Leveling up is not working as promised—our research shows why

March 18 2024, by Abigail Taylor, Anne Green and Hannes Read

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The UK parliament has heard findings that leveling up—arguably the Conservatives' flagship policy agenda—is beset by critical delays. In a report published on March 15, the public accounts committee, parliament's expenditure watchdog, has said that, as of September 2023, local authorities had spent only £1.24 billion of the £10.47 billion the government promised to tackle regional inequality across the UK.

Crucially, the committee has found that the government has nothing in place to measure this policy's impact in the long term. In other words, as has been pointed out, there is "no compelling evidence" that leveling up has achieved anything.

The leveling up agenda was launched in the Conservative party's 2019 manifesto to highlight—and overcome—the economic plight of the UK's former industrial heartlands, particularly in the north and the Midlands. The subsequent white paper published by the Department for Leveling Up, Housing and Communities (DLUHC) in 2022 said the economic prize was potentially enormous: "If underperforming places were leveled up towards the UK average, unlocking their potential, this could boost aggregate UK GDP by tens of billions of pounds each year."

The disconnect between this prosperity-led rhetoric on local authority funding and the reality could not be starker. Since 2010-11, local authorities have experienced a 27% real-terms cut in core spending power due to reduced central government funding. Eight of the 317 English local authorities have effectively declared bankruptcy since 2018.

Our research compares how local authorities in England and other countries are addressing regional socioeconomic inequality. We have found that English councils are struggling to invest for the long term, because of a lack of ongoing funding and insufficient staff.

Where local government income comes from

Compared to many other countries, local authorities in England have fewer powers to raise revenue. In 2019-20 council tax was the biggest source of local authority income (52%), followed by business rates (27%) and government grants (22%).

These government grants include the £4.8 billion leveling up fund , designed to invest in local infrastructure that has, as the white paper put it, "a visible impact on people and their communities and will support economic recovery".

They also include the UK shared prosperity fund and the towns fund (which consists of town deals and the future high streets fund, and is accessible to local authorities in England only).

A first challenge to note is that since Brexit, local authorities no longer have access to European Union (EU) funds. The central government funding that has replaced it is less generous. Analysis by the Institute for Public Policy Research suggests that the UK Shared Prosperity fund represents a 43% drop in funding compared with EU economic development money for UK nations and regions.

Further, local authorities also now have to compete against each other to access crucial funding. The leveling up fund might be delivered at a local level but funding is not guaranteed.

Councils have to bid to competitive funding pots. Only a handful of bids are successful, when scored against nationally designed success criteria.

What's more, this competitive model is predicated on short-term, project-based funding pots. Our research shows, however, that for local authorities to best respond to the needs of their constituents, they need long-term funding. We found that in the US, Cleveland's flagship city project is based on a 20 to 30-year timetable.

Leipzig, meanwhile, has benefited from consistent long-term funding from the German government and the EU. It took 15 years of high levels of funding for unemployment to start declining in Leipzig and a further 15 years to reduce it further closer to the national average. Leipzig's council's long-term approach to planning and designing housing stock and shopping areas has improved local retail options and access to jobs for residents.

By contrast, challenges created by the impact of inflation and rising interest rates have forced Enfield council, in England, to scale back its 20-year, £6 billion regeneration project, Meridian Water. This is despite the project's aim to create 10,000 homes and 6,000 jobs paid at least at the London living wage.

How political change affects local government funding

In England, local authorities often struggle to deliver their visions for economic development because of the sheer frequency of institutional change at regional level across electoral cycles.

In 2010, the incoming coalition government abolished the regional development agencies Labour had instituted in 1997. In 2011, these were replaced with local enterprise partnerships, which, in turn, were scrapped by Rishi Sunak's government in 2023.

Additionally, the DLUHC has changed the rules midway through the bid process. Thus 55 councils spent an average of £30,000 bidding in round two for funds they could not win because a rule change meant that those which had been successful in round one were no longer eligible to bid again. Roughly £1.6 million was squandered through this lack of transparency.

We have also found that English councils suffer from a lack of consistent, expert staffing. Compared to the international cities we have studied, they are not able to properly monitor and evaluate their efforts.

In South Yorkshire, for example, although stakeholders recognize the importance of monitoring and evaluation, short-term and insufficient funding has meant mechanisms to do so have not been built in from the start of leveling up projects.

In January 2024, the DLUHC began a pilot program to test how the government could distribute funding to local authorities in a simplified, streamlined way, in order to give them greater spending flexibility.

Establishing a single funding pot across government departments for local authorities would indeed enable them to better respond to local needs, in the long term.

Councils know the strengths their local areas have and the challenges they face. They need the financial and organizational resources to meet them.

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