



BEYOND
'LEFT BEHIND PLACES'

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Spatial funding programmes in the UK since 2010

Danny MacKinnon*, Eleanor Haisell**, Andy Pike*, John Tomaney*** & Sanne Velthuis*

danny.mackinnon@ncl.ac.uk

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Authors' Affiliations

* Centre for Urban and Regional Development Studies (CURDS), Newcastle University

** Insights North East, Northumbria University

*** Bartlett School of Planning, University College London



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Centre for Urban and Regional Development Studies (CURDS)
Newcastle University
Newcastle upon Tyne, NE1 7RU
United Kingdom

www.research.ncl.ac.uk/beyondleftbehindplaces

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The Policy Challenge

The UK has about the widest regional inequalities of any large high-income country¹. Since 2010, successive governments have established a succession of policy programmes and initiatives to tackle geographical inequalities and to promote local growth (**Figure 1**).

The brief provides analysis of identifiable urban and regional policies that are designed to address geographical differences in output and employment through spatially targeted initiatives.² It covers the period of Conservative government between 2010-2024. It does not include other non-regional policies that such as research and development that have 'counter-regional' effects in the UK by concentrating investment in prosperous parts of the country, largely in the South of England.^{3,4}

Read more about this research [here](#)

At a Glance

Over the past fifteen years, a succession of funding programmes have been established to address spatial inequality in the UK. This encapsulates the problem of policy churn and reinvention as new programmes often have very similar objectives to their predecessors. Aggregate funding levels over the 2010-33 period are substantial, but short-termist and inadequate to the scale of the problem. This funding system, based on "patchwork devolution to major cities, faddish policy agendas ... and a reliance on bidding and deal-making rather than capacity-building ... is ill-equipped to counter and reverse ... persistent regional inequalities".⁵

¹McCann, P. (2019). Perceptions of regional inequality and the geography of discontent: insights from the UK. *Regional Studies*, 54(2), 256-267. <https://doi.org/10.1080/00343404.2019.1619928>

²Martin, R., Gardiner, B., Pike, A., Sunley, P. and Tyler, P. (2021) *Levelling up left behind places: the scale and nature of the policy challenge*. Falmer, East Sussex: Regional Studies Association.

³Martin et al 2021.

⁴ Transport expenditure is included only when it's part of identifiable regional programmes (Figure 1), for example the Local Growth Fund. This excludes many high-profile transport projects not funded through these programmes.

⁵ Fransham, M., Herbertson, M., Pop, M., Bandeira Morais, M. & Lee, N. (2023): *Level best? The levelling up agenda and UK regional inequality*, *Regional Studies*, DOI: [10.1080/00343404.2022.2159356](https://doi.org/10.1080/00343404.2022.2159356) p.2342

Spatial funding programmes in the UK since 2010

Programmes and Funding Levels

Figure 1 includes 26 spatial funding programmes since 2010. This reflects the frequent churn of policy frameworks and initiatives in the UK compared to other countries such as Germany which are characterised by greater stability.⁶ There are two periods of intense activity when multiple programmes were established.

1. 2011-2015 as the then Coalition Government sought to promote spatial rebalancing and to replace the Labour programmes and organisations that it had abolished.
2. 2019-2024 as the government of Boris Johnson set up a number of funding initiatives to implement its agenda of levelling up growth and opportunity across the UK.

Total funding for these spatial policy programmes is estimated as £70.4 billion(b) between 2011-33. When adjusted to include an estimated proportional share of Devolution Deal 30-year investment funds, this is reduced to £60.67b or £4.04b a year 2011-2025.

This figure compares with approximately £2.25b annual spending by Regional Development Agencies (RDAs) from 2005-2010, although this comparator is based on a much narrower measure, including only the programmes administered by RDAs.⁷

Taking a longer-term perspective, a recent study estimates that UK Government annual expenditure on direct spatial (urban and regional) policy amounted to £2.9b a year from 1961-2020.⁸

The annual estimate of £4.04b for spatial policy from 2011-25 equates to 0.47% of total identified government expenditure, based on 2018-19 expenditure.⁹ However, this expenditure on spatial policy coincides with austerity imposed on local government. Austerity resulted in a reduction of almost £29b in central government grant funding to councils in England from 2009-10 to 2019-20, amounting to a 77% fall in revenues per person.¹⁰

⁶ Martin et al. 2021; Norris and Adam (2017) All change: why Britain is so prone to policy reinvention, and what can be done about it. Institute for Government

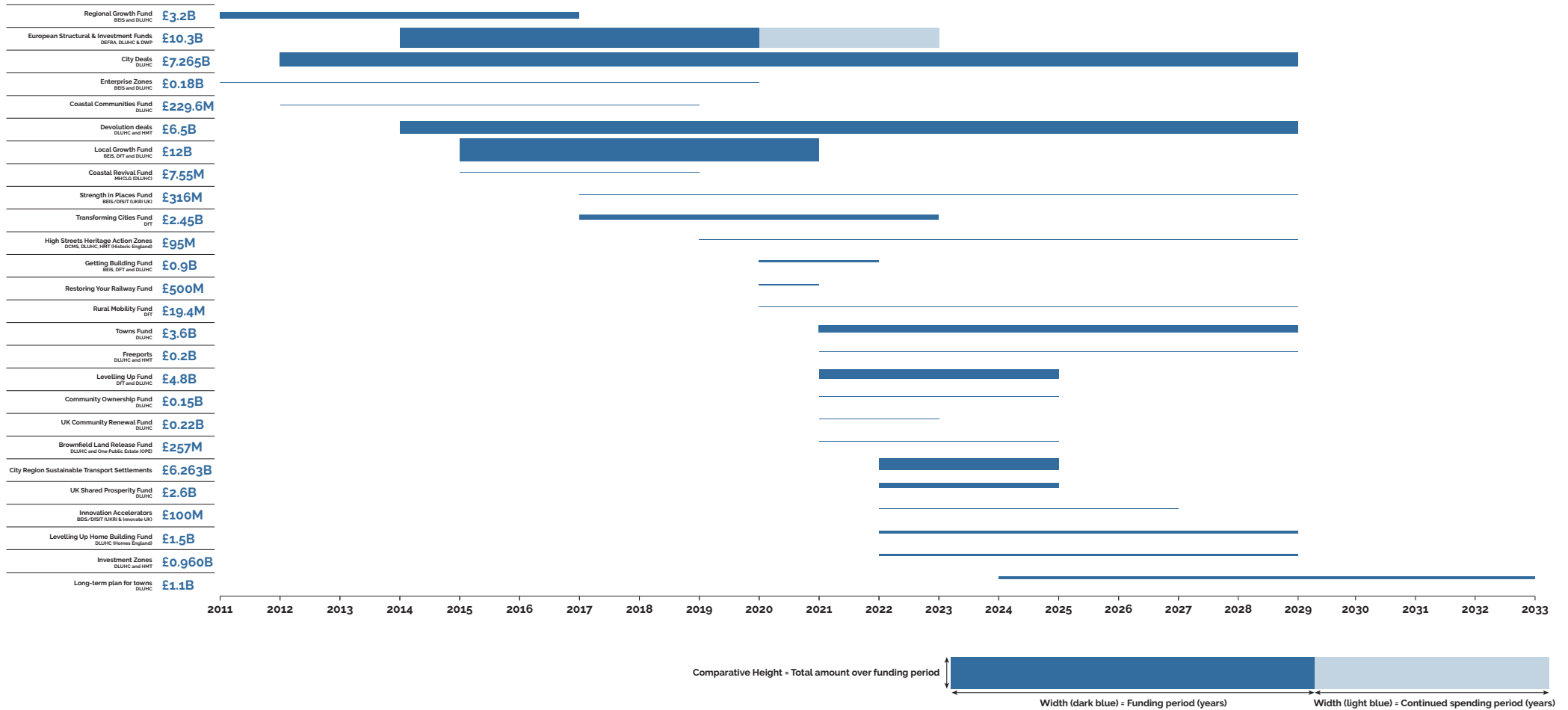
⁷ National Audit Office (2013) Funding and structures for local economic growth. Report by the Comptroller and Auditor General. HC 542. Session 2013-14. 6 December. London: The Stationery Office.

⁸ Martin et al 2021, p. 106. This figure does not seem to include EU structural funds.

⁹ HM Treasury cited in Martin et al 2021.

¹⁰ Harris, T., Hodge, L., & Phillips, D. (2019). English local government funding: Trends and challenges in 2019 and beyond (No. R166). IFS Report.

FIGURE 1: Spatial policy programmes in the UK since 2010



Modes of Funding Allocation

Figure 2 shows that a relatively high share of spatial policy funding is allocated through competitive bidding. The share of competitive bidding increased significantly from 2017 to 2022, reflecting its use to allocate levelling up funds.¹¹ This tends to reward the places with the most resources and expertise to write bids that address government policy objectives, generating cumulative differences in funding outcomes which undermine efforts to reduce inequalities between places.¹² The growth of competitive bidding is also associated with increased central government control over the allocation of spatial funds, reflecting the political and electoral objectives of levelling up.¹³

Additional Reading

Analyses of levelling up policy have been published:

Fransham, M., Herbertson, M., Pop, M., Bandeira Morais, M. & Lee, N. (2023): Level best? The levelling up agenda and UK regional inequality, *Regional Studies*, DOI: 10.1080/00343404.2022.2159356

National Audit Office (NAO) (2022) Supporting local economic growth, HC 957. Report of Comptroller and Auditor General. London: National Audit Office. www.nao.org.uk/reports/supporting-local-economic-recovery/#downloads

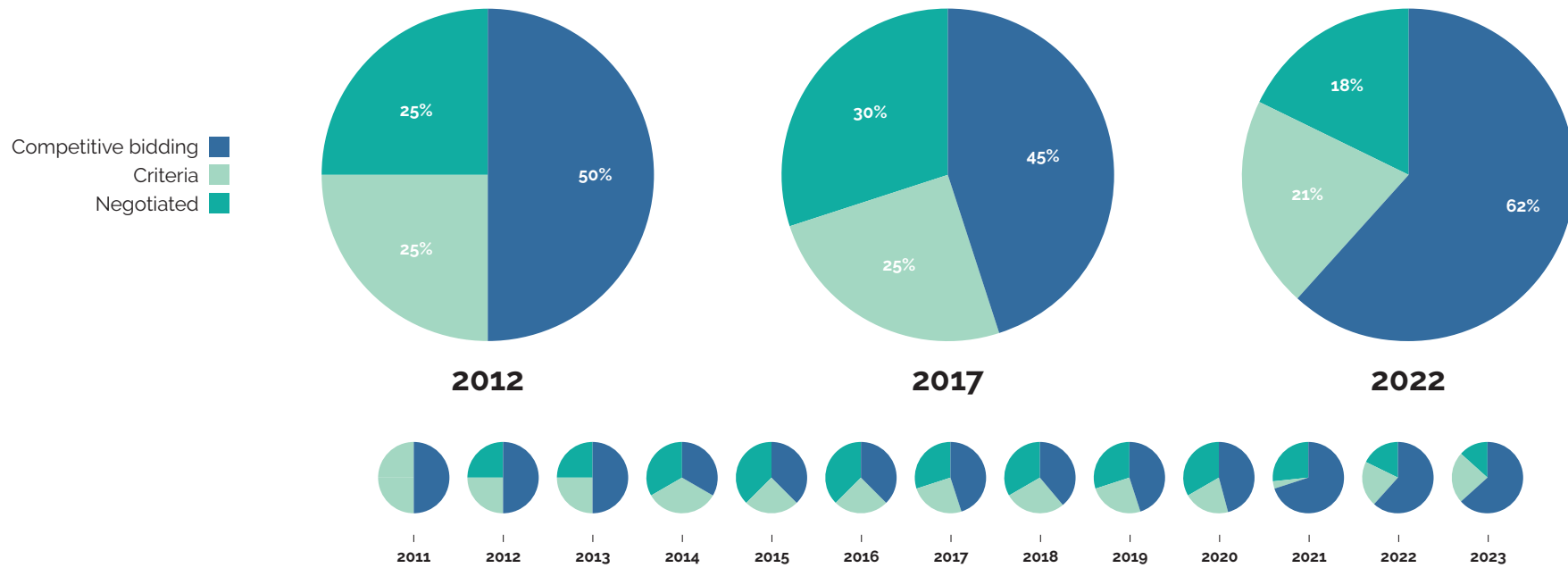
Centre for Inequality and Levelling Up (2022) Levelling Up: What is it and can it work? University of West London, www.uwl.ac.uk/sites/uwl/files/2022-10/Funding%20Levelling%20Up%20-%20The%20story%20so%20far%20%28Jan%202022%29%20on%20site.pdf

¹¹ Fransham, M., Herbertson, M., Pop, M., Bandeira Morais, M. & Lee, N. (2023): Level best? The levelling up agenda and UK regional inequality, *Regional Studies*, DOI: 10.1080/00343404.2022.2159356

¹² Ibid.

¹³ Hanretty, C (2021) The pork barrel politics of the Towns Fund. *The Political Quarterly*, 92 (1), 7-13; Jennings, W., McKay, L. and Stoker, G. (2021) The politics of levelling up. *The Political Quarterly*, 92, 302-311.

FIGURE 2: Mode of allocation



Geographies of Funding Allocation

Looking at how funding is distributed between places, geographically dispersed patterns of allocation are more prevalent than concentrated ones (**Figure 3**).¹⁴ This means that more programmes have sought to spread funds across a range of places, including EU structural funds, Enterprise Zones, levelling up funds and most of the smaller funding programmes. While smaller in number and accounting for slightly less overall funding, the geographically concentrated programmes are significant, incorporating Devolution Deals, City Deals, City Region Sustainable Transport Settlements (CRSTS) and Investment Zones, among other programmes. These funds are largely concentrated in cities and city-regions.

Of the total expenditure on spatial policies over the 2011-2024 period, £37.35b has been allocated across all settlement types (**Figure 4**). Identifiable spending on cities (£29.34b, or 41%) far out-weighs that on towns.

While cities have been viewed as key drivers of growth and productivity since the early-to-mid 2000s,¹⁵ towns have only received funding since 2019 as part of the levelling up agenda. This city-centrism¹⁶ is also reflected in more devolved investment funds being targeted on city-regions, compared to more recent county deals (**Figure 5a**).

Identifiable funding for rural and coastal areas is very limited in both absolute and relative terms, although the former does not include the main rural payments administered through the Department for Environment, Food & Rural Affairs (**Figure 4**).¹⁷ While it is not possible to disaggregate the programmes in the 'All' category by settlement type, analyses of levelling up programmes (covering the Levelling Up Fund, Community Ownership Fund and Community Renewal Fund) indicates that expenditure per head has been higher in Mayoral Combined Authority (MCA) areas (large city-regions) than in non-MCA areas (£36 per capita versus £29 per capita).¹⁸

Figure 6 distinguishes between the types of region targeted by the policy programmes.¹⁹ The four regional categories are defined by their fit with the stated aims of the policy rather than their economic performance.

A substantial amount of funding has been directed across all four categories, including large programmes such as the Local Growth Fund, City Deals and Devolution Deals. This funding is not equally distributed among the regional categories. Strategic and high potential regions tend to receive more funding from these programmes, based on their growth potential.²⁰

¹⁴ Throughout this brief, we attribute funds to geographical at the programme level, not at the individual project level.

¹⁵ Waite, D and Morgan, K (2019) City Deals in the polycentric state: The spaces and politics of metrophilia in the UK. *European Urban and Regional Studies* 26, 382-399.

¹⁶ Pike, A. (2018) The limits of city-centrism. We need to rethink how we approach urban and regional development. <https://blogs.lse.ac.uk/politicsandpolicy/the-limits-of-city-centrism/>

¹⁷ Marshall, J, and Mills-Sheehy J. (2021) Agricultural subsidies after Brexit. Institute for Government, <https://www.instituteforgovernment.org.uk/article/explainer/agriculture-subsidies-after-brexite>

¹⁸ Fransham et al. (2023).

¹⁹ G Gansauer (2024) U.S. regional inequality and place-based policy under Bidenomics: Evaluating policy design. Seminar presentation, Newcastle University, 21 March 2024.

²⁰ For instance, funding was higher for Wave 1 and Wave 3 City Deals and devolution deals with major city-regions than for deals with smaller cities and counties, while nine MCAs were awarded the bulk of Transforming Cities funds (Department for Transport (2021) Awarded funding allocations). www.gov.uk/government/publications/apply-for-the-transforming-cities-fund/awarded-funding-allocations

FIGURE 3: Geographical distribution

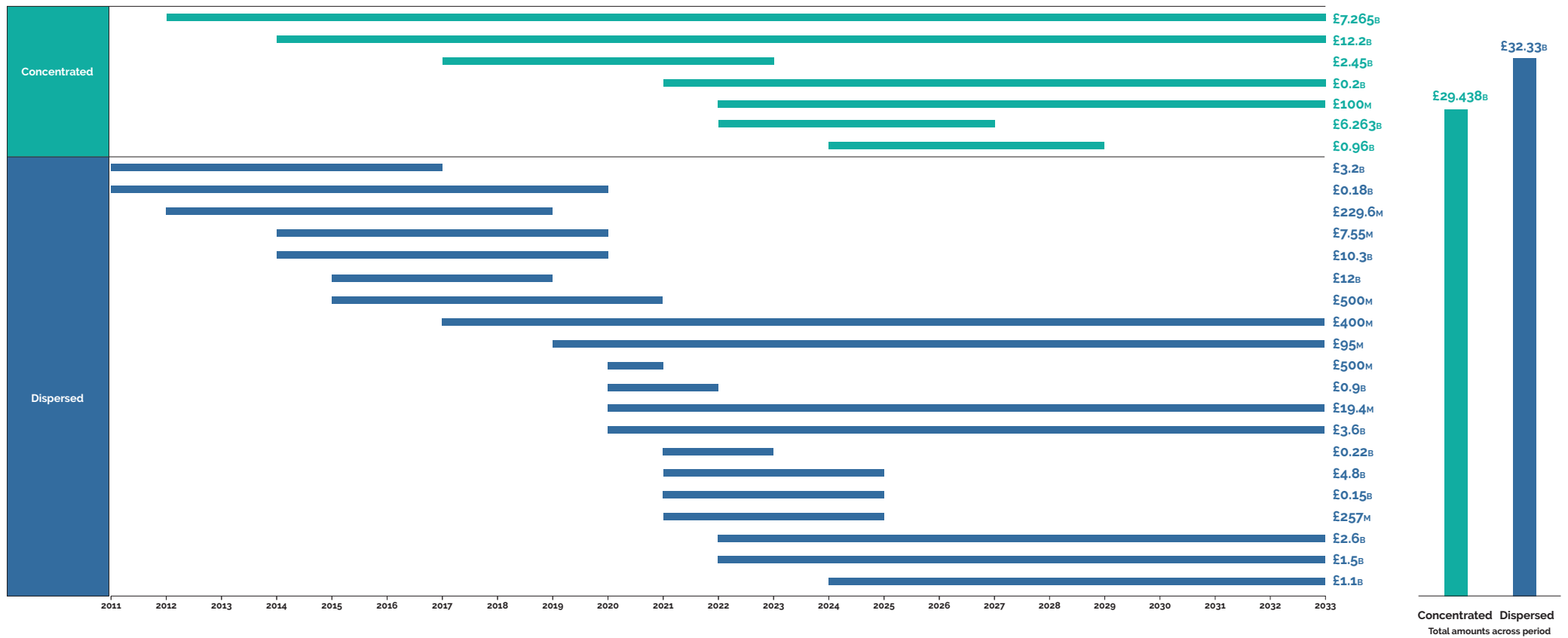


FIGURE 4: Geographical focus of policy

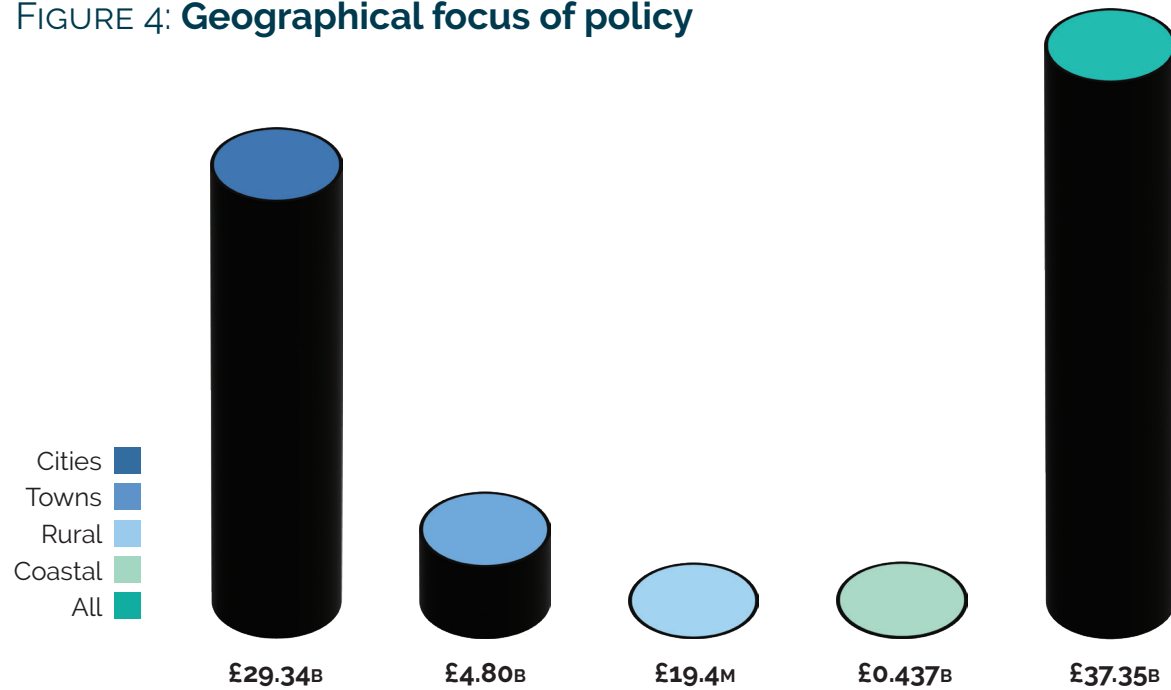


FIGURE 5: Devolved investment funding in England, as of March 2024



Regional Inequality and the North East

The North East of England continues to lag behind the country on several key indicators. This makes the success of UK spatial policy especially important to the region.

- The North East has a varied geography with a large city region in Tyne and Wear. However, the economic impact of the city region does not spread as widely as elsewhere, with surrounding towns not reaping the benefits of proximity to a major urban centre.²¹
- The North East contains large rural areas in both Northumberland and Durham. Northumberland is the most sparsely populated local authority in England. The profile varies from traditionally agricultural and rural economies to areas of ex-industrial villages and towns that have experienced significant economic decline.
- Productivity levels in the North East have lagged behind the rest of the country. In 2021, GVA per hour worked in the North East LEP area was 11% below average for England (excluding London). However, the North East has uneven productivity, with some areas experiencing higher productivity growth than the national average, while other areas remain below average.²²
- The North East faces significant issues around poverty and economic inactivity. The rates of child poverty are higher than the England average in 6 out of 7 of the local authorities. The North East has the highest economic inactivity rate in any UK region at 25%. This is partially driven by poor health outcomes and the North East healthy life expectancy is considerably lower than the England average.
- This varied geography demonstrates the need for a differentiated and targeted spatial policy that can meet the needs of a variety of places.

In addition, strategic and high potential regions are the beneficiaries of geographically targeted programmes such as CRSTS, Investment Zones and Innovation Accelerators, although these do not account for large shares of overall funding. High and latent potential regions have been allocated the most investment funding through devolution deals, compared to disadvantaged regions which have received little support from this source (**Figure 5b**).

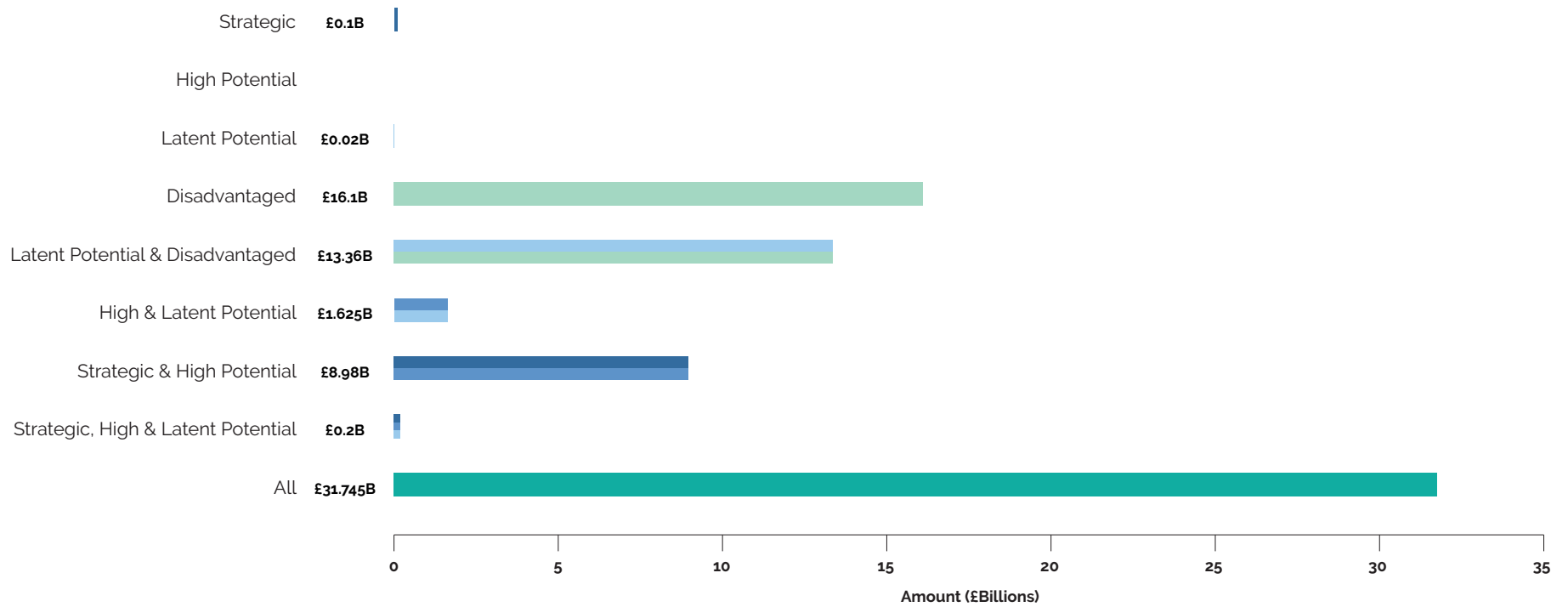
Disadvantaged regions have received by far the most support of any of the four separate regional categories (**Figure 6**). This reflects the weight of large needs-based programmes such as EU structural funds (£10.3 billion 2014-2020) and its smaller successor the UK Shared Prosperity Fund (UKSPF), as well as the Regional Growth Fund. Levelling up funds have been largely allocated to disadvantaged and latent potential regions, based on stated policy objectives and analyses of their geographical distribution which indicates that the highest priority areas (most disadvantaged) have received higher levels of funding (see note 17).²³

²¹ Benjamin Goodair and Michael Kenny, Townscapes: The North East. Bennett Institute for Public Policy (2019).

²² North East Evidence Hub <https://evidencehub.northeast-ca.gov.uk/report/productivity-gva-hour-worked>

²³ Fransham et al. (2023).

FIGURE 6: Regional targets



Regional policy orientation of funding

This dimension refers to the orientation or direction of spatial policy, based on the distinction between traditional, equity-oriented regional policies, focused on lagging or disadvantaged regions, and more contemporary approaches that aim to increase growth and competitiveness.²⁴ Growth-orientated policies accounted for more funding than equity-based ones (**Figure 7**), reflecting the underlying shift to this kind of regional policy in the 1990s and 2000s. Many of the larger growth programmes are focused on larger city-regions, based on their higher growth potential. Equity-based programmes also account for a substantial amount of funding over the period but have been reduced by the curtailment of EU structural funds (by far the largest equity-based programme) after 2020. Levelling up funds have partly filled this gap but are themselves scheduled to run out in 2025-2026.²⁵

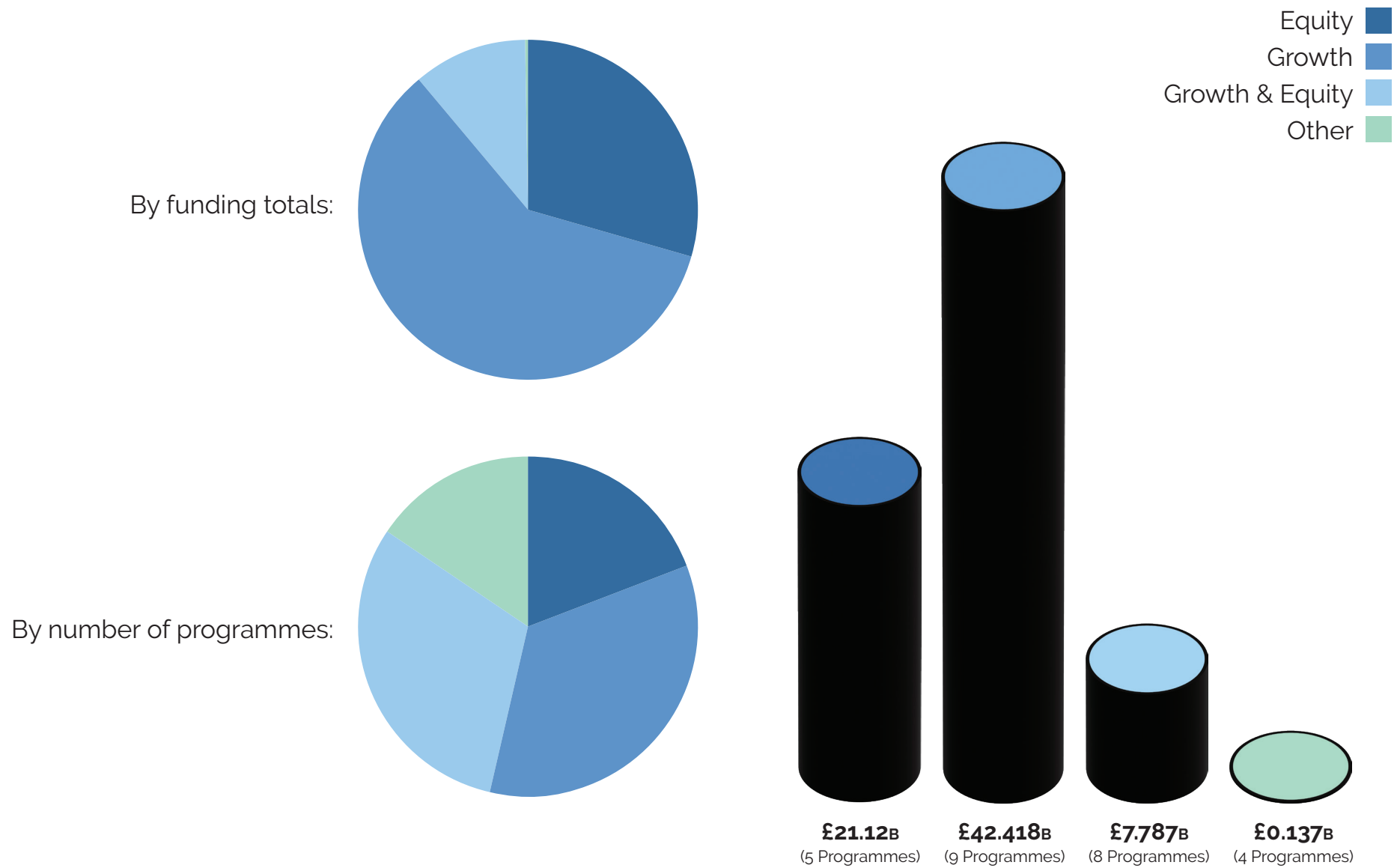
It is important to recognise that these policy orientations are easier to distinguish in principle than in practice as some policies combine elements of each. In particular, policies that are concerned with increasing the growth and competitiveness of places in lagging or disadvantaged regions often aim to promote regional equity from a national perspective. Such policies are only classified as equity-based when the reduction of regional inequalities is a central stated aim of the policy and reflected in its design (for example, incorporating EU structural funds and Levelling Up Funds, but not Devolution Deals or City Deals).

²⁴ OECD (2014) OECD Regional Outlook 2014. OECD Publishing, Paris.

²⁵ Industrial Communities Alliance (ICA) (2024) Funding for local and regional development: proposals for a Labour Government.

<https://industrialcommunitiesalliance.org.uk/wp-content/uploads/2024/04/Funding-for-Local-and-Regional-Development-Proposals-for-a-Labour-government.pdf>

FIGURE 7: Spatial policy orientation



Actionable Insights

Local political and business leaders should advocate for stable, long-term funding to address locally determined priorities in an integrated, joined-up way. This would enable limited local resources to be devoted to addressing local needs and building capacity rather than keeping up with shifting national policy agendas in order to inform funding bids. The 'single settlement' consolidated budgets being offered to some MCAs represents an overdue step in the right direction and this model should be extended to other areas.

Disadvantaged regions have been the focus of several funding programmes since 2020, most notably EU structural funds and the UKSPF, as well as recent levelling up funds. Yet the future of this funding is highly uncertain with key programmes set to expire, making their renewal in a post-Brexit and post-levelling up climate a key priority for the Labour government to address. Replacement funding programmes should continue to prioritise less prosperous places, providing increased levels of funding for these places to deliver on the promise of levelling up.²⁶

More funding has been allocated to growth-oriented policies since 2010 with a strong focus on major city-regions. As devolution is extended across the country, more support should be provided to other kinds of places: coastal districts, rural areas and post-industrial towns. Rather than the profusion of funding pots targeting different types of settlements that has occurred since 2010, there is a need for a more balanced and integrated approach that considers the relationships between places at the sub-regional scale of functional economic areas. Funding should be devolved and allocated to places by MCAs or their equivalents in other areas on the basis of a joined-up vision or plan that takes account of the economic relationships between such places.

²⁶ ICA (2024).



BEYOND 'LEFT BEHIND PLACES'

About the project

The 'Beyond Left Behind Places' project aims to develop a new understanding of demographic and socio-economic change in economically lagging and declining regions, going beyond the label of 'left behind places' through in-depth investigation of their predicaments and prospects. Taking a cross-national comparative approach, it focuses on left behind regions in France, Germany and the UK, moving beyond region and country-specific studies to uncover and theorise broader relations and processes. This deeper comparative understanding allows us to produce international evidence to support theory building and inform policy-making. As well as quantitative analysis of the characteristics and development trajectories of regions across Western Europe, the project includes more detailed exploration of the experiences and outcomes of movers and stayers in 'left behind' regions, qualitative case studies of six 'left behind' regions in France, Germany and the UK, and a review of past and current policy approaches towards regional development in peripheral and lagging regions.

For more information about the other parts of the project see:

<https://research.ncl.ac.uk/beyondleftbehindplaces/aboutourproject/workpackages/>



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