leadership	Every part of England that wants one will have highest level of devolution and simplified funding settlement.

Source: DLUHC, Levelling Up White Paper.

> These clear, quantified missions mean no-one can any longer be in any doubt about what is meant by success in levelling up.[10]

The WP deemed that these goals would require a fundamental restructuring of the system of decision-making, with the following underpinnings:

- medium-term missions (already noted above)
- reshaping central government decision-making
- empowering local decision-making
- data, monitoring, and evaluation
- transparency and accountability.

At the heart of this strategy was the definition of the missions, with a statutory obligation to report annually on progress toward achieving their goals. The metrics to assess progress were set out in a technical appendix.[11] Nevertheless, the policy generated a series of further questions about their usefulness including the precise ambitions of individual missions and how to measure success.[12] In particular, there were serious doubts about data availability, especially at the degree of intra-regional spatial disaggregation, to assess the missions. In fact, the definition of local area in these missions was left hanging. This question raised issues about the spatial scale and applicability of the six capitals to places given the inter-relatedness of local economic systems considered in the next section.

The WP also acknowledged that achieving its missions was long-term objectives and provided medium-term benchmarks to be reached by 2030. Notwithstanding the issues about measurement noted above given the decades of spatial inequality within the United Kingdom chronicled in the

[10]DLUHC, *Levelling UP White Paper Foreword.*
[11]DLUHC, *Levelling Up Metrics.*
[12]Shearer, *Mission Metrics.*

next section these benchmarks, such as a globally competitive city in each 'area', were at best optimistic or aspirational.[13]

Diagnosis of problem

Much of the rest of the WP provided extensive details of existing policies that it argues will contribute to the levelling up agenda. However, the reporting failed to realize the contradiction that these policies have historically been unable to deliver levelling up, and hence the need for the policy reset. In addition, the 'local capitals' offer no clear identification of the causes of local economic problems. Agglomeration or clusters of growth industries are emphasized as the explanation for spatial economic differences that support high skills and prosperous areas. At the same time deindustrialization has had the reverse effect.[14] An additional identified influence was the growth of international tourism diverting demand from traditional tourist resorts.

This is a very limited perspective and what is missing from this analysis crucially is the nature and restructuring of the spatial economy, linked to manufacturing being replaced by services employment, improved inter – and intra-urban transportation and technological change. These phenomena have transformed local economies. The overall impact is that the traditional urban system based on a core/suburbia framework with narrowly defined travel to work areas within a clear central place system of settlements has been ruptured.[15] The transformation sees a sub-regional urban system as a complex network of commuting and shopping flows, and local migration patterns encapsulated for example through the emergence of city regions.[16] While the traditional urban hierarchy has broken down regional centrality appears still a remnant of the bygone system. In addition, there is a mega city region comprising the South East and city regions primarily in the north. In the south housing market areas tend to be very large and there is a clear north-south divide in the character of the urban system.[17]

In the retail sector from the 1970s the car began to transform shopping patterns and retail centres. Town centres were denuded first of supermarkets, followed by losses to new out of town retail forms, notably retail warehouses/parks, and then regional purpose-built centres.[18] Out-of-town formats wrought existential threats to town centres[19,20] but the motor age has also contributed to a 'rationalization' of the inter-urban retail hierarchy whereby large regional centres grew at the expense of small towns. Improved road networks meant that consumers could travel to regional centres where there was more choice. Genecon[21] linked a large increase in clothing and footwear stores in regional centres with a parallel decline in sub-regional and town centres. This trend has been exacerbated by and caused the decline of department stores, the traditional anchors of high street locations.

The recession of the late 2000s amplified these structural patterns of change bringing unprecedented high vacancy rates. Falling real incomes over the subsequent decade or so, plus the growth of online sales, have reaffirmed the long-term trends.[22] The 'death of the high street' can be

[13]Ibid.
[14]Mackay, "Regional Development."
[15]Jones, "Spatial Economy."
[16]Healey, "City Regions."
[17]Ibid.
[18]Schiller, "Retail Decentralisation."
[19]Guy, "Retail Parks."
[20]Thomas et al., "Retail Parks."
[21]Genecon, *High Streets.*
[22]Jones and Livingstone, "Online Retailing."

attributed to too many shops and has led to an imperative to repurpose many existing centres, not just high streets.[23] Overall, many traditional centres have had their retailing and employment roles fundamentally diminished but they continue to act as communities. These areas are 'left behind Britain', the products of spatial economic change. Any public policy to address spatial disparities must recognize this wide legacy of change and interlinkages between areas, but the WP fails to do so.

Previous policies

The WP did recognize that there had been decades of policies to address spatial disparities and claimed its strategy superior, so it is useful to briefly summarize them here. Spatial policies began with regional instruments in the 1930s,[24] before gaining an urban focus in the 1960s (even when regional policy returned in the 2000s). Details are given in Table 2 on a broadly decade-by-decade basis, and have parallels with initiatives in other countries. Over the years urban policy has shifted from originally a primary social/managerial perspective to an economic emphasis influenced by the scale/locus of deindustrialization with a focus on deprived areas.[25] Inevitably financial support was primarily concentrated in the major city regions and smaller towns were arguably neglected. Individual approaches fell out of favour often with a change of government only to return sometime later as the political pendulum changed. At the same time, local authorities have ploughed their own furrow concentrating on physically regenerating town centres and the promotion of tourism.[26]

As urban regeneration is a long-term process individual projects have often suffered from too short (optimistic) a time scale or because they have been simply had funding cut short by a new government (especially in 2010). Urban policy has also been impaired by a lack of strategic vision in terms of locations, not only with regard to not focussing on the worst cases of urban decline but also in promoting opportunities.[27] The possible exception to this pattern was during the life of regional development agencies in the 2000s.

In parallel to national urban policy initiatives local authorities have long used their powers and resources to address individual concerns. City centres, in particular, have been regenerated through improving street landscaping, with new public amenities such as museums, often in obsolescent but imposing buildings repurposed with these new functions. Typically, enhanced tourist attractions are supported by a series of cultural events. In some cases, the construction of sports venues together with events is also a means of attracting tourists. These strategies are seen as part of long-term restructuring of the local economy.[28]

Overall regional convergence was at its narrowest in modern times after the effective end of active well-funded regional policy in the mid-1970s and subsequent urban policies have not been able to stem the divergence driven by deindustrialization.[29] This brief historical review reveals that urban policies have not been very successful in addressing spatial disparities. It is the context that the paper now considers the levelling-up strategy of the Conservative government.

[23]Jones, *Urban Economy*.
[24]McCrone, *Regional Policy*.
[25]Ibid.
[26]Ibid.
[27]Jones, "Property Led Local Development."
[28]Ibid.
[29]Ibid.

Table 2. An historical overview of spatial policy.

Decade	Strategy	Commentary
1930s	Beginnings of Regional Policy	The 1934 Special Areas Act initiated small scale regional policy focused on parts of South Wales, Clydeside; Durham and Tyneside. From 1936 there was government-financed industrial estate development and loans to firms establishing plants in the Special Areas.[59]
1950s and 1960s	Regional Policy	Regional policy was expanded in the post WWII period aimed at manufacturing and encompassed at different points in time the provision of advance factories, grants/loans, labour subsidies (Regional Employment Premium) focused on tightly defined locations in peripheral areas, constraints on new industrial development (Industrial Development Certificates) in prosperous areas, training and land reclamation. As a term regional policy therefore covered a wide range of initiatives and even the establishment of new towns.[60]
1970s	Initial Attempts at Urban Policy	Initially urban policy took predominantly the traditional form to physically adapt cities by reducing densities and improving housing conditions although there were some experiments in community development (initiated in late 1960s) and positive discrimination in deprived areas, through Educational Priority Areas, and improving local corporate planning through Inner Area Studies. The late 1970s there was a recognition/ identification of the problem as the failing economies of cities although the policy prescription was physical regeneration and the provision of social infrastructure.[61]
1980s	Property-led Urban Regeneration	In the 1980s the economic problems of cities were redefined by the Thatcher government as a lack of confidence by private sector investment so the issue was one of market failure. Based on this idea there were three principal Conservative flagship initiatives – Enterprise Zones (EZs), Urban Development Corporations (UDCs) and grants to developers.[62,63] EZs and UDCs were located in small areas and designed to stimulate new enterprises. They provided public expenditure to physically improve localities/ infrastructure, tax incentives or grants for property development as well as less planning development control. Both EZs and UDCs were designed to complete their tasks within a fixed timescale, the former in 10 years while the latter was up to 17 years. Grants to developers made development possible in inner city areas through financial support with projects chosen on the basis of the scale of jobs and private investment generated. The geography of these initiatives partly emanated from the spatial impact of deindustrialization during the recession of the early 1980s but was also arbitrarily decided by central government.[64]
1990s	Widening Out of Urban Policy	These initiatives were all supporting private property development. By the end of the 1980s there was a growing criticism that they were on the one hand too narrowly focused on property and on the other too spatially fragmented with no strategic overview. Funding and initiatives were pepper potted around the country with no strategic vision of need and no overall control by one government department.[65] As a result, urban policies in the early 1990s were extended to encompass labour market/training and education initiatives. New initiatives, notably City Challenge, also incorporated partnerships between local authorities, the private sector and local communities arrived in 1990s. A more strategic approach was to some extent also adopted for example through a focus on local authorities in deprived areas bidding for these partnership funds in two rounds. Some 31 local authorities out of 57 Urban Programme authorities received funding covering economic development, job training, environmental regeneration, infrastructure investment/transportation services, and the physical upgrading of housing and diversification of housing tenure.[66]
2000s	Labour Government Rethink	With the arrival of the Labour government in 1997 urban policy has a revised overall aim of, 'making our towns and cities places for people'. There are still spatially focused initiatives but with a greater strategic input from local planning authorities and regional development agencies. One of the most important initiatives was the creation of urban regeneration companies supported with finance allocated by regional development agencies. There was also a programme of nine Pathfinder areas set up to revitalize low housing demand in neighbourhoods of northern English cities.[67] Enterprise Areas were also set up in the most deprived neighbourhoods providing a combination of tax benefits for house purchase and for renovating or converting industrial premises.[68] These initiatives continued the theme of property-led urban regeneration begun in the 1980s.

(*Continued*)

Table 2. Continued.

Decade	Strategy	Commentary
2010s	Coalition Government focus on Local Economic Development	The coalition government from 2010 abolished these initiatives while EZs and UDCs were revisited. The powers and incentives to support development in these revived approaches were diluted relative to the original policy models (and as a consequence outcomes were more limited) but were more embedded in local economic development and planning policies. In addition, 'growth' or 'city' deals were developed providing bespoke economic development projects for individual cities based in particular on the concept of encouraging successful industrial clusters. These lever in private sector funding and encompass new transport infrastructure, investment in high technology sectors, improving labour skills and promoting housing development.[69] These policies were all set against an austerity approach to public expenditure that saw the most deprived areas fare worst from substantial government cutbacks in public services.[70,71]

Levelling up details

The WP's plan for levelling up was more of a process with many wide-ranging promises for change. Here this paper reviews the explicit first steps specifically set out by the WP to address spatial disparity, and implemented prior to the general election. These include 55 new Education Investment Areas; new Innovation Accelerators to catalyse innovation clusters; a £2.6bn Shared Prosperity Fund and a £4.8bn Levelling Up Fund. These are now considered in detail.

Education investment areas (EIAs)

EIAs were located in underperforming areas and provided additional funding of £30 m over three years in a third of English local authorities. Of the 55 areas 24 of these were designated as *Priority Education Investment Areas*, sharing an additional fund of £40 million. Amongst other measures in these areas, some teachers were offered a retention premium. This policy has an antecedent in *Educational Priority Areas* introduced in 1968 and phased out after 1987.[30] The Labour Government from 1997 then revived the idea of positive discrimination with *Education Action Zones* centring on groups of schools in deprived areas again to improve educational standards. Education Action Zones had similarities to extra funding for *Opportunity Areas* introduced in 2016 in 12.[31] Eventually, these areas were morphed into the new EIAs.

EIAs therefore followed a long pedigree of areas being identified for additional educational resources, and have similarities with previous initiatives in that they were to have limited time-spans. Where EIAs differed is that the area covered by this new initiative was quite an extensive part of England. This initiative related directly to Mission 5 but given its short time scale and the history of similar schemes it would have been challenging to achieve the stated goal of raising educational standards by a third in the worst-performing areas.

Innovation accelerators

Three were set up in Greater Manchester, the West Midlands, and Glasgow City-Region in 2023 with central government funding. They financially support and promote research and development innovation in industrial growth clusters – from health innovation and advanced

[30] Smith, "EPAs."
[31] DfE, "Education Opportunity Areas."

materials in Greater Manchester, mobility and data-driven population health in the West Midlands and manufacturing in Glasgow. Each accelerator works through a local consortium of private, education, and public partners. This initiative was billed as a pilot but appears as an extension of the existing city/growth deal model that has been developed since 2010.[32] It is difficult to see its applicability beyond major city regions with research universities. If successful it would only be a small step to ensure the levelling up goal of enabling domestic public investment in R&D outside the Greater South East to increase by at least 40% by 2030 (Mission 2).

United Kingdom shared prosperity fund (SPF)

It was a three-year £2.6bn United Kingdom wide fund launched in April 2022 and included in the levelling up first steps as set out by the WP. However, it was actually a replacement for three EU regional development funds known as Structural and Investment Funds (ESIF). The SPF was billed to:

> increase life chances and build pride in place across the United Kingdom, by empowering places to invest in local priorities across three priority areas: communities and place, people and skills, and local business.[33]

The SPF had a wide ranging remit that overlaps with ESIF. It made available a mixture of both revenue and capital funding for places to invest in physical improvements to places and community infrastructure, and support individuals and businesses through for example training/skills development. Funds could also be used to stimulate a local economy through supporting local businesses to start, innovate, export, and grow. A key difference with the former European funds it replaced was that projects were chosen locally subject to priorities set out by central government linked to the levelling up missions. Every local authority in the United Kingdom received an allocation of core funding based on a combination of population and need.[34]

There were broad similarities in these priorities with the ESIF programme. In some cases local authorities would eventually be transferring projects funded by ESIF to SPF.[35] The main differences were that every local authority received a funding allocation under the SPF and there was no bidding process. The LGA[36] calculated that ESIF funding was £1.2 bn per year over the period 2014–2020 for England compared with an annual £1.5bn projected for SPF in the United Kingdom. The funds were therefore broadly over the same order, albeit a 20% increase. Overall, the replacement of ESIF by SPF was not a game changer for levelling up, and arguably simply a minor rearrangement of existing funding to localities. It could marginally enhance the support of missions 1 (living standards) and 6 (skills) as every part of the United Kingdom receives a grant.

The levelling up fund (LUF)

The most prominent flagship initiative within the levelling-up agenda was LUF. It was designed to support capital infrastructure provision in local areas and there were three rounds of local funding.

[32]Ibid.
[33]DLUHC, *Levelling UP White Paper*, para 241.
[34]DLUHC, *Shared Prosperity Fund Prospectus.*
[35]Stewart, "Back to Work Schemes."
[36]LGA, *European Structural Funds.*

The LUF allocated £4.8bn in these three tranches over the period up to 2024–2025 starting with £1.7bn in the first round formulated in 2021. The fund invested in projects across three themes: regenerating town centres and high streets, upgrading local transport connections and investing in cultural and heritage buildings.[37]

Funding was ostensibly targeted to local authorities with the most significant need although the criteria changed for the third tranche. For the first two rounds, considered in detail here (the criteria are similar but unclear in round 3), each local authority is placed in one of three priority categories based on an index score. The index was calculated based on the 'need for economic recovery and growth, improved transport connectivity (only in England) and regeneration', and each local authority was given a score.[38]

The broad weightings within the index in England were 50% attributed to the local economy, 25% to transport connectivity and 25% to regeneration need/level of property vacancies. The need for economic recovery and growth was measured by:

- Productivity defined by gross value added (GVA) per hour (one-third)
- 16 years plus unemployment rate (one-third)
- Lack of skills, measured using the proportion of the 16–64 population without formal qualifications (one-third).

Transport connectivity was measured by average journey times to the nearest employment centre of at least 5,000 jobs by car, public transport, bicycle, weighted by 75.2%, 21.2, and 3.5%, respectively. Regeneration need was related to the vacancy rates in the commercial (75%) and residential sectors (25%). Because some of the data were only available in England the indices for Scotland and Wales put greater emphasis on the local economy. Transport connectivity was also only referenced in England. These formulae divided local authorities into three bands with 139 in category 1, 117 in category 2 and 107 in category 3 (there was a slight difference between rounds 1 and 2).

The measurement of the need for economic recovery and growth was very narrowly based. It treats local authority areas as 'islands' without reference to the surrounding economic hinterland, and so disregarded the nature of the complex subregional economies noted above. In particular, the role of out commuting is ignored although this may be a very important contributor to the income of an area (and hence demand for local services).

The use of productivity has a number of significant limitations as it is dependent on the precise industries located in a local authority area.[39,40] Productivity measured in say a seaside town or a farming community would be much lower than in a major city simply because of the industry mix. Beatty and Fothergill[41] show that basic measures of productivity are misleading and that when standardized for industry and occupational mix there are little local differences in efficiency across Britain.

The exact interpretation of GVA per hour is therefore debateable and could be just simply a measure of local income, but in this regard a quote by Michael Gove, the minister responsible, suggested different government thinking linked to mission 1,

[37]DLUHC, *LUF Successful Bidders*.
[38]DLUHC, *Prioritisation Methodology*.
[39]Ibid.
[40]Beatty and Fothergill, *Local Productivity*.
[41]Ibid.

> Levelling up is precisely about making sure that those communities that have suffered from lower productivity in the past, that haven't had the economic attention that they should have done, are provided with the tools in order to generate investment and high value jobs.[42] (Dugan, 2023)

This quote can be interpreted in a number of ways. Low productivity it appears was seen as a key to spatial inequalities by the government. What is less clear is whether new firms and jobs needed to be attracted to left-behind places to boost productivity, or that the existing firms and workers are not productive enough so have to be upgraded.

Other local indicators that could be used to identify the need for economic recovery were ignored in the formula such as per capita income, wealth, and the proportion of retired members of the community. Besides these indicators, there are strong arguments for identifying areas of 'left behind Britain' based on wider socio-economic-demographic characteristics. For example, a report by OCSD (2019) identified such areas through data on electoral wards based on multiple deprivation, housing, living standards, and health.

Overall, the criteria for classifying areas for state support from LUF funds cast the net wider than previous urban policy by including agricultural areas. This follows the wide ethos of levelling up. However, as a basis for deciding funding the framework is highly debateable. The use of local authorities as the cornerstone of the statistical base may reflect data availability but has many drawbacks. Some rural local authorities, in particular, are very large and the statistics applicable to these areas can hide substantial variations such as wealthy and depressed settlements.

More generally the focus on individual local authority areas to distribute funds also highlights the inadequacies of the theoretical underpinning of levelling up, namely the lack of recognition of the current nature of the spatial economy. It treats local authority areas as 'islands' without reference to the surrounding economic hinterland, and so disregarded the nature of the complex sub-regional economies noted above. Local authorities do not exist in a 'vacuum' and instead there are sub-regional urban systems as complex networks of commuting and shopping flows. It means that local authorities are part of wider functional spatial areas and hierarchies and cannot be treated independently, for example, a rundown shopping centre may have occurred as a result of a market rationalization of the sub-regional retail hierarchy. Similarly, the role of out commuting is ignored although this may be a very important contributor to the income of an area (and hence demand for local services).

It can be argued that the criteria are only a pseudo-scientific framework, with a doubtful theoretical core and a crude basis to allocate LUF funding. Clearly, a different set of criteria would have produced another pattern to the classification of authorities. Authorities in Northern Ireland were not classified. As many as 38% of local authorities in Britain are allocated to Class 1 with the highest priority, and so there is an argument that this group could have been more meaningfully and more narrowly defined. In fact, the 138 Class 1 authorities (excluding N Ireland) were as expected predominantly located in peripheral regions including the South West. The exceptions included a group of six authorities in the east region centring on Norfolk, the inner London boroughs of Brent and Hackney, and 11 authorities in the South East. All but three Welsh authorities were in Class 1.[43]

Being in Classes 2 or 3 did not preclude a successful bid. In round two 31% of successful bids came from Classes 2 or 3 (32% of funds). Only half of authorities in Class 1 were successful, and this profile questions the point of the classification. It leads to the question why projects in

[42]Dugan, "Levelling Up Funds."
[43]DLUHC, *Authorities by Priority Classification.*

Class 3 areas received funding? The projects that received funding located in Class 3 do not have a common theme, namely:

- new footbridge providing better access to Peterborough town centre,
- new roll-on ferry for Fair Isle,
- new museum for Peterhead,
- new leisure/cultural centre in Farnborough,
- revitalization of Bournemouth and Poole seafront

Two of these projects are in the low-income communities of Peterhead and Fair Isle, illustrating the limitations of using large local authority areas as a classification to support levelling up funding.

Awards in round 2 were typically just less than £20 m over three years and are spread around Britain, including 10% of funds to the South East. The North West is the most favoured region with 17% of the total. While much attention has been paid to the spatial distribution here the focus is on the use of the funds. It can be difficult to pigeonhole what each grant was awarded for because some are for a range of types of facilities, but the analysis below focuses on the primary use.[44]

Just over a quarter of funds were for transport projects. These projects encompassed new buses, improvements to bus, train and tube stations, car parks, the expansion of electronic vehicle charging points and cycle paths, plus road works. One of the largest grants (£45 m) was to improve congestion at Dover, while the largest sums (£50 m) are allocated to establish a new direct rail links between New Quay, St Austell, Truro and Falmouth in the South West and Cardiff Central and Cardiff Bay stations in Wales. Most of these funded transport initiatives sought to improve intra-urban travel rather than sub-regional/local interconnections.

Promoting tourism was a popular theme for awards with 22% of the total sum allocated, with a further 20% to leisure projects. Given that there is an overlap between the two, such as establishing leisure/culture and recreation centres more than two-fifths of all funds were provided for this interrelated theme. Examples of tourism projects include revitalizing sea front promenades with the largest project in Morecambe via the building of a large tourist attraction, the transformation of the Grand Pavilion in Porthcawl, and the regeneration of industrial heritage sites.

The regeneration of town centres, such as the conversion of buildings with cultural/leisure/education facilities and improvements to public spaces and walkways, accounted for more than one-fifth of funding. Few of these town centre improvement initiatives explicitly included repurposing the local shopping centre although many of these towns were small and have failing shopping centres and instead concentrated on physical improvements. For example, the regeneration of Batley town centre incorporated pedestrianization and refurbishing a large empty shop building. In Leek, another small town example, the funds were partly to be used for modernizing the Victorian market halls. In Accrington, the historic market hall was to be turned into a food hall. Only in Cumbernauld was there an explicit goal of repurposing through demolition of shopping centres and an office block to redevelop the site as a town hub providing public services, health care, and education.

There were no specific funded schemes entirely devoted to housing although there were a small number that aim to increase the housing supply/ improve the stock. They accounted for much less than 2% of the overall funding, and were mainly in London. Such an outcome was usually

[44]DLUHC, *LUF Round 2 Successful Bidders.*

combined with other wider area improvements such as to the town centre of Dagenham Heathfield or to the creation of a new 'urban village' in Tottenham, or to a revitalization of Weymouth harbour.

Some 10% of LUF funds were allocated to education facilities or direct economic initiatives. Often the schemes involved the repurposing of redundant buildings for training colleges as in Blaenau Gwent, Blackpool, and Bridgwater/Minehead. In north Devon a maritime engineering innovation centre was funded. Direct economic initiatives were via the advance provision of industrial units/estates sometimes with an associated education facility. All these initiatives incorporated improvements to the public realm near to town centres.[45]

The text here has only been able to give a flavour of the types of projects funded through the LUF fund, and the balance of funding. It is useful to recap that the fund's themes were regenerating town centres and high streets, upgrading local transport connections and investing in cultural and heritage buildings. This overview of individual schemes shows that funding has been spent in this way although there is only limited additional rail infrastructure. But the detail of the schemes funded also reveals a pepper pot and disparate strategy with no clear criteria in terms of localities chosen.

Focussing only on LUF funding hides the fact that there were parallel government funding schemes offering financial support to town centres and high street shopping centres. In 2018 the government provided £675 m for a Future High Streets Fund and in 2019 announced an extension in the form of a £3.6bn Towns Fund for 100 localities.[46] These funds have at least in some cases been allocated to the same towns that have received LUF funding and the funds had overlapping goals, thereby clouding the impact of the specifics of the levelling up policy agenda.

The inter-relating nature of the different schemes raises questions about the novelty of the LUF scheme. Furthermore, the missions of levelling up noted above are so wide that many pre-existing localized initiatives can be deemed to fall under the umbrella of the policy. The question is returned to later.

There are also question marks about whether these LUF schemes would be able to generate substantial change with so much of the spending allocated to tourism, cultural, and leisure initiatives. These schemes may indirectly deliver a boost to the quality of life and pride of place in an area in the short term and employment but will not directly improve productivity in terms of mission 1. Employment in these activities are lowly paid and conventionally are judged to have low productivity.[47] It is debateable that these initiatives in the main would provide the basis for long-term revitalization of the industrial base of these areas. Similarly, there must be parallel issues about the physical improvements to townscapes and high street shopping centres in localities that had seen their functional position in the subregional retail hierarchy disappear.

Wider discussion of levelling up

So far the analysis has been based on initiatives set up following the announcement of the levelling up agenda. These schemes cover at best partially the goals of the stated 12 missions. The 12 missions encompass nearly every aspect of life and it means that virtually every policy decision by central government can be judged by its contribution to levelling up. Indeed, the government itself encouraged these assessments by framing many policies as contributing to levelling up. It also means that the task of this paper is complicated.

[45]Ibid.
[46]DLUHC, *Towns Fund.*
[47]Ibid.

Examples encompassed freeports that were included in the successful 2019 Conservative general election manifesto of that year ostensibly as part of a potential forthcoming levelling up agenda. The first ones were not established until December 2022 and there is a total of 12 across the United Kingdom with only a minority of them in ‘deprived’ parts of the country. These freeports are designated areas that offer economic incentives linked to tax, customs, property tax, planning, regeneration, innovation, and trade and investment support and have strong parallels with enterprise zones.[48]

In terms of other initiatives the Conservative government counted City Region Sustainable Transport Settlement funds of £5.7bn, announced in 2019, as levelling up although instigated just prior to the WP. These were allocated to eight metropolitan areas in England and finance capital projects primarily for the enhancement of public transport. Finance was made available for a range of transport infrastructure projects.[49] At the same time despite a £1bn fund for a National Bus Strategy for England the House of Commons Select Committee on Transport[50] concluded that this fund is simply insufficient to produce real improvements in bus services across the country.

There were parallel levelling up issues too about train travel policies. The Integrated Rail Plan for the North and Midlands published by the government in November 2021 scrapped rail links between Birmingham and Leeds and an east–west rail link between northern cities. The House of Commons Select Committee on Transport[51] saw this as watering down levelling up commitments and a dampener on local economic growth. Similarly, the cancellation of the planned high-speed rail link between Birmingham and Manchester in October 2023 provoked complaints that levelling up was being abandoned as it was often interpreted within the context of a north-south divide[52] (Peck, 2023). These examples demonstrate that the policy would have had some way to go to achieve mission 3 and that the levelling up policy created an unexpected benchmark by which to judge all government policies. There is also a huge gulf between specific levelling up policies and the wider perspective given by the 12 missions.

The ephemeral nature of levelling up means that it is difficult to be precise about the component funds allocated to it and to specific types of areas. Individual funds also had different time horizons. The initiatives were often overlapping and maze like, and included:

Educational/Priority Investment Areas £70 m over three years.

Innovation Accelerator Areas (2023) £100 m to 2025.

Shared Prosperity Fund £2.6bn over three years from April 2022 supported by the Community Renewal Fund of £150m

Levelling Up Fund £4.8bn to 2025 in three tranches from 2021.

Future High Streets Fund (2019) £675m.

National Bus Strategy (2022) £1bn for local Bus Service Improvement Plans

Towns Fund (2019) £3.6bn.

Stronger Towns Fund (March 2019) £1.6bn to 2026.

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[48]Webb and Jozepa, *Free Ports.*
[49]DfT, *City Region Sustainable Transport.*
[50]Select Committee, *National Bus Strategy.*
[51]Select Committee, *Integrated Rail Plan.*
[52]Peck, “North-South Divide.”

City Region Sustainable Transport Settlement funds (2022) £5.7bn to 2027 for infrastructure improvements

Free Ports estimated £50 m per zone per annum from 2022/23.

These amounts were budgets that sum to approximately £22bn to be spent in the main by 2027, although any impact would be seen in subsequent decades and would inevitably have required further funding.

It is interesting to compare this expenditure with that applicable through the European Structural Investment Funding (ESIF) funding previously available through a shared management programme with the European Union. Under the ESIF umbrella there were a number of schemes, namely the European Regional Development Fund (ERDF), European Structural Fund, the European Agricultural Fund for Rural Development, and the European Maritime and Fisheries Fund. As noted above the scale of expenditure on the Shared Prosperity Fund (SPF) is analogous to ESIF but the priorities between the two systems are very different (eg ERDF favoured small and medium-sized enterprises) and that was reflected in the spatial pattern of fund allocations.

In looking to levelling up solutions there is an interesting parallel in the reunification of Germany in 1990. It brought considerable challenges in seeking to converge the social and economic inequalities. To address this task was a massive funding commitment in which fiscal transfers to local authorities were a crucial central element. In addition, there were infrastructure spending and subsidies to manufacturing industry for investment in machinery similar to what occurred in the active years of regional policy in the UK (see Table 2).[53] However, there was no spatial strategy as such and without any explicit design the reunification impacts favoured small and medium-sized towns.

The emphasis was therefore much different from the Conservative government's levelling up policies in the United Kingdom. In fact, it can be argued that the reverse strategy exacerbated spatial inequalities with more than a decade of austerity from 2010 bringing cuts to public expenditure that disadvantaged the most deprived areas of the country.[54,55] LUF arguably just returned some of these funds. It is also true that the funds applied in Germany far and away dwarfed that delivered by the Conservative levelling up strategy. Comparisons are difficult but it is illustrated by the figures estimated by Enekel and Rosel that spending on infrastructure and business support in Germany in one year, 2003, at 2019 prices was over £27bn more than the total UK levelling up programme. These comparative statistics are only a partial picture because it ignores the massive fiscal transfers in Germany that were set within a long-term commitment missing in the United Kingdom.[56]

The comparison of the United Kingdom and Germany demonstrates that national 'solutions' to spatial disparities can have very different approaches. In contrast to Germany and despite the original aspirations of the levelling up WP that it would require a new devolved system of government in the United Kingdom the policy was very much driven by central government. The different levelling up pots of funds all required local authorities to apply for central funding in a bidding process/competition between areas analogous to the former City Challenge process. Only for the SPF was this not true but even in this case the schemes of each local authority had to meet the criteria set by central government.

[53]Enenkel and Rosel, *German Reunification.*
[54]Atkins and Hoddinott, *Austerity Impact.*
[55]Gray and Barford, "Austerity Impact."
[56]Enenkel and Rosel, *German Reunification.*

Conclusions

The United Kingdom Conservative government, elected in 2019, embarked on 'levelling up' to address the long-term spatial inequalities of the country. It was the latest in a long list of policy initiatives to address the problem but it raised many issues about the underlying theory and the appropriateness and effectiveness of the strategy. The government's theory of local capitals underpinning the strategy was abstract, and while ostensibly all encompassing, did not match the actual more narrow levelling up policies applied.

The basic premise ignored the reasons why levelling up became such a potent political issue: many communities left behind by spatial economic change. The fate of individual localities was not seen within the dynamics of an urban system that has winners and losers, a point recognized by most previous spatial policies. This lack of acceptance of spatial economic embeddedness means that many of the 'solutions' funded through LUF offered debateable long-term benefits. Instead, the policies have been described as the politics of spectacle, namely short-term physical outcomes[57] (Jennings et al, 2021). Physical improvements to small town centres, for example, do not address the spatial economic forces that created their demise, and are ultimately unlikely to be successful.

A major argument of the WP was that past policies have been a failure, but in many ways the new ones were a rehash. The LUF schemes have a tendency to support physical improvements of town and shopping centres including the promotion of culture and leisure. This is a replication of what local authorities have been doing for decades. The EIA initiative had been effectively tried in different guises before and not achieved substantive change.

Schemes through LUF often supported low-productivity jobs rather than the stated goal of greater productive/high tech jobs. There was little attempt in LUF awards to restructure local economies such as in previous urban and regional initiatives by attracting new firms/inward investment and industries through subsidies/tax incentives. Given the 'death of distance' instigated by the internet this could have been one way of resurrecting local economies in peripheral areas.

The schemes financed especially through LUF can be seen to suffer from the same pepper potting criticism of policies in the 1980s. The problem was that the allocation of LUF funds was determined by central government and spread across different 'classes' of authorities. The classification was difficult to justify methodologically and the funding allocations only loosely adhered to it, leading to criticisms of unfairness.[58] It contributes to a lack of transparency and went against the ethos of increasing local democracy, a key tenet of levelling up.

Levelling up had what can be described as a grandiose structure of missions. However, it ultimately suffered not just from the weak theoretical underpinnings, or funding selections but

[57]Ibid.
[58]Nurse and Sykes, "Levelling Up."
[59]Scott, "Regional Policy."
[60]Ibid.
[61]Ibid.
[62]Deas et al., "Urban Development Corporations."
[63]PA Cambridge Economic Consultants, *Enterprise Zones*.
[64]Ibid.
[65]Ibid.
[66]Bonshek, "City Challenge."
[67]Wilson, *Housing Market Pathfinders.*
[68]HM Treasury, *Enterprise Areas.*
[69]Ibid.
[70]Ibid.
[71]Ibid.

from serious questions about the scale of finance, given the problems to be addressed. The resources available undermined the credibility of the agenda. Overall, there were many flaws in the strategy from conception through to its practical application of changing the spatial economy.

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