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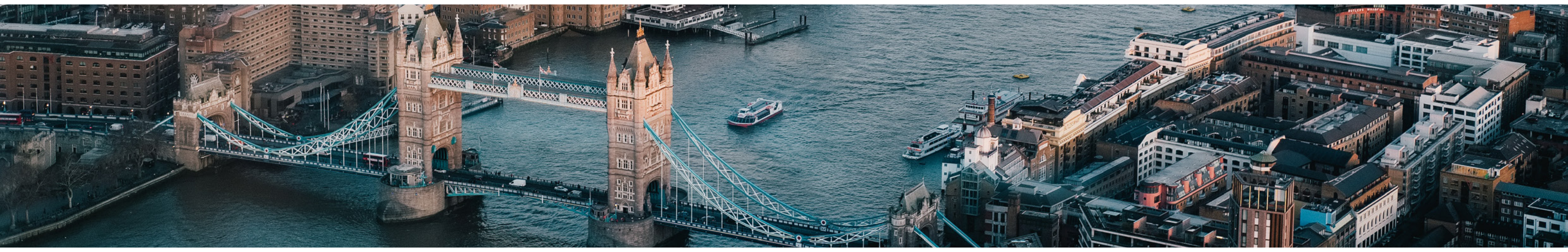


Pot luck

What the Government can do to streamline grants for local economic policy

June 2023

In last year's Levelling Up White Paper the Government made a welcome commitment to streamline the local government grants system.[1] As local government in the UK has few other sources of revenue, it relies on central grants to deliver local economic policy.[2] The design and operation of this complex grants system has large effects on local economic policy, and is part of the reason local government struggles to respond effectively to economic change.[3]

The Government has made attempts to streamline grants in the past. Notably, Michael Heseltine's 2012 report, No Stone Unturned, advocated for the creation of a single pot of economic funding to address the problems that fragmented grants had created.[4] And yet over a decade later these problems are arguably worse, leading to the latest commitment in the White Paper.

A year on from the commitment in the Levelling Up White Paper there have not yet been any concrete proposals to make it a reality.[5]

The purpose of this briefing is to propose a way forward. It sets out a number of persistent issues with the system of grants, pulls out lessons from past efforts to streamline the system, and sets out how a streamlined grants system should be designed. It then uses these findings to set out how a simplified 'single pot'

1 UK Government (2022), Levelling Up the United Kingdom, London: The Stationery Office

2 Breach A and Bridgett S (2022), Centralisation Nation: Britain's System of Local Government and it Impact on the National Economy, London: Centre for Cities

3 Breach A and Bridgett S (2022), Centralisation Nation: Britain's System of Local Government and it Impact on the National Economy, London: Centre for Cities

4 Heseltine M (2012), No Stone Unturned in Pursuit of Growth, UK Government, London: the stationery office.

5 Levelling Up, Housing, and Communities Committee (2023), Funding for Levelling Up; Sixth Report of Session 2022-23, London: House of Commons

of funding for local economic policies should be allocated by central government based on Centre for Cities research which finds the greatest benefits for national growth and 'levelling up' can be made by concentrating on the big cities with the greatest potential for growth.

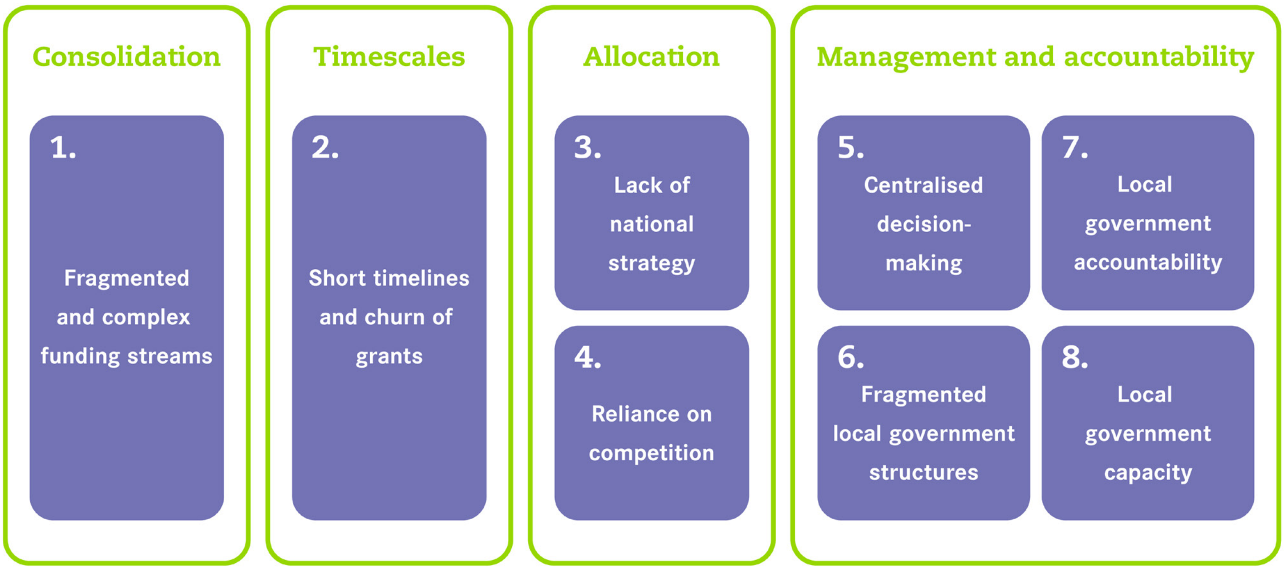
What's wrong with the current system of grants?

There are eight major problems with the current system that any streamlined system must try to resolve or minimise:

1. Fragmented and complex funding streams
2. Short termism and the churn of grants
3. Lack of national strategy
4. Reliance on competition
5. Centralised decision-making
6. Fragmented local government structures
7. Local government accountability
8. Local government capacity

Figure 1 shows that these eight problems broadly fall into four categories. Each category must be resolved for a streamlined grants system to function more effectively.

Figure 1: To streamline the grants system, the Government must tackle eight problems



Consolidation

Problem 1: There is a multitude of grants, ring-fenced for different purposes, which makes it difficult for local government to develop long-term, joined-up plans for economic growth. There are at least 53 different grants for economic development and regeneration, and roughly 15 different ones for transport.[6] And these have proliferated in recent years; there were up to four times as many grants issued to local authorities in 2018 as there were in 2013.[7]

This fragmentation is made more complex for local government to manage by a lack of coordination by central government to ensure the grants complement each other or advance similar objectives. Different departments – and sometimes even different teams within departments – do not have an overview of what other grants are being issued. For example, more than a year on from the launch of the Levelling Up White Paper in February 2022, the Department of Levelling Up, Housing and Communities does not have a coherent understanding of what grants are contributing to levelling up, and there has been little sustained cross-departmental work on levelling up.[8]

Timescales

Problem 2: Compounding this is that these grants are often short term, with a high churn rate. For example, a third of the 366 grants available to local government between 2015 and 2017 were wound-up over the same period.[9] This further fragments funding and makes long-term planning very difficult for local authorities.

Allocation

Problem 3: The Government lacks a clear, consistent, over-arching strategy for economic growth to coordinate the various grants.[10] In the last five years there have been four strategies for growth, the Industrial Strategy (2017), the "Plan for Growth" (2021), the "Growth Plan" (2022), and the latest "four Es" strategy laid out by the Chancellor.[11] In a country as centralised as the UK, the strategy chosen by central government has outsized importance for the behaviour of local government.

The lack of a clear strategy from central government to guide allocation often results in funding being 'jam-spread' across areas rather than directing funding to where it can have the most national and local impact. It also opens the

6 Lucas R, Pill M, and Hincks S (2022), Fair funding for Devolution? The role of combined and local authorities in regenerating their areas, Sheffield: University of Sheffield
National Infrastructure Commission (2021), Infrastructure, Towns and Regeneration, London: The Stationery Office

7 Local Government Association (2020), Fragmented Funding: The complex local authority funding landscape, Introduction, source: https://www.local.gov.uk/publications/fragmented-funding-report#introduction

8 Levelling Up, Housing, and Communities Committee (2023), Funding for Levelling Up; Sixth Report of Session 2022-23, London: House of Commons

9 Local Government Association (2020), Fragmented Funding: The complex local authority funding landscape, London

10 Breach A and Jeffrey S (2020), Re-Writing the Green Book for Levelling Up, London: Centre for Cities

11 The Editorial Board (2023) It is time for a UK wide growth strategy, Financial Times, source: https://www.ft.com/content/c237d9fa-ffa2-47d2-b6ea-c627bf80ddfd; HM Treasury (2023), Chancellor sets out long term-vision to grow the economy, source: https://www.gov.uk/government/news/chancellor-sets-out-long-term-vision-to-grow-the-economy

Government to accusations of pork-barrel politics playing a role in determining the allocation. For example, the Levelling Up Fund has both explicitly jam-spread funding across different local authorities to "maximise the geographical spread of investment" but has also been accused of favouring areas which elected Conservative MPs.[12]

Problem 4: A high proportion of grants are competitively allocated. Up to a third of all grants to local authorities are competitive, and over half of all transport funding is competitive.[13] In principle, competition is supposed to deliver two benefits: let central government select the best bids from those submitted, and improve the quality of local government's bids through the competitive process.[14] But this does not play out in practice for several reasons.

First, to work effectively it requires central government to have good local knowledge in order to act as the judge on the submissions. It is highly unlikely that the Government has this knowledge for everywhere in the UK it receives bids from.

Second, competition reduces certainty for local government and makes it more difficult to plan long-term, as they do not know whether their bids will be successful or not.

Third, competition wastes a huge amount of local government's scarce resources on developing bids that are unsuccessful. Three-quarters of bids (618 out of 834) under rounds one and two of the Levelling Up Fund (LUF) were rejected,[15] with each bid in the first round, costing local authorities nearly £88,000 to prepare, not including the substantial costs of their staff's time. This could put the costs of developing bids for both rounds as high as £73 million, with local authorities themselves reporting at least £23 million was spent on consultants to help develop bids.[16] Durham County Council alone reported spending £1.3 million on consultants to help prepare its LUF bids.[17]

And fourth, the competitive processes are often run in ways that prevent local authorities from developing strong bids. Competitions often have short turn-around times for submitting bids, meaning local governments submit the 'shovel ready' projects rather than develop the best bids that they could.[18]

12 Pope T (2023), The Levelling Up Fund will not deliver on the Government's flagship agenda, Institute for Government, source: https://www.instituteforgovernment.org.uk/comment/levelling-up-fund; UK Government (2023), Levelling Up Fund Round 2: explanatory note on the assessment and decision-making process, source: https://www.gov.uk/guidance/levelling-up-fund-round-2-explanatory-note-on-the-assessment-and-decision-making-process; Goodier, Duncan, Halliday, Elgot (January 2023), 'Slap in the face': Tory seats gain more from £4bn levelling up fund, finds analysis, The Guardian, source: https://www.theguardian.com/politics/2023/jan/19/tory-seats-gain-more-4bn-levelling-up-fund-finds-analysis

13 Local Government Association (2020), Fragmented Funding: The complex local authority funding landscape, London ; National Infrastructure Commission (2021), Infrastructure, Towns and Regeneration, London

14 Cabinet Office (2021), Guidance for General Grants: Minimum Requirement Five: Competition for Funding, London: UK Government ; Heseltine M (2012), No Stone Unturned in Pursuit of Growth, UK Government

15 Ward M (2023), Which areas have benefitted from the Levelling Up Fund?, House of Commons Library, source: https://commonslibrary.parliament.uk/which-areas-have-benefited-from-the-levelling-up-fund/

16 Dubas-Fisher D, Parsons R (March 2023), Cash-strapped town halls splash £23m on consultants in battle for Levelling Up funds, The Mirror, source: https://www.mirror.co.uk/news/politics/cash-strapped-town-halls-splash-29596509

17 Dubas-Fisher D, Parsons R (March 2023), Cash-strapped town halls splash £23m on consultants in battle for Levelling Up funds, The Mirror, source: https://www.mirror.co.uk/news/politics/cash-strapped-town-halls-splash-29596509

18 Lucas R, Pill M, and Hincks S (2022), Fair funding for Devolution? The role of combined and local authorities in regenerating their areas, Sheffield: University of Sheffield

The investments zones are an extreme example of this. In October 2022, local authorities were given less than two weeks to submit expressions of interest, which were to be used to identify the places the Government thought were most suitable.[19] Central government often does not make clear how bids are to be assessed and why the winning bids were selected over others. This has meant that local government is not certain how they can improve their bids (as well as raising concerns that political favouritism played a deciding role).[20]

Competition can be a powerful policy tool for improving outcomes (See Box 1) but it should be used more selectively and not form the basis of funding for local government's economic growth policies.

Box 1: There is still space for competitive pots but they must be used more selectively

Competition should be limited to specific interventions which have clear objectives, are of national importance, are time-bound, and for relatively 'unique' interventions which cannot or should not occur everywhere.[21]

For example, the US CHIPs Act includes competitive grants which aim to deliver infrastructure and R&D to boost the development of semiconductor manufacturing within the United States. This will of course have effects on local growth in the areas selected, but the allocations are guided by the core objective of providing nationally important infrastructure.[22]

Management and accountability

Problem 5: Decision-making is centralised within central government, which means local government has little flexibility in determining which policies and projects would be the most impactful for economic growth in its area. Central government typically decides what intervention or narrow range of interventions each grant can be used for, or even chooses individual projects to fund when the grant is competitive.

Problem 6: Fragmented local government structures complicate the delivery of joined-up, local economic policies. In areas where there are two-tier district and county authorities, it is not straightforward as to which body should lead on the delivery of local economic policies as the two tiers have overlapping

19 Overman H (2022), Investment zones: bid now, reflect later, What Works Centre for economic Growth, source: https://whatworksgrowth.org/insights/investment-zones-bid-now-reflect-later/; UK Government (2022), Investment Zones in England, source: https://www.gov.uk/government/publications/investment-zones-in-england/investment-zones-in-england

20 Lucas R, Pill M, and Hincks S (2022), Fair funding for Devolution? The role of combined and local authorities in regenerating their areas, Sheffield: University of Sheffield

21 Similar proposals, that competitive funds only be used for unique ventures, have been made in Levelling Up, Housing, and Communities Committee (2023), Funding for Levelling Up; Sixth Report of Session 2022-23, London: House of Commons

22 Muro M, Maxim R, Parilla J, de Souza Briggs X (2022), Breaking down an $80 billion surge in place-based industrial policy, Brookings Institute, source: https://www.brookings.edu/blog/the-avenue/2022/12/15/breaking-down-an-80-billion-surge-in-place-based-industrial-policy/

responsibilities. The Government seems to have inconsistently navigated this in recent years, for example making upper-tier county authorities the coordinating 'lead' authority for the Community Renewal Fund, but giving the 'core' allocation of its successor, the UK Shared Prosperity fund, to the lower-tier districts.[23]

Local government boundaries often do not reflect the geographies in which people both live and work, which means a local economy is frequently split across different local authorities that need to coordinate to deliver effective economic policy. Combined authorities have been formed across a number of city-regions to mitigate this, but in other places this is still a problem. For example, Nottingham's urban area is governed by nine different authorities.[24]

Problem 7: Local government executive structures vary, often making effective leadership more difficult and reducing clear accountability to the local electorate, both of which increase the risk of poor governance.[25] Because of this, the Government is not willing to fully devolve funding to them. For example, the mayoral-led combined authorities receive five-year devolved transport budgets, but the Government has pushed back on calls to provide them to all county, unitary and non-mayoral combined authorities because of concerns about governance and local accountability.[26]

The recent trailblazer deals with the mayoral-led Greater Manchester and West Midlands combined authorities shows that the Government will further devolve funding if additional accountability arrangements are put in place. But most places do not have the mayor-led executive model or these additional accountability arrangements, and without significant local government reform, a streamlined grant system must try to navigate this by increasing accountability over the funding in other ways.

Problem 8: Finally, local government capacity to manage and effectively deliver economic policies has been reduced significantly by funding cuts since 2010. Local authority net spending on economic development fell by 64 per cent in real terms from 2010/11 to 2017/18.[27] This has led to a reduced capacity in local government to both design and deliver effective policies.

What lessons can be drawn from other grants

While there has been a proliferation of grants over the last decade that have complicated the funding landscape, the Government has implicitly recognised the problems discussed above in the choices it has made in three major funding streams for local economic development – the Local Growth Fund, the UK Shared

23 UK Government (2021), UK Community Renewal Fund Prospectus 2021-22, source: https://www.gov.uk/government/publications/uk-community-renewal-fund-prospectus/uk-community-renewal-fund-prospectus-2021-22; UK Government (2022), UK Shared Prosperity Fund: prospectus, source: https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus

24 Swinney P, Jeffrey S (2020), Levelling up local government in England, London: Centre for Cities

25 Breach A and Bridgett S (2022) Centralisation Nation: Britain's System of Local Government and it Impact on the National Economy, London: Centre for Cities

26 Government response to the National Infrastructure Commission (2022), source: https://www.gov.uk/government/publications/government-response-to-the-national-infrastructure-commission-report-infrastructure-towns-and-regeneration/government-response-to-the-national-infrastructure-commission-report-infrastructure-towns-and-regeneration

27 National Audit Office NAO (2019), Local Enterprise Partnerships: an update on progress, London: House of Commons

Prosperity Fund (UKSPF) and the City Region Sustainable Transport Settlement (CRSTS).

This section assesses each of these three grants to determine how well they navigated the eight problems outlined in section one and to draw out lessons that should be incorporated into a streamlined grants system. There are few perfect solutions, but each of these grants has had some successes which can help inform a streamlined grants system. Where past grants have persistently struggled to resolve these problems also shows that in the longer term, other wider reforms such as local government reforms and devolving fiscal powers are likely to provide more effective solutions than redesigning the grants system alone.

Figure 2 below summarises how well these grants have navigated the eight problems using a tick, an X and a dash to indicate if each grant substantially resolved, did not resolve, and partially resolved or has limited generalisable lessons for managing grants.

Figure 2: Each of the below grants have dealt with some, but not all, of the problems with the grants system successful

	Consolidation	Timescales	Allocation		Management and accountability			
	Fragmented and complex funding streams	Short termism and churn of grants	Lack of national strategy	Reliance on competition	Centralised decision-making	Fragmented local government structures	Local government accountability	Local government capacity
Local Growth Fund	✓	–	✗	✗	–	–	✗	✗
UK Shared Prosperity Fund	–	–	✗	✓	✓	–	✓	–
City Region Sustainable Transport Settlement	–	✓	✓	✓	✓	✓	–	–

Local Growth Fund

The Local Growth Fund was launched in response to Michael Heseltine's 2012 report, No Stone Unturned, and ran from 2015 to 2021.[28] It was guided by his recommendations to create a single pot of funding for economic development allocated to Local Enterprise Partnerships (LEPs) on a competitive basis.

Consolidation

Fragmented and complex funding streams – substantially resolved: The Local Growth Fund successfully simplified funding, by pooling a large number of

28 Heseltine, M (2012), No Stone Unturned in Pursuit of Growth, UK Government, London: The Stationery Office

grants together into one pot. But this pot was not entirely free of ring-fencing. The individual growth deals included funds that had already been committed, with 20 per cent of the funds under the first tranche already pre-committed to transport bodies.[29] In three LEPs, more than half of their first allocation was pre-committed.

Timescales

Short termism and churn of grants – partially resolved: Once each place's deal was struck with the Government, the single pot successfully provided funding certainty over the five-years it ran, but it was then wound-up, reintroducing the problems of churn and fragmentation of pots once it ended. LEPs also reported feeling under pressure to spend funds according to central government's preferred timeline, or risk being allocated less funding in the competitive process, and so put forward plans with more 'shovel-ready' projects rather than the best ones.[30]

Allocation

Lack of national strategy guiding allocation – did not resolve: One of the criteria assessed during the competitive process was whether the plan had regard to the national growth strategy, but this was only a number of criteria which determined how bids were assessed.[31]

Reliance on competition – did not resolve: Competition underpinned the allocation process for the Local Growth Fund. LEPs drafted and submitted local plans to the central government which were then negotiated, but ultimately the central government decided on the allocation based on which plans they assessed were best.

Management and accountability

Centralised decision making – partially resolved: The LEPS drafted their own plans, but as funds were allocated competitively, decision-making was still relatively centralised. Central government determined how much of the pot to allocate to each LEP, and LEPs tailored their plans to appeal to central government.

Fragmented local government – partially resolved: The funds were awarded to the newly-created LEPs, which were partnerships between local authorities and business whose geographies were intended to reflect functional economic areas. However, some local authorities were in more than one LEP which fragmented decision-making and weakened accountability for economic outcomes in that area.

Local government accountability – did not resolve: The LEPs did not have appropriate accountability mechanisms over their spending to either the

29 National Audit Office (2016), Local Enterprise Partnerships, London: House of Commons
30 National Audit Office (2016), Local Enterprise Partnerships, London: House of Commons
31 UK Government (2013), Growth Deals: Initial Guidance for Local Enterprise Partnerships, source: http://web.archive.org/web/20220301165851/https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/224776/13-1056-growth-deals-initial-guidance-for-local-enterprise-partnerships.pdf

electorate, or to central government. Because LEPs were not elected bodies, but rather boards that included both local government and business leaders, they were not 'downwardly' accountable to the electorate. The result was that they were often not publicly transparent in their decision-making.[32]

Instead, the Government intended to hold LEPs accountable to their investment plans, as their annual funding was conditional on them reporting on milestones, outputs and outcomes. Payments to the LEPs could be withheld or staggered if they were failing or struggling to reach project delivery milestones.[33]

However, this didn't work particularly well in practice. The Government's oversight of the Local Growth Fund was intentionally 'light touch',[34] instead relying on assurance frameworks and other internal accountability frameworks that many LEPs did not have in place when the fund was launched.[35] This resulted in some LEPs having substantial failures of internal governance, such as the Greater Cambridge and Greater Peterborough LEP which was wound-up following a government review that determined it did not comply with national assurance frameworks.[36]

Local government capacity – did not resolve: The local growth fund did not sufficiently resolve issues around capacity, as LEPs were under-resourced as institutions.[37] LEPs were heavily reliant on staffing from local authorities to function, with 69 per cent of LEPs reporting they did not have sufficient staff to fulfil their roles.[38] This meant they struggled to deliver on their plans, resulting in an underspend of £1.1 billion of the £12 billion committed by 2017/18.[39]

UK Shared Prosperity fund

The UK shared Prosperity Fund (UKSPF) is intended to help replace EU structural funds from 2022 by allocating £2.6 billion of funding across a three-year period – targeting three investment priorities: community and place, supporting local business, and people and skills.[40]

Consolidation

Fragmented and complex funding streams – partially resolved: The UKSPF covers three policy areas, but includes some internal ringfencing of funding for adult skills (the "Multiply" programme) and does not cover a lot of policy areas that are important for economic development.

32 National Audit Office (2016), Local Enterprise Partnerships, London: House of Commons
33 National Audit Office NAO (2019), Local Enterprise Partnerships: an update on progress, London: House of Commons
34 National Audit Office (2016), Local Enterprise Partnerships, London: House of Commons
35 National Audit Office (2016), Local Enterprise Partnerships, London: House of Commons
36 National Audit Office (2017) Investigation into the Governance of Greater Cambridge and Greater Peterborough Local Enterprise Partnership, London: House of Commons
37 Public Accounts Committee (2019), Local Enterprise Partnerships: progress review, source: http://www.publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/1754/175406.htm#_idTextAnchor005
38 National Audit Office (2016), Local Enterprise Partnerships, London: House of Commons
39 Public Accounts Committee (2019), Local Enterprise Partnerships: progress review, source: http://www.publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/1754/175406.htm#_idTextAnchor005
40 UK Government (2022), UK Shared Prosperity Fund: prospectus, source: https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus

Timescales

Short termism and churn of grants – partially resolved: A three-year funding settlement is better than many grants, but shorter than the EU funds that preceded it (seven years) or the Local Growth Deals (five years), making it difficult to deliver longer-term interventions like infrastructure investment.[41] Local authorities also face some spending restrictions between years. For example, most spending on the people and skills priority could initially only take place from 2024/2025.[42] This restriction was later relaxed but by this point many local authorities had already committed to plans.[43]

The actual timeline for the UKSPF has also been squeezed substantially by delays to the launch date, leading to local authorities having to roll forward their plans and spending to the next financial year.[44]

Allocation

Lack of national strategy – did not resolve: The formula which determines how the UKSPF is allocated is not underpinned by any clear strategy for national growth. Instead, the Government has decided to reproduce the same distribution across regions – and to Scotland, Wales and Northern Ireland – as the EU funds it is replacing. This gave more funding to regions with lower productivity than the EU average – an approach which does not cohere with the approach set out in the Levelling Up White paper.[45]

Within those regions, the funding will be allocated across local authorities based on mostly on population, but also based on deprivation.[46]

Reliance on competition – substantially resolved: The grant is not allocated competitively, instead using a formula to determine how much funding a local authority should receive.

Management and accountability

Centralised decision-making – substantially resolved: Local authorities

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41 Cable V, Secretary of State for Business, Innovation and Skills (April 2014), Letter: European Regional Development Fund and European Social Fund: UK allocations 2014 to 2020, Department for Business Innovation and Skills, source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/307492/bis-14-772-uk-allocations-eu-structural-funds-2014-2020-letter.pdf

42 UK Government (2022), UK Shared Prosperity Fund: prospectus, source: https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus

43 Kenyon M (2023), DLUHC lifts restriction on UKSPF skills spending, Local Government Chronicle, source: https://www.lgcplus.com/politics/devolution-and-economic-growth/dluhc-lifts-restriction-on-ukspf-skills-spending-24-03-2023/#:~:text=The%20Department%20for%20Levelling%20Up,2023%20instead%20of%20April%202024

44 Local government Association (2022), LGA: Councils call for urgent clarity on the future of the UK Shared Prosperity Fund, source: https://www.local.gov.uk/about/news/lga-councils-call-urgent-clarity-future-uk-shared-prosperity-fund; Local Government Chronicle (2023) DLUHC: Unspent UKSPF allocations can be rolled over to next year, source: https://www.lgcplus.com/politics/devolution-and-economic-growth/dluhc-unspent-ukspf-allocations-can-be-rolled-over-to-next-year-24-01-2023/

45 UK Government (2022), UK Shared Prosperity Fund allocations: methodology note, source: https://www.gov.uk/government/publications/uk-shared-prosperity-fund-allocations-methodology/uk-shared-prosperity-fund-allocations-methodology-note

46 UK Government (2013), Methodology for calculating ERDF/ESF allocations to LEPs for 2014-2020, source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/232411/bis-foi-13-0830--erdf-and-esf-allocations-to-leps.pdf

are broadly free to determine how best to spend their allocation within the three priorities, with some restrictions.

The Multiply budget for each area has already been allocated based on skill levels, and the 'core UKSPF' funds will then top up an area's total allocation until it reaches their share allocated according to the allocation above.[47] This means that places with lower skill levels have a higher share of their funds already earmarked for skills.

Fragmented local government – partially resolved: A single 'delivering' local authority exists in most areas for the UKSPF; the MCAs, the Greater London Authority, and unitary authorities. However, in two-tier areas, the lower-tier district authorities will deliver the 'core' UKSPF, while the 'Multiply' funding will go to the upper-tier county councils.[48] As mentioned above, this differs from the Community Renewal Fund, which considered upper tier councils the lead authorities.[49]

Local government accountability – substantially resolved: The UKSPF includes additional monitoring and 'upward' accountability mechanisms between the local authorities and central government which provide more oversight of spending decisions and implementation progress. As the fund has only launched recently, it is not clear yet how effective these systems will be in practice but they in theory should ensure that local authorities have the flexibility to determine their own local policies but are accountable for delivering them.

Central government has an overview of the local authorities' intentions with the funding, as they must submit investment plans to be agreed with central government before grants are dispersed, which outline how they intend to use the funding, which interventions and outputs they are prioritising, the spending profile for the three years of the plan, and which wider outcomes and indicators that the local authority wants to improve. Central government can then hold the local authorities to account to implement their plans as the local authorities then must report on their progress to central government on a six-month basis,[50] and central government can withhold next year's grant disbursement relating to a project if the local authority is failing to progress it.

The interventions should be logically linked to the problems local authorities identify in their areas, as central government has prepared a menu of outcomes and linked interventions to help local authorities select suitable interventions. Local authorities can also propose bespoke interventions if they choose, which central government will assess to ensure they link local context, outcomes and outputs with clear logic chains or a theory of change.

47 UK Government (2022), UK Shared Prosperity Fund allocations: methodology note, source: https://www.gov.uk/government/publications/uk-shared-prosperity-fund-allocations-methodology/uk-shared-prosperity-fund-allocations-methodology-note

48 UK Government (2022), UK Shared Prosperity Fund: prospectus, source: https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus

49 UK Government (2021), UK Community Renewal Fund Prospectus 2021-22, source: https://www.gov.uk/government/publications/uk-community-renewal-fund-prospectus/uk-community-renewal-fund-prospectus-2021-22

50 UK Government (2022), UK Shared Prosperity Fund: prospectus, source: https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus

Local government capacity – partially resolved: Local authorities can also spend up to 4 per cent of the fund on building capacity to manage the fund, and were granted between £20,000 and £40,000 each to help develop their investment plans.[51] Additional capacity boosting resources are positive, but providing it as part of relatively short-term grant means local government doesn't have the certainty to retain as much capacity and institutional knowledge as would be possible with longer-term resources.

City Region Sustainable Transport Settlement

The City Region Sustainable Transport Settlements (CRSTS) are devolved grants which run in five-year rounds, provided to the eight city region, mayoral-led combined authorities (MCAs). The first round of the CRSTS is worth £5.7 billion and runs from 2022 to 2027, with a second round worth £8.8 billion – announced in the 2023 spring budget[52] – running from 2027 to 2031. It aims to help simplify the grant system and give city regions more flexibility in deciding their own transport priorities.

Consolidation

Fragmented and complex funding streams – partially resolved: The CRSTS helps simplify transport funding by bringing together different grants, like the Integrated Transport Block (ITB) and Highways Maintenance grant into one grant. As the name suggests, the CSRTS is limited to transport funding and other policy areas important for economic growth remain separate.

Timescales

Short termism and churn of grants – substantially resolved: The initial five-year time scale gave the city regions greater certainty over the resources available to them in the medium term, which has been improved further with the announcement in 2023 of a second five-year round, beginning in 2027.

Allocation

Reliance on competition – substantially resolved: The grant included some bidding for funding, as each MCA was given an individual 'bidding range' but this range included a minimum amount of funding each MCA would receive so long as the bids met a minimum standard set by central government.[53]

Lack of national strategy – substantially resolved: The funding is strategically allocated and underpinned by the 2020 National Infrastructure Strategy,[54] with each MCA bidding range's informed by the National Infrastructure

51 UK Government (2022), UK Shared Prosperity Fund: prospectus, source: https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus

52 UK Government (2023), Spring Budget 2023, source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1144441/Web_accessible_Budget_2023.pdf

53 UK Government (2021), City Region Sustainable Transport Settlement: guidance for mayoral combined authorities, source: https://www.gov.uk/government/publications/city-region-sustainable-transport-settlements-developing-proposals/city-region-sustainable-transport-settlements-guidance-for-mayoral-combined-authorities#allocation-process

54 UK Government (2020), National Infrastructure Strategy, London: The Stationery Office

Commission recommendation on growth-focused funding.[55]

Management and accountability

Decentralised decision making – substantially resolved: The CRSTS is a devolved fund which allows the MCAs to broadly decide what to spend the funding on, so long as their plans meet the minimum standard.

Fragmented local government – substantially resolved: Rather than being split between tiers in the areas it operates, the grant is only available to MCAs, which were established specifically to provide transport and economic policies and have geographies that broadly reflect the area their local economy operates over.

Local government accountability – partially resolved: The CRSTS relies on the stronger and clearer executive accountability of the directly elected, mayoral-led combined authority model to allow the electorate to hold the local authority executive to account, rather than this being done by central government.[56] The Government will publish details of the funding, outputs agreed, and progress towards delivery in order to better inform the public of the projects' progression. This local electoral accountability is welcome, but is not an effective arrangement for managing grants in places without the mayoral-led combined authority model.

As is standard for transport investments, 15 to 20 per cent of the project must be funded with local contributions.[57] This encourages local authorities to carefully consider how best to use the capital funds available but also may not be a solution for managing grants elsewhere, as for many smaller local authorities the match funding would be unaffordable.[58]

Local government capacity – partially resolved: The CRSTS is accompanied by funding to boost the MCAs' internal capacity to manage transport projects, which is worth roughly one per cent of each MCA's allocation.[59] The 5-year rounds, and the Government's early commitment to a second round of funding provides more certainty for local government to build and retain the capacity needed to deliver this fund.

55 UK Government (2021), City Region Sustainable Transport Settlement: guidance for mayoral combined authorities, source: https://www.gov.uk/government/publications/city-region-sustainable-transport-settlements-developing-proposals/city-region-sustainable-transport-settlements-guidance-for-mayoral-combined-authorities#allocation-process

56 UK Government (2021), City Region Sustainable Transport Settlement: guidance for mayoral combined authorities, source: https://www.gov.uk/government/publications/city-region-sustainable-transport-settlements-developing-proposals/city-region-sustainable-transport-settlements-guidance-for-mayoral-combined-authorities#allocation-process

57 UK Government (2021), City Region Sustainable Transport Settlement: guidance for mayoral combined authorities, source: https://www.gov.uk/government/publications/city-region-sustainable-transport-settlements-developing-proposals/city-region-sustainable-transport-settlements-guidance-for-mayoral-combined-authorities#allocation-process

58 Midlands Connect, National Infrastructure Commission (2022), Response to second national infrastructure assessment, source: https://nic.org.uk/app/uploads/Midlands-Connect-response-to-NIC-2nd-infrastructure-assessment-Feb-2022.pdf

59 UK Government (2021), City Region Sustainable Transport Settlement: guidance for mayoral combined authorities, source: https://www.gov.uk/government/publications/city-region-sustainable-transport-settlements-developing-proposals/city-region-sustainable-transport-settlements-guidance-for-mayoral-combined-authorities#allocation-process

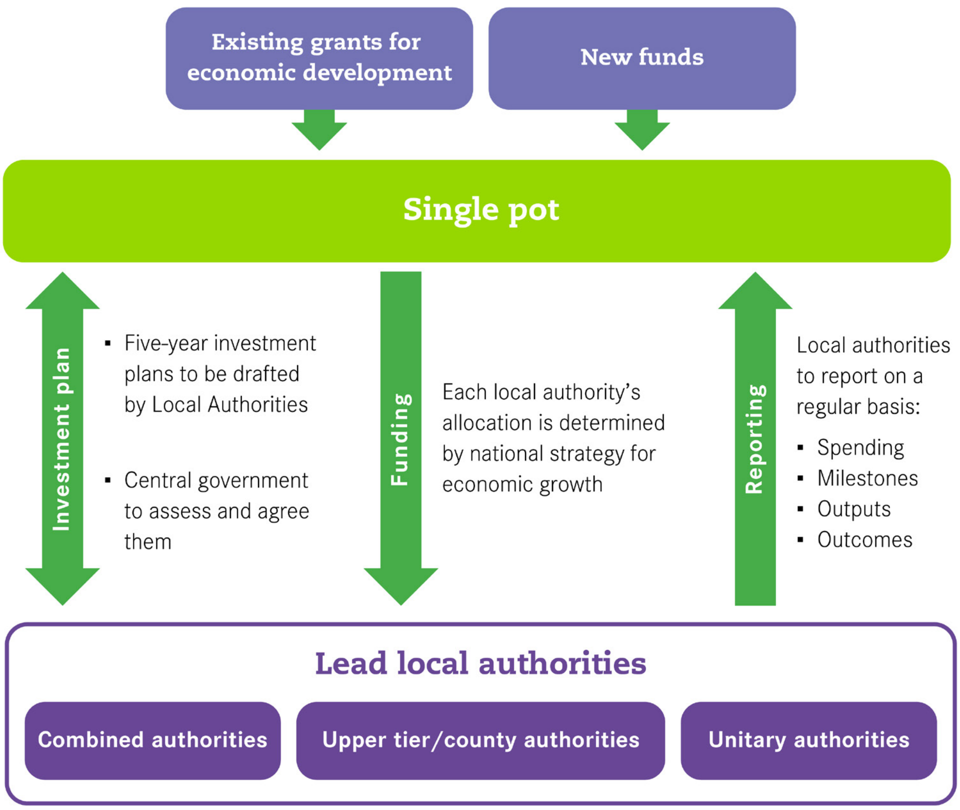
What needs to change

Based on the lessons from the examples above, Figure 3 sets out how the Government should deliver on its commitment in the Levelling Up White Paper to simplify the grants system for local economic policies in a world without wider local government reorganisation and fiscal devolution. A streamlined grants system alone cannot solve all the problems outlined in Section 1, but can still significantly improve upon the status quo.

The proposals in Figure 3 set out to improve the grants system through consolidation, long-term timescales, strategic allocation, and clear management and accountability.

- **Consolidate:** Create a single pot of funding for economic development.
- **Long-term timescales:** Commit funds in rolling five-year rounds to increase certainty over funding and reduce the churn of grants.
- **Allocate:** Allocate the funding non-competitively based on a national strategy that devolves decisions over what the funding is spent on to local government.
- **Management and accountability:** The top-tier of local government should be the lead authority for each place that receives funding; combined authorities, unitary authorities, upper-tier county authorities and the Greater London Authority. The lead authorities should draft investment plans, report on their progress and are accountable for their delivery.

Figure 3: How a single pot could be formed and managed



Consolidate:

Create a single pot for economic development

The Government should:

- Create a single pot of funding for local economic development which does not have internal ring-fences directing grants to specific programmes or policy-areas. The only ringfence should be to set a minimum amount of capital spending, to ensure spending is appropriately financed and adheres to current expenditure limits, but with local government able to use the remaining funding as either revenue or capital expenditure.[60]
- Assess existing grants to local authorities to consider which have the objective of facilitating economic development, and include them in this single pot. Grants with other objectives should continue to operate separately. Michael Heseltine's 'No Stone Unturned' report previously outlined an example of the grants that could be included in a single pot.[61]

Grants with already committed spending should continue to operate separately, but future rounds of funding that otherwise would have come under those grants should instead be folded into the single pot. This may mean the pot cannot be launched immediately without the Government providing additional funding.

Consolidating grants will make the grants system simpler, but the resulting figure may be more or less than what the Government thinks it needs to achieve its strategic objectives. The amount of funding that was needed for 'levelling up' East Germany after German reunification would suggest the single pot needs more funds than consolidation can produce, and the Government will need to find new funds if levelling up is its objective.[62] As an example though, if the single pot was equivalent to the funding from the UKSPF, LUF, City deals and Towns Fund, it would equate to a pot of up to £13 billion.

Long-term timescales:

The pot should be allocated on a rolling five-year basis, with minimal spending restrictions between years. This funding should not be spread evenly across the five-years. Instead, the Government should consult with local authorities in advance to determine roughly what disbursement schedule will allow them to plan to advance their projects at the pace they think is best.

Levelling up is a long-term ambition, as any strategy for economic growth should be, so the Government should commit to its strategy to guide allocations for a

60 UK Government (2022), Consolidated budgeting guidance 2022 to 2023, source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1061788/CBG_2022-23.pdf ; Local Government Association (2018), A councillor's workbook on local government finance, source: https://www.local.gov.uk/sites/default/files/documents/11.107%20A%20Councillor%27s%20Workbook%20on%20Local%20Government%20Finance_v02.pdf

61 Heseltine M (2012), No Stone Unturned in Pursuit of Growth, UK Government, London: The Stationery Office

62 Enenkel K, Rösel F (2022), German Reunification: Lessons from the German approach to closing regional economic divides, London: The Resolution Foundation

minimum of ten-years, or two funding rounds.

Allocate:

Allocate the funding according to a clear national strategy

A strategy is something that makes choices and addresses trade-offs rather than spreading money everywhere.[63] The Government should set the overall focus of the fund, but should do so with a clear, long-term strategy that has a single high-level objective, or small number of closely related, high-level objectives, which are clear and consistent across policy areas. The strategy would then guide how much money is allocated to different places in order to deliver those objectives.

This means there will be some parts of the country that are given more money than other areas. A critique of the Levelling Up Fund allocations was that some places did not get funding, and it was unclear why. In this instance, it is the lack of clarity that is the problem, not that some places didn't receive an allocation.

Management:

The top tier of local authorities should lead the investment plans

Funding should be given to the authority best placed to take decisions over the whole of the local economy. Combined authorities' boundaries broadly match the economic geographies of their areas, and they were established specifically to implement transport and economic policy so it is a straightforward decision to allocate funding to them where they exist.[64] Elsewhere, the lead authorities should either be unitary or upper tier authorities. As upper tier authorities cover wider geographies, they are more likely to reflect functional economic geographies and will be better able to coordinate with the relevant stakeholders within it, such as the lower tier district councils. Though lower-tier districts and upper-tier counties split responsibility for economic development in two-tier areas,[65] splitting the funding allocation across tiers would fragment the pot and implicitly create ring-fences, as the different tiers are responsible for different policy areas.

Build local government capacity

Local government should be provided with funding to build their internal capacity to deliver their economic policies. The amount of funding required will depend on the scale of the investments local authorities must manage, and current capacity (which differs across types of local authorities), but it should be enough so that every local authority receiving an allocation can manage its projects, assess local barriers to growth, develop policy and evaluate the impact of past interventions.

This means funding will need to be made available in advance of the drafting

63 Rummelt R (2011), Good Strategy/Bad Strategy: The Difference and Why It Matters, New York: Crown Business
64 Sandford M (2019), Combined authorities, London: House of Commons Library
65 Sandford M (2022), Local government in England: structures, House of Commons Library, London: House of Commons

of the investment plans, during the five-year rounds, and after their plans are delivered. Capacity funding can be provided by enabling local authorities to use up to a certain share or amount of their grant allocation on internal capacity. If local authorities decide they do not need to use all of this share for capacity, they can use it instead for the projects in their investment plans.

In addition, a clear commitment to future rounds of funding from the Government will be an essential signal to local authorities that they should retain and improve the capacity they develop.

Accountability:

Require coherent investment plans from local government

To get access to their single pot allocation, the lead local authority should create five-year investment plans which include:

1. A concise evidence-based outline of their plan to deliver the strategic objective or objectives set by central government.
2. Specific interventions and projects intended.
3. Spending and milestones associated with each intervention.
4. Outputs each intervention is expected to produce.
5. Outcomes/indicators that the outputs are intended to impact.

Delivering on these investment plans will require the input and cooperation of other local stakeholders, and therefore by definition the drafting of these plans will require the lead local authorities to coordinate and reach agreement with these local stakeholders, such as other tiers of local government.

National government should review these plans to ensure they are underpinned by a clear logic chain, justification or theory of change and that they use an evidence base to identify local barriers to growth. If an investment plan does not meet these conditions, the funding should not be released until the lead local authority produces an investment plan that does. The Government should operate on an assumption that it will accept the plans submitted, and if it does deny any plans it will publish its rationale for doing so that local authorities can adjust their plans if necessary.

Assessing these plans effectively will require central government to earmark sufficient capacity in key departments, which has been a problem for the assessment of bids for other grants recently.[66] Reducing the reliance on competition and moving towards a single pot will cut down on the number of plans and bids that central government must assess overall – it received 834 bids for the first two rounds of the Levelling Up Fund alone – but problems like high staff turnover and vacancies in key departments will need to be resolved.[67]

66 National Audit Office (2022), Supporting Local Economic Growth, London: House of Commons
67 National Audit Office (2022), Supporting Local Economic Growth, London: House of Commons

Combined authorities with trailblazer devolution deals should be the exception to the accountability arrangements outlined above because of the additional accountability arrangements to their local electorate, parliament, and internal audit and scrutiny committees that were announced in their deals. Instead, their allocation under the single pot should be rolled into their multi-year devolved pot. Box 2 discusses this in more detail.

Box 2: Combined authorities with "trailblazer" deals should have their funding rolled into their own devolved pot

For the Greater Manchester and West Midlands mayoral-led combined authorities, their allocations should be folded into their devolved single pot agreed under their "trailblazer" deals in March 2023.

These deals will provide both places with their own single devolved pot determined on a multi-year basis through the spending review process and will give the combined authorities much greater flexibility over how to spend it. The deals also build in further accountability of the combined authority's decisions through local and parliamentary scrutiny, rather than relying on additional mechanisms built into different grants.

As part of this increased scrutiny, the combined authorities will be required to publish certain metrics and details under a 'single reporting framework' – the exact details of which the Government is yet to publish.[68] But the Government must ensure that the reporting requirements enable at a minimum the comparison of interventions, outputs and outcomes between devolved areas and other places.

Local authorities must report on progress

To build accountability into the system, which could be policed by the newly-established Office for Local Government:

- Local government should report monitoring data on the milestones, spending, outputs and outcomes/indicators to central government on an annual basis, and these metrics should be made publicly available.
- Central government should be able to withhold the future funding disbursements for projects that local authorities are unable to progress, following engagement with the local government to try get the project back on track.
- Central government should be able to reduce the funding made available in the next five-year round to any places that were unable to deliver their investment plans.

68 UK Government, Greater Manchester Combined Authority (2023), Greater Manchester Combined Authority Trailblazer deeper devolution deal, London: The Stationery Office; UK Government, West Midlands Combined Authority (2023), West Midlands Combined Authority Trailblazer deeper devolution deal, London: The Stationery Office

If a project fails to progress according to plan, the Government should first support local authorities to help them get their projects back on track and consider changes to the investment plans that the local authorities propose that would allow them to advance their projects before withholding funding.

Evaluate interventions to build an understanding of what works

The Government, both central and local, should evaluate the impact of the interventions wherever possible, and begin planning early to do so, in line with What Works Centre for Local Economic Growth and the Government's Magenta Book recommendations.[69] This means prioritising the policy areas where there are the largest gaps in understanding for robust impact evaluations.[70] Conducting these evaluations at the local level will often require additional resources, capacity, and incentives which the new Office for Local Government could play role in providing.[71]

Allocating the £13 billion pot for local economic growth

The single pot outlined in Section 3 would streamline the grants system, but if it is to facilitate local and national economic growth, the national strategy for growth which underpins it will need to be clear and evidence based. This section outlines how an example single pot of £13 billion (the sum of the UKSPF, LUF, City deals and Towns Fund) could be allocated in line with the strategic objective of the Levelling Up White Paper to reduce disparities between places in the UK.

The strategic objective of the single pot should be **to help each place in the UK reach its own productivity potential.** Crucially, this potential varies from place to place because places play different roles in the economy. Because of the inherent advantages they offer to businesses (e.g. larger pools of workers, more businesses to interact with), big cities have higher potentials then deep rural areas for example.

Box 3: Methodology for allocating the single pot

Centre for Cities research has calculated the productivity gap for the Britain's largest labour markets – identified using the Britain's 62 Primary Urban Areas (PUAs) – by plotting the size of their labour markets against their productivity, measured by GDP per worker in 2018.[72] For the places with GDP per worker less than the trendline would indicate, their distance

69 What works centre for local economic growth (2022), An 8-step guide to better evaluation, source: https://whatworksgrowth.org/resource-library/8-step-evaluation-guide/; UK Government (2020) Central Government guidance on evaluation, source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/879438/HMT_Magenta_Book.pdf

70 National Audit Office (2022), Supporting Local Economic Growth, London: House of Commons

71 Brett-Harding, W (2023), why we need to be levelling up local evaluation, what works centre for local economic growth, source: https://whatworksgrowth.org/insights/why-we-need-to-be-levelling-up-local-evaluation/

72 Methodology for calculating productivity potential explained in further detail in Swinney P (2020) Why big cities are crucial to 'levelling up', London: Centre for Cities

from the trendline is their productivity gap.

For smaller labour markets outside of these 62 PUAs, it is assumed that each worker has a productivity potential roughly equal to a worker in the urban labour market that the model estimates has the lowest productivity potential – such as Barnsley.

A place's productivity gap, multiplied by its number of workers, generates the place's output gap.

As the geographies of the PUAs frequently do not match local authority boundaries, the output gap of each PUA may need to be divided across multiple authorities. Fifty per cent of a PUA's output gap is allocated across its unitary or district-level local authorities based on their respective share of the PUA's resident working age population, and 50 per cent allocated based on each unitary or district's share of the PUA's employment. This is intended to ensure that both the places in a local economy where the businesses are located and where their workers live receive funding.

Each local authority's share of the output gap is then assigned to its top-tier 'lead' authority - whether that is itself as a unitary authority, an upper-tier authority, or a combined authority, and each lead authority is allocated a share of the £13 billion funding pot equivalent to their share of the output gap.

A minimum threshold is set so that small amounts of funding are not allocated that would have little impact but still require resources to manage. For this example, allocations below £5 million have been redistributed to other local authorities.

The problem in the UK is that, unlike in most other countries in western Europe, most of its largest cities outside of London are quite some distance from their potentials. The underperformance of the eight largest cities outside of London and Bristol is responsible for £47 billion of the UK's £88 billion national output gap (see Box 3 for methodology) – more than half of this overall underperformance.[73]

To address this, the allocation of the single pot should be driven by the size of the output gap that exists in different places, shown in Table 1. Of the 136 top tier local authorities covering each place in Britain, 84 are below their productivity potential, and 80 of those have an output gap large enough to receive more than the £5 million threshold. The allocation to these 80 authorities is skewed to the four combined authorities of Greater Manchester, West Midlands, West Yorkshire, and South Yorkshire along with Glasgow City Council. They would receive just under half of the total funding available (£6.5 billion over five years) because together they make up 49 per cent of the national output gap.

73 Swinney P (2020), Why big cities are crucial to 'levelling up', London: Centre for Cities

Table 1: Indicative allocation of a £13.3 billion fund according to a strategy to narrow places' productivity gaps

Local Government Type	Recipient Local Government	Output gap, 2018 (£m)	Share of national output gap (%)	Allocation of £13.3bn pot (£m)
Combined Authority	Greater Manchester Combined Authority	16,128	18.2	2,428
Combined Authority	West Midlands Combined Authority	10,599	12.0	1,595
Combined Authority	West Yorkshire Combined Authority	5,650	6.4	850
Combined Authority	South Yorkshire Combined Authority	5,305	6.0	799
Unitary	Glasgow City	5,211	5.9	784
Combined Authority	North of Tyne Combined Authority	3,200	3.6	482
Combined Authority	Liverpool City Region Combined Authority	2,764	3.1	416
County	Nottinghamshire	2,164	2.4	326
Combined Authority	North East Combined Authority	1,806	2.0	272
Unitary	Renfrewshire	1,198	1.4	180
Unitary	Nottingham	1,134	1.3	171
County	Derbyshire	1,074	1.2	162
Unitary	Leicester	1,062	1.2	160
County	Oxfordshire	1,038	1.2	156
County	Norfolk	1,010	1.1	152
County	North Yorkshire	913	1.0	137
County	Essex	835	0.9	126
County	Devon	817	0.9	123
Unitary	Plymouth	806	0.9	121
County	Cumbria	802	0.9	121
County	Somerset	801	0.9	121
Unitary	Powys	781	0.9	118
Unitary	Kingston upon Hull, City of	759	0.9	114
Unitary	Newport	745	0.8	112
Unitary	Cardiff	729	0.8	110

Unitary	Bournemouth, Christchurch and Poole	663	0.8	100
Unitary	Derby	662	0.7	100
Unitary	Swansea	661	0.7	100
Unitary	Cornwall	659	0.7	99
Unitary	Blackburn with Darwen	654	0.7	98
County	Gloucestershire	610	0.7	92
Unitary	Southend-on-Sea	610	0.7	92
Unitary	Warrington	556	0.6	84
County	Staffordshire	535	0.6	81
County	Lincolnshire	529	0.6	80
Unitary	East Dunbartonshire	522	0.6	79
County	Hampshire	514	0.6	77
Unitary	Herefordshire, County of	494	0.6	74
County	Leicestershire	490	0.6	74
Combined Authority	West of England Combined Authority	489	0.6	74
Unitary	Dundee City	484	0.5	73
Unitary	Carmarthenshire	472	0.5	71
Unitary	East Renfrewshire	453	0.5	68
Unitary	West Northamptonshire	440	0.5	66
County	East Sussex	433	0.5	65
Unitary	Portsmouth	429	0.5	65
Unitary	North East Lincolnshire	425	0.5	64
Unitary	East Ayrshire	424	0.5	64
Unitary	Blackpool	409	0.5	62
County	Lancashire	399	0.5	60
Unitary	Denbighshire	393	0.4	59
Unitary	Torfaen	387	0.4	58
Unitary	Dumfries and Galloway	386	0.4	58
County	Hertfordshire	378	0.4	57
Combined Authority	Tees Valley Combined Authority	368	0.4	56
Unitary	Torbay	361	0.4	54
Unitary	South Ayrshire	357	0.4	54
Unitary	Flintshire	353	0.4	53
County	Worcestershire	349	0.4	53
Unitary	Gwynedd	342	0.4	51

Unitary	Neath Port Talbot	332	0.4	50
Unitary	Conwy	332	0.4	50
Unitary	Rhondda Cynon Taf	320	0.4	48
Unitary	South Lanarkshire	303	0.3	46
Unitary	Stoke-on-Trent	259	0.3	39
County	Warwickshire	258	0.3	39
County	Kent	245	0.3	37
Unitary	Isle of Wight	234	0.3	35
Unitary	Na h-Eileanan Siar	226	0.3	34
Unitary	Ceredigion	223	0.3	34
Unitary	Inverclyde	222	0.3	33
Unitary	Scottish Borders	221	0.3	33
Unitary	Shropshire	175	0.2	26
County	West Sussex	77	0.1	12
Unitary	Telford and Wrekin	77	0.1	12
Unitary	Isle of Anglesey	76	0.1	12
Unitary	Merthyr Tydfil	75	0.1	11
Combined Authority	Cambridgeshire and Peterborough Combined Authority	72	0.1	11
Unitary	Shetland Islands	59	0.1	9
Unitary	Argyll and Bute	57	0.1	9

*Northern Ireland not included due to data limitations

In contrast to the allocation in Table 1 above, if the Government instead 'jam-spread' the single pot across local authorities on a per capita basis (i.e. not guided by a growth-orientated strategy) then every place would get funding worth approximately £205 per person. Under this approach, Greater Manchester would receive an allocation of £581 million, less than a quarter of what it would receive in the allocation in Table 1. Kent by comparison would receive £324 million in the case of a per capita allocation, nearly nine times more than its allocation in Table 1. While such an allocation may be perceived as 'fairer', it does little to address the strategic economic objectives that the Government has set out in both the Levelling Up White Paper and in the Spring Budget of this year.

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