"LEVELLING UP" AND THE ROLE OF CITIES IN THE RECOVERY PROCESS IN UNITED KINGDOM[1]

COVID-19 exacerbated significant territorial inequalities in United Kingdom (UK). Cities with concentrations of low-paid jobs, tourist resorts and town centres have suffered the most. Recovery responses in cities draw on a "Levelling Up" agenda, combining existing "deal-based" instruments, capital investment programmes and remaining European Union (EU) funds. These have strengthened strategic coordination and capacity but reliance on centrally controlled competitive funding is a constraint. Institutional and policy flux and uncertainty over replacements for EU Cohesion Policy are concerns.

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UK policy context: institutional complexity

The UK's complex institutional arrangements framed the policy responses to the pandemic. These combine: centralised, UK-wide policy competences (which include economic development interventions at city authority level within the devolved nations); a unitary system in England, nationally managed but with a role for local entities (including city authorities); and, devolved competences in Scotland, Wales & Northern Ireland.

Initial priority was placed on UK-wide emergency responses set by central government. Local and city authorities played a crucial implementation role but coordination was uneven. The immediate health and economic effects of the COVID-19 pandemic were severe. In 2020, the economy shrunk by 20.4%, its deepest recession on record. The government response included:

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health and social care measures, testing and vaccine development, public services; direct support to individuals or households (including a £70bn Job Retention Scheme); and, support for businesses. Central–local coordination varied. The government's Test and Trace programme was criticised for a centralised approach that lacked coherence and left implementation gaps to be filled locally. In contrast, the vaccine rollout used local knowledge and networks, supporting a more efficient process.

The urban dimension of the pandemic

Impacts: exacerbating substantial territorial disparities

The pandemic magnified long-term socio-economic disparities at local level and, along with the Brexit process, exacerbated long-standing structural challenges and large territorial disparities. Persistent and significant inequalities in productivity, pay, skills and health, particularly at local levels, have all been worsened by COVID. For urban areas, a key issue is the impact of deprivation and the geographical differences in pandemic effects. Large cities suffered outbreaks and death rates significantly worse than rural areas, with a disproportionate number of deaths in Manchester, Birmingham and Liverpool. Local labour market inequalities were aggravated, especially in deprived cities with industrial legacies and concentrations of workers in low-paid service sector jobs (McCurdy, 2020), and coastal towns associated with tourism. Recovery has been fastest outside large cities, in commuter towns and affluent semi-countryside conurbations, and strongest in areas with robust business, education and heritage centres. Moreover, local authorities have suffered cuts in central government funding over many years. During the pandemic, urban areas were particularly affected, as income was lost from commercial properties, parking charges, public transport ticketing, etc.

Measures: deals, investment, ERDF & "Levelling Up"

Beyond the immediate crisis response, recovery measures comprise new and existing initiatives, some with explicit territorial dimensions. Relevant from the perspective of cities are existing "deal-based" mechanisms between central government and cities. Recent years have seen the devolution of some powers and resources to functional urban areas, including the introduction of directly elected mayors (in England) and combined local authorities covering city-regions. This generated different types of agreement between central government, city authorities and other partners – City Deals, Growth Deals and Devolution Deals. Arrangements are negotiated separately based on local proposals, but all include devolved responsibility for delivery of aspects of infrastructure, business, jobs support, and so on.

These "deal-based" measures were adapted in response to the pandemic. In England, Devolution Deals were extended to areas outside metropolitan city-regions. Investment in City and Growth Deals accelerated, including in the devolved administrations, with city authorities drawing down funding more frequently, speeding up project development.

Capital investment in local infrastructure, including town centre and high street regeneration, has been a priority. In 2020, the government announced a New Deal for Britain, followed by the launch of a Plan for Jobs, focussing on job creation and greening of infrastructure. This included £900 million for local projects in England in 2020–22 (e.g. regeneration of local sites, investment in transport and digital connectivity, technology centres), with funding provided to Mayoral Combined Authorities. The £3.6 billion Towns Fund supports struggling towns across England. An additional 45 Towns Fund recipients were announced in March 2021, with funding to help towns implement a growth strategy for local recovery from COVID-19. A Future High Streets Fund is supporting areas to recover, helping transform underused town centres. Additional funding was provided to the Devolved Administrations. The Scottish government launched a Place Based Investment Programme to support community-led regeneration and town-centre revitalisation.

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EU funds have also played a part, as cities remain prominent beneficiaries. European Regional Development Fund (ERDF) is an important component of spatially focused responses, with urban authorities among the principal recipients. A £56 million Welcome Back Fund with ERDF co-funding was launched in March 2021. Coastal towns were allocated funding to support local councils, boost tourism, improve green spaces and provide more outdoor seating areas. This joined the £50 million Reopening High Streets Safely Fund (May 2020), which allocated funding to local councils on a per capita basis, and the £10 million Kick-starting Tourism Package (July 2020), where extra funding was allocated to areas based on existing ERDF allocations and size of local employment bases linked to accommodation businesses.

The UK's "Levelling Up" agenda is an important part of the recovery response with an explicit territorial dimension. A 2022 White Paper outlines plans to address territorial disparities. Several new funding programmes have been launched, mainly in the form of grant awards to local authorities. The £4.8 billion Levelling Up Fund (LUF) supports local infrastructure projects (transport, regeneration and town centre investment, cultural investment), with funding delivered through local authorities. The LUF is competitive, prioritising places with the "most significant need". The £200 million UK Community Renewal Fund (CRF) supports investment in skills, enterprise and employment. The £2.6 billion UK Shared Prosperity Fund supports investment in communities and place, local businesses, and people and skills. Allocations to local areas have been decided using a formula based on previous Structural Funds receipts with some needs-based adjustments. There are plans for new Freeports and Investment Zones using tax incentives to attract private investment to specific territories, including urban areas.

Involvement of cities: bottom-up impulses & constraints

The pandemic intensified debate on the role of local authorities in development processes. There has been criticism of the centralised, sectoral logic of UK policy governance systems and how this has led to a lack of clarity in thinking through place-based issues. Territorially differentiated pandemic impacts have sharpened this debate.

Deal-based structures provided a channel for centre–local coordination. Understanding new funding streams and working together to draw down funds from central government has helped cities respond to challenges (OECD, 2020). City authorities played an important role distributing support from centrally funded measures. There is evidence that COVID-19 boosted partnership by working through these structures, facilitating collaboration across spatial and sectoral boundaries. Coordination bodies have met more often and new recovery and resilience groups work around city–region structures (Hoole et al., 2021).

Pandemic responses strengthened the focus on local strategy-building, cooperation structures and tools for priority-setting. This includes greater scope to gather and feed data into policy design at local and national level. For example, Liverpool City Region (LCR) launched a Recovery Monitor that gathers data on businesses, economic activity, the labour market and COVID-19 tests. The Monitor provides an integrated resource for the combined local authorities and stakeholders with up-to-date data and insights on LCR's economic recovery. This has informed the city-region's Economic Recovery Plan (McClelland and Mason, 2020).

COVID-19 further prompted local partnerships to become more inclusive, with established partnerships widened to admit new members. In particular, partners from public health are now recognised as key members of city-region strategy partnerships. The move is linked to a broader shift from economic development strategies that prioritised high-growth, high-productivity sectors to "broader and deeper" recovery plans in terms of the communities, industry sectors and jobs they seek to support (Hoole et al., 2021).

However, there is also criticism of these initiatives in terms of local involvement. Even allowing for the three devolved administrations and city-region combined authorities, the UK has limited levels of local governance autonomy. The UK's levels of subnational governance autonomy are no more than one-quarter of those in Germany, and only half of those currently in France and Japan, two other large and formerly highly centralised OECD nations.

THE CURRENT POLITICAL AND FISCAL SITUATION IN UK RAISES QUESTIONS ABOUT THE LEVEL OF DECENTRALISATION AND FUNDING ACCOMPANYING THESE MEASURES.

Deal-based initiatives reflect substantial asymmetries in central–local coordination, especially in England, as well as limits on local discretion. A top-down, centrally managed system prevails. Cities enter into deal-making with varied experience and resources, producing an unbalanced set of agreements across the country with competitive bidding that places funding decisions with central government.

Issues of local administrative capacity to contribute to recovery processes, particularly in deprived areas, have been recognised in the Levelling Up agenda. A portion of CRF is reserved for capacity funding to support places to develop capabilities to maximise the benefits of local investment. This comprises up to £2 million to generate bids for CRF support, available to the lead authorities in each of 100 pre-selected priority locations (based on an index of economic resilience). It also offers up to £14 million additional funding to support preparation for the UK Shared Prosperity Fund, to help build capacity and develop project pipelines. A flat £125,000 is allocated to all eligible local authorities to support developing LUF bids.

Conclusions

Initially, the UK pandemic response was largely non-territorial. Later phases included a focus on local growth projects, town centres and high streets. Cities have played key implementation roles and government funding has included contributions to additional costs. The UK's Levelling Up agenda offers new funding streams and an opportunity to increase city engagement in locally identified strategic projects. Existing capacities and experiences for engagement (around Cohesion Policy funding and city–region deals) have demonstrated value in partnership-based responses. However, there has been significant institutional churn and policy fragmentation over the past decade, disrupting centre–local coordination and constraining local strategic capacity-building (Richards et al., 2022). Deal-based approaches by city-regions and combined local authorities have been criticised for limited transparency, asymmetry and reliance on centrally controlled competitive funding procedures. Following Brexit, the current generation of EU Cohesion Policy programmes will be the last, with the new UK Shared Prosperity Fund badged as replacement funding. Arguably, effective involvement of cities in recovery requires substantial Levelling Up and Shared Prosperity Funds, accompanied by further legislative and financial devolution of powers legislative and financial devolution of powers and capacity-building. However, the current political and fiscal situation raises questions about the level of decentralisation and funding accompanying these measures.

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