HOUSE OF LORDS Library Briefing

Inequalities of region and place
Debate on 14 October 2021

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Date published: 8 October 2021

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On 14 October 2021, the House of Lords is due to debate a motion moved by Lord Liddle (Labour):

> [T]hat this House takes note of the case to produce a (1) coherent, (2) cost effective, and (3) longer-term, regional strategy to tackle inequalities of region and place.

Regional inequalities can be measured through a variety of different metrics, and several studies show that the inequalities within regions can be just as profound as those between different regions. In the UK, marked differences in economic performance, productivity, employment rates, and household income and poverty can be observed across England, Wales, Scotland, and Northern Ireland, and between regions in those nations. When compared with other nations internationally, a recent Institute of Fiscal Studies study ranked the UK as the country with the greatest regional inequality of the 27 countries it examined.

The Government has committed to tackling regional inequality and to supporting disadvantaged or 'left-behind' communities through its 'levelling-up' agenda. It has announced a range of policy measures and funding to support this aim. They include, for example, the levelling-up fund, the community renewal and shared prosperity funds, town funds and county deals, and increased infrastructure and transport investment.

However, the Government has been criticised for a lack of coordination between these initiatives and accused of a lack of clarity about how it will deliver success. These criticisms have been particularly acute in the absence of a promised white paper on levelling up, due by the end of this year, which committees in both Houses have said should be published urgently. Of the funding announcements that have been made, the Government has also faced accusations from the Labour Party that it has prioritised areas based on flawed calculations—and according to political considerations—rather than measures such as deprivation and focusing investment on the poorest areas.

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1. Measuring inequality

There are several different ways of measuring inequality, or the relative performance of one region or nation against another. A selection of these measures is provided below. However, it is also important to note that the differences within regions in terms of economic productivity and household income, for example, can be just as pronounced as the differences between those regions.

1.1 Economic performance

The economic performance of a region can be measured through metrics such as gross domestic product (GDP), GDP per head, and the level of economic growth achieved over recent years. Such analysis is presented below, using data drawn from Office for National Statistics and the House of Commons Library, first by English region and then by UK nation state.

The data reveals significant variations in performance across different regions. For example, GDP per head remains markedly higher in London than other regions in England. Similarly, London's economic growth was almost twice as high as Yorkshire and the Humber and the North West between 2010 and 2019, and over four times that of the North East:

Table 1: Economic statistics, English regions summary comparison, September 2021

	UK	Yorks + Humb	East Mids	West Mids	East of England	London	S.East	S. West	N. East	N. West
Population (2020, millions)	67.1	5.5	4.9	6.0	6.3	9.0	9.2	5.7	2.7	7.4
Total output (GDP) (2019, £billions)	2,214	147	130	164	191	504	327	164	64	213
Total output (GDP) per head (2019, £)	33,151	26,667	26,852	27,574	30,622	56,199	35,631	29,147	24,068	28,993
Economic Growth (GDP), 2010-19* (Annual average real % change)	1.8%	1.6%	1.7%	2.1%	2.1%	3.1%	1.9%	1.5%	0.7%	1.6%
***Forecast economic growth (GVA, real terms)* *2021** (% change on year)	7.4%	7.9%	8.2%	8.1%	7.8%	7.1%	6.9%	6.9%	8.1%	7.6%

	UK	Yorks + Humb	East Mids	West Mids	East of England	London	S.East	S. West	N. East	N. West
Forecast economic growth (GVA, real terms) **2020-30**** (average annual % change)	1.4%	1.2%	1.3%	1.0%	1.3%	1.8%	1.4%	1.3%	1.0%	1.2%

Source: House of Commons Library, *Regional and National Economic Indicators*, 17 September 2021. Please see for full data sources and for further information such as employment figures.

* Forecasts from Oxford Economics (July 2021).

** Annual average growth is a compound average.

The data on UK nations below also indicates that the level of economic growth enjoyed by England over the past 10 years is 0.6 percent greater than either Scotland or Northern Ireland, and 0.4 percent higher than Wales:

Table 2: Economic statistics, UK nations summary comparison, September 2021

	UK	England	Scotland	Wales	N. Ireland
Population (2020, millions)	*67.1*	56.6	5.5	3.2	1.9
Total output (GDP) (2019, £ billions)	*2,214*	1,903	167	78	49
Total output (GDP) per head (2019, £)	*33,151*	33,809	30,560	24,586	25,656
Economic Growth (GDP), 2010-19** (Annual average real % change)	*1.8%*	2.1%	1.5%	1.7%	1.5%
Forecast economic growth (GVA, real terms)* 2021 (% change on year)	7.4%	7.4%	7.6%	7.2%	8.0%
2020-30** (Average annual % change)	*1.4%*	1.4%	1.2%	1.2%	1.2%

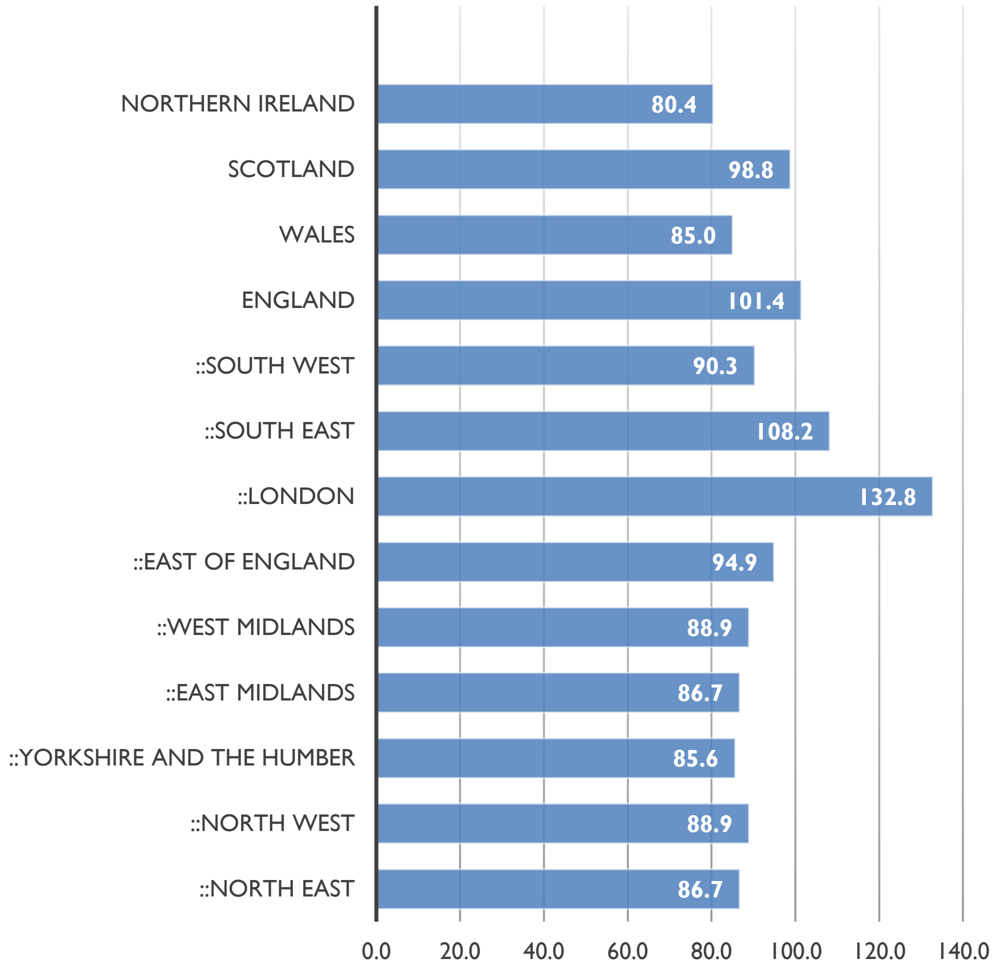
Source: House of Commons Library, *Regional and National Economic Indicators*, 17 September 2021. Please see for full data sources and for further information such as employment figures.

* Forecasts from Oxford Economics (July 2021).
** Annual average growth is a compound average.

1.2 Productivity

The following analysis of productivity between different UK regions indicates that London and the South East remain significantly ahead of the rest of the UK economy when measured in terms of output per hour worked:

Table 3: Productivity measures by region, Output by Hour
Nominal GVA per unit of labour input, 2019 (UK average=100)



Source: Office for National Statistics, '[Annual regional labour productivity]', 7 July 2021.

However, these figures can mask significant differences in productivity within regions. For example, there are significant areas of high productivity in places such as the 'M4 corridor' that may not be mirrored in the wider region.[1]

[1] House of Commons Library, *The Government's Levelling Up Agenda*, 10 September 2021, p 8.

The Office for National Statistics notes that in many cases local authorities with relatively high labour productivity are those with a major manufacturing site (for example, car or aerospace production), a large utilities sector, or a focus on high-skill service sectors. Meanwhile, local authorities with the lowest productivity are typically in more rural or geographically isolated locations.

1.3 Employment

The Office for National Statistics publishes regular data on levels of employment and unemployment across the regions of the UK. According to the latest release from September 2021, for the three months ending July 2021 the highest UK employment rate was in the East of England (78.7%) and the lowest was in Northern Ireland (71.2%). In contrast, the highest unemployment rate estimate in the UK was in London (6.0%) and the lowest was in the South West (3.3%). However, Wales and Northern Ireland saw the highest increases in unemployment compared to the previous year:

Table 4: Summary of latest headline estimates and quarterly changes, regions of the UK, seasonally adjusted, May to July 2021

	Employment rate (%) aged 16 to 64 years	Change on February to April 2021	Unemployment rate (%) aged 16 years and over	Change on February to April 2021	Inactivity rate (%) aged 16 to 64 years	Change on February to April 2021
UK	75.2	0.5	4.6	-0.3	21.1	-0.3
Great Britain	75.3	0.5	4.6	-0.3	21.0	-0.3
England	75.5	0.5	4.6	-0.3	20.8	-0.2
North East	72.2	0.5	5.3	-0.9	23.9	0.5
North West	73.1	0.4	4.7	-0.2	23.2	-0.3
Yorkshire and The Humber	73.3	0.5	4.7	-0.3	23.0	-0.4
East Midlands	75.0	-0.1	4.4	-0.5	21.4	0.5
West Midlands	74.2	1.0	5.1	-0.8	21.7	-0.4
London	74.9	0.5	6.0	-0.5	20.3	0.1
South East	78.1	-0.3	4.1	0.2	18.5	0.0
South West	77.7	1.1	3.3	-0.3	19.6	-1.0
Wales	74.6	0.7	4.2	0.0	22.0	-0.8
Scotland	74.1	0.2	4.3	-0.1	22.5	-0.1
Northern Ireland	71.2	0.2	4.0	1.0	25.7	-1.1

Source: Office for National Statistics, *Labour Market in the Regions of the UK*, September 2021. Please see source material for relevant data caveats.

1.4 Household income and poverty

The Department for Work and Pensions (DWP) publishes regular data on levels of household income, broken down by region. The data below from March 2021 reveals that, according to three-year averages in 2019/20 prices, there remain substantial differences in weekly income between regions and between nations in the UK. The figures are also significantly impacted by the cost of housing, as the second half of the table reveals:

Table 5: Median weekly household incomes in average 2019/20 prices

£ per week equivalised 2019/20 prices

	15/16-17/18	16/17-18/19	17/18-19/20
Median—Before Housing Costs			
(3-year average)			
England	531	532	537
North East	481	479	480
North West	487	493	502
Yorkshire and the Humber	489	487	482
East Midlands	509	519	524
West Midlands	487	489	488
East	554	556	560
London	594	600	615
South East	585	580	595
South West	534	536	539
Wales	482	484	492
Scotland	522	527	533
Northern Ireland	485	490	498
All individuals	**526**	**527**	**533**
Median—After Housing Costs			
(3-year average)			
England	455	457	463
North East	424	424	426
North West	429	434	446
Yorkshire and the Humber	432	432	428
East Midlands	455	459	459
West Midlands	427	433	431
East	481	480	486
London	455	462	474
South East	502	498	517
South West	462	468	469
Wales	425	432	440
Scotland	467	473	480
Northern Ireland	438	442	453

£ per week equivalised 2019/20 prices

	15/16-17/18	16/17-18/19	17/18-19/20
All individuals	**454**	**456**	**462**

Source: Department for Work and Pensions, *Households Below Average Income: For Financial Years Ending 1995 to 2020*, 25 March 2021.

1.5 Local inequalities

It is difficult to comprehensively measure the inequalities between one place and another, though trends have been observed that suggest that the inequality within regions can be just as profound as those between one region and another. For example, recent Institute of Fiscal Studies research observed that such inequalities of place were particularly apparent in London and the South of England:[2]

- Inequalities between local authorities (LAs) within regions are even larger than inequalities between regions, and this is especially true in the South of England. For example, median full-time earnings are 53% above the UK average in Kensington and Chelsea in West London and 3% below it in Barking and Dagenham in East London. Within the East and South East of England, they are much higher in well-to-do commuter areas such as Brentwood and South Bucks than in areas further from London such as North Norfolk and Hastings. Median full-time earnings in the latter are 16% and 19% below the UK median, respectively, despite being in 'high-wage' regions.
- Variation between LAs is lower in the North and Midlands, but still not insignificant. As in the South, the areas with the highest earnings tend to be commuter areas for major cities including Trafford, which neighbours Manchester, and Solihull, next to Birmingham. Median full-time earnings in these LAs are 11% and 14% above the UK median, for example.
- LA-level inequality in mean and median earnings has fallen somewhat since the late 2000s recession. This likely reflects falls in earnings at the top of the earnings distribution dragging down earnings in LAs with relatively high earnings levels, and increases in minimum wage levels (including via the introduction of the National Living Wage) pushing up earnings more in LAs with relatively low earnings levels.

[2] Institute for Fiscal Studies, 'Catching up or falling behind? Geographical inequalities in the UK and how they have changed in recent years', August 2020.

1.6 International comparisons of regional inequality

In its *Green Budget*, published in 2020, the Institute for Fiscal Studies also conducted an analysis of regional inequalities across different countries.[3] That analysis found that according to the measures used, the UK ranked as the most unequal country of the 27 nations measured:

Table 6: Inequality by country – international comparison

Country (27 in total)	80:20 ratio rank	90:10 ratio rank	Max:min ratio rank	Coefficient of variation rank	Overall rank
UK	4	1	1	1	1
Germany	7	5	2	3	2
France	21	20	3	6	8
US	14	17	4	18	11
Italy	2	9	12	16	12
Netherlands	17	16	11	17	16
Spain	11	18	24	23	20
Sweden	25	26	25	26	26

Source: Institute for Fiscal Studies, *IFS Green Budget 2020: Chapter 7*, 2020, p 9.

The table displays 90:10 and 80:20 ratios, where regional GDP per capita is used to compare the economic performance of one region against another. It indicates, for example, how many times larger regional GDP per capita at the 90th percentile is compared with regional GDP per capita at the 10th percentile. In the UK, GDP per capita in the 90th percentile ranked region (Aberdeen City and Aberdeenshire) was 2.25 times higher than in the 10th percentile ranked region (Durham). This was the highest difference of all the countries in the sample analysed.[4]

Speaking to their findings, the report's authors said:

> The UK is one of the most geographically unequal countries in the developed world; compared with 26 other developed countries, it ranks near the top of the league table on most measures of regional economic inequality. There are also substantial differences in earnings, wealth, health, educational attainment and social mobility across the country.

[3] Institute for Fiscal Studies, *IFS Green Budget 2020: Chapter 7*, 2020.
[4] ibid, p 9.

> That said, median living standards, as measured by net income after housing costs, are not so unequally distributed and on this measure London does not perform especially well. In addition, it is not a simple case of London and the South East versus the rest: the inequalities within regions are larger than the inequalities between regions.
>
> […]
>
> The UK's regional inequalities are deep-rooted and complex: even well-designed policies could take years or even decades to have meaningful effects.[5]

Speaking to the Government's 'levelling up' agenda, the IFS Green Budget also identified the following characteristics of areas that it contended were most in need of assistance:

> A 'left-behind' area, in need of 'levelling up', is characterised by broad economic underperformance, which manifests itself in low pay and employment, leading to lower living standards in that area. Behind these factors lie other considerations such as poor productivity, which in turn may be associated with a low skill base. The health of the population may also be relatively poor: in some cases, this could be a legacy of deindustrialisation or long-term unemployment, as well as deep-rooted socio-economic issues.[6]

2. Government strategy: 'Levelling up'

In his first speech as Prime Minister, Boris Johnson spoke of the need to "level up across Britain" and "unleash the productive power not just of London and the South East but of every corner of England, Scotland, Wales and Northern Ireland".[7] This was followed by the 2019 Conservative Party manifesto, which said it was time to build prosperity and "strengthen and level up every part of the country".[8] The manifesto included policy commitments to:

- Invest in towns, cities, and rural and coastal areas
- Give those areas more control of how investment is made
- Level up skills using apprenticeships and a £3 billion national skills fund
- Create up to 10 freeports to help deprived communities

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[5] Institute for Fiscal Studies, *IFS Green Budget 2020: Chapter 7*, 2020, p 2.
[6] ibid.
[7] Prime Minister's Office, 'Boris Johnson's first speech as Prime Minister: 24 July 2019', 24 July 2019.
[8] Conservative Party, *Conservative Party Manifesto 2019*, November 2019, p 2.

The manifesto also promised an "infrastructure revolution", outlining plans to invest in infrastructure to 'level up' economic growth and prosperity across the country and to address the challenges posed by climate change.[9]

The Government has made several policy commitments and funding announcements to these ends, which are discussed below.

2.1 Levelling-up fund

As part of the 2020 spending review, the Government announced a levelling-up fund worth £4.8 billion.[10] Of these funds, £4 billion was earmarked for England, and £0.8 billion to be spent in Scotland, Wales, and Northern Ireland.

The spending review document stated that the purpose of the fund would be to invest in local communities and support economic recovery in those areas:

> This [fund] will invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery. It will be open to all local areas in England and prioritise bids to drive growth and regeneration in places in need, those facing particular challenges, and areas that have received less government investment in recent years.[11]

A funding prospectus, published alongside the 2021 budget, stated that such funding would be delivered through local authorities in England, Scotland and Wales.[12] Stating that the Scottish and Welsh territorial offices would be consulted in the assessment of relevant bids, the prospectus sets out the approach for the first round of the fund. Bids will be prioritised according to how they demonstrate investment or begin delivery on the ground in the coming financial year. The Government has said it will keep the approach in this prospectus under review for future rounds. The fund is open to all local areas and the amount of funding each area receives will be determined on a "competitive basis to ensure value for money".[13]

In addition, capacity funding will be allocated to local authorities most in need of levelling up in England (as identified in the index published alongside the prospectus). The ranking system is based on three criteria:

- Need for economic recovery and growth

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[9] Conservative Party, *Conservative Party Manifesto 2019*, November 2019.
[10] HM Treasury, 'Spending Review 2020', 15 December 2020.
[11] ibid.
[12] HM Treasury, 'Levelling Up Fund: Prospectus', 3 March 2021.
[13] ibid.

- Need for improved transport connectivity
- Need for regeneration

The fund focuses on investment in projects that require up to £20 million of funding, though bids of between £20 million and £50 million will be accepted for transport projects. Funding will also be allocated to all local authorities in Scotland and Wales, to "help build their relationship with the UK Government for the purposes of the fund". This capacity funding will help support the relevant local authorities to develop high-quality bids for the fund and "ensure that investment is targeted where it is needed most".

In Northern Ireland, the Government is taking a different approach that "takes account of the different local government landscape compared to England, Scotland and Wales". Capacity funding will also be made available in Northern Ireland.

In the first round of funding, at least 9% of total UK allocations will be set aside for Scotland, 5% for Wales, and 3% for Northern Ireland.[14] This equates to £432 million for Scotland, £240 million for Wales and £144 million for Northern Ireland.[15]

2.2 Community renewal fund and shared prosperity fund

Local areas in the UK will continue to spend funding from EU structural funds until 2023. After this point, the Government has committed to at least matching EU receipts through the new UK shared prosperity fund, on average reaching around £1.5 billion a year.[16] To help bridge the gap before the introduction of the shared prosperity fund, the Government has introduced a community renewal fund for 2022/23. Worth £220 million, the community renewal fund is based around four investment priorities:

- Investment in skills
- Investment for local business
- Investment in communities and place
- Supporting people into employment[17]

Some of this money has been earmarked for designated purposes. Specifically, £11 million will go to Northern Ireland (for its separate funding

[14] HM Treasury, 'Levelling Up Fund: Prospectus', 3 March 2021, p 19.
[15] House of Commons Library, *The Government's Levelling Up Agenda*, 10 September 2021, p 22. Further information on the levelling up fund and the community renewal fund in Wales is available in a further House of Commons Library briefing, *The Community Renewal Fund and Levelling Up Fund in Wales*, 4 June 2021.
[16] Ministry of Housing, Communities and Local Government, 'UK Community Renewal Fund: prospectus 2021-22', 11 May 2021.
[17] ibid.

system), up to £500,000 will go to Gibraltar, and up to £14 million will be available to help places prepare for the introduction of the shared prosperity fund, leaving around £194.5 million to be distributed across England, Wales, and Scotland.[18]

Like the levelling-up fund, the community renewal fund is being run through a competitive bidding process. The Government states that it will prioritise bids that target investment at the top 100 priority places based on the community renewal fund index of economic resilience.[19] For the purposes of the fund a 'place' has been defined at the lower administrative tier, and each place has been assigned a lead authority. These are:

- Mayoral Combined Authorities, where they exist in England
- The Greater London Authority
- County Councils
- Unitary authorities elsewhere in England and in Scotland and Wales

These lead authorities were asked to invite bids from a range of project applicants, appraise and prioritise a shortlist of projects up to a maximum of £3 million per place and submit shortlists by 18 June 2021. The Government has published a timeline of key dates in the allocation of funding, and it intends to announce the successful bids from "July 2021 onwards".[20] At the time of writing, no such announcements have been made.

The Government continues to release details of how it intends that the shared prosperity fund will operate. The 2020 spending review said the fund will operate UK-wide and that a portion of the fund will target places most in need across the UK, such as ex-industrial areas, deprived towns, and rural and coastal communities.[21]

The spending review added that the fund will support people and communities, "opening up new opportunities and spurring regeneration and innovation".[22] Stating that its funding profile will be set out at the next spending review, the document said that the Government will develop a UK-wide framework for investment in places receiving funding. This will prioritise:

[18] House of Commons Library, *The Government's Levelling Up Agenda*, 10 September 2021, p 23.
[19] Ministry of Housing, Communities and Local Government, 'UK Community Renewal Fund: Prioritisation of places methodology note', 11 May 2021.
[20] Ministry of Housing, Communities and Local Government, 'UK Community Renewal Fund: prospectus 2021-22', 11 May 2021.
[21] HM Treasury, 'Spending Review 2020', 15 December 2020.
[22] ibid.

- Investment in people and skills tailored to local needs, such as work-based training, supplementing and tailoring national programmes (eg the adult education budget); and other local support (eg for early years)
- Investment in communities and place including cultural and sporting facilities, civic, green and rural infrastructure, community-owned assets, neighbourhood and housing improvements, town centre and transport improvements and digital connectivity
- Investment for local business including to support innovation, green and tech adoption, tailored to local needs

Places receiving funding will be asked to agree specific outcomes to target within the UK-wide framework. They will then develop investment proposals among a representative stakeholder group to be approved by the Government. Investment should be aligned with the Government's clean growth and net zero objectives.

The spending review added that a second portion of the shared prosperity fund will be targeted differently, "to people most in need through bespoke employment and skills programmes that are tailored to local need".[23] The Government contends that this will support improved employment outcomes for those in and out of work in specific cohorts of people who face labour market barriers.

2.3 Towns fund, county deals, and the city region sustainable transport fund

In 2019, the Government announced a towns fund worth £3.6 billion.[24] It comprises three strands:

- The towns fund—101 of 541 eligible towns in England were selected to develop "town deals" and bid for up to £25 million (or up to £50 million in exceptional circumstances) following a bidding process, with funding designed to address issues such as "ageing populations, limited regional economic opportunities and lack of investment".
- A further bidding round for towns not selected as one of the initial 101 towns invited to develop town deals.
- The future high streets fund—funding is distributed to towns in England, allocated following a bidding process, with the aim of

[23] HM Treasury, 'Spending Review 2020', 15 December 2020.
[24] Prime Minister's Office, 'PM speech at Manchester Science and Industry Museum', 27 July 2019.

renewing town centres and high streets.[25]

In October 2020, the first seven town deal funding allocations were announced, worth up to £178.7 million.[26] The next 45 towns to receive funding were announced alongside the budget in March 2021, with funding of £1.02 billion.[27]

In July 2021, the Prime Minister gave a speech in Coventry devoted to the Government's levelling-up agenda.[28] In those remarks, he announced a further 15 town deals. He also announced the creation of county deals, "to take devolution beyond the largest cities, offering the rest of England the same powers metro mayors have gained over things like transport, skills and economic support".[29] The Prime Minister said that further details would be published as part of the white paper on levelling up, due this year.

In his speech, the Prime Minister also heralded the launch of the £4.2 billion city region sustainable transport fund, as first revealed in the 2021 budget. As part of this fund, eight English city regions (the West Midlands, Greater Manchester, Liverpool, Sheffield, West Yorkshire, Tees Valley, the North East and the West of England) will receive "London-style transport settlements to begin the process of bringing their local transport systems up to the standard of the capital's".[30] The Prime Minister suggested such funding could be used to help fund contactless ticketing, new metro or light rail systems, significant improvements in local rail and bus services, new cycle lanes, and measures to tackle congestion and pollution.

2.4 Plan for growth and freeports

In March 2021, the Treasury published its *Plan for Growth* setting out the Government's strategy to support economic growth and "build back better" following the coronavirus pandemic.[31] The plan is centred around three investment pillars: infrastructure, skills and innovation.

The *Plan for Growth* sets out the following areas through which the Government aims to deliver on the levelling-up agenda:

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[25] House of Commons Library, *The Government's Levelling Up Agenda*, 10 September 2021, p 24.
[26] Ministry of Housing, Communities and Local Government, 'First town deals worth almost £180 million announced', 27 October 2020.
[27] House of Commons Library, *The Government's Levelling Up Agenda*, 10 September 2021, p 24.
[28] Prime Minister's Office, 'PM sets out new 'County Deals' to devolve power to local communities in Levelling Up speech', 15 July 2021.
[29] ibid.
[30] ibid.
[31] HM Treasury, 'Build back better: our plan for growth', 3 March 2021.

- Regenerate struggling towns in all parts of the UK via the UK Shared Prosperity Fund and the UK-wide levelling-up fund.
- Realise our long-term vision for every region and nation to have at least one globally competitive city at its heart to help drive prosperity. This includes city and growth deals, £4.2 billion in intra-city transport settlements from 2022/23 and continued transforming cities fund investment to 2022/23.
- Catalyse centres of excellence, supporting individuals across the country to access jobs and opportunities by ensuring digital and transport connectivity, by establishing a new UK infrastructure bank in the North of England and by relocating 22,000 civil service roles out of London.
- Strengthen the union, creating freeports across the country—including in Scotland, Wales, and Northern Ireland—and delivering the union connectivity review, reviewing options to improve our sea, air, and land-links across the four nations.[32]

On the subject of freeports, in the 2021 budget the Government announced the eight successful locations in England which will move to the next stage of freeport designation.[33] These were: Teesside; the Liverpool City Region; the Humber region; Plymouth; Solent; Thames; Felixstowe and Harwich; and East Midlands Airport.

There is no single definition of a freeport, and they operate in different ways in different countries. Common features of freeports include various concessions on customs, other tax and planning advantages and reduced bureaucracy.[34] While they are within a country's geographical borders, freeports are effectively outside a country's customs borders. Goods imported into a freeport are generally exempt from customs duties until they leave the freeport and enter the domestic market. No duty is payable if they are re-exported.[35]

The Government contends that freeports will bring together ports, local authorities, businesses and key local stakeholders to achieve a common goal of shared prosperity and opportunity for their regions, allowing the UK to take advantage of the benefits of leaving the EU.[36] The Government's freeports prospectus describes them as:

> [A] flagship government programme that will play an important part in the UK's post-Covid economic recovery and contribute to realising the levelling-up agenda, bringing jobs, investment and prosperity to

[32] HM Treasury, 'Build back better: our plan for growth', 3 March 2021.
[33] HM Treasury, 'Budget Speech 2021', 3 March 2021.
[34] House of Commons Library, *UK Government Policy on Freeports*, 12 May 2021, pp 4–5.
[35] ibid.
[36] HC *Hansard*, 17 March 2021, col 181.

> some of our most deprived communities across the four nations of the UK with targeted and effective support.[37]

2.5 National infrastructure strategy, UK Infrastructure Bank and national infrastructure commission

Ministers have emphasised the role of infrastructure investment as part of the Government's levelling-up agenda. The Government published its *National Infrastructure Strategy* in November 2020.[38] Specifically on levelling up, the strategy aims to:

- Leave no community or business behind
- Create regional powerhouses, making cities the engines of growth and revitalising towns
- Connect the regions and nations of the UK
- Change how decisions are made, including changing the way that projects are appraised through the Green Book[39]

The Government has also set up the UK Infrastructure Bank to help deliver the *National Infrastructure Strategy*. The bank will provide £22 billion in infrastructure finance to combat climate change and support regional and local economic growth. Such funding will be delivered through loans, equity financing and guarantees to fund private sector projects.[40]

The bank's primary focus will be on the economic infrastructure sectors highlighted in the *National Infrastructure Strategy*, including clean energy, transport, digital, water and waste. It will also be able to lend to university projects that generate a return to support regional and local growth.

In the public sector, the bank will focus on providing loans to local and mayoral authorities for "high value and strategic projects of at least £5m". [41] The bank began operating in an interim form in spring 2021.

In September 2021, the National Infrastructure Commission, which provides advice to the Government on infrastructure issues, published a new report on the Government's levelling-up agenda.[42] The commission, which focuses on England, said that to deliver regional equality the Government should

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[37] HM Treasury, *Freeports: Bidding Prospectus*, November 2020.
[38] HM Treasury, *National Infrastructure Strategy*, November 2020, pp 20–45; House of Commons Library, *The Government's Levelling Up Agenda*, 10 September 2021, p 15.
[39] ibid.
[40] UK Infrastructure Bank, accessed 3 October 2021.
[41] House of Commons Library, *The Government's Levelling Up Agenda*, 10 September 2021, p 15.
[42] National Infrastructure Commission, *Infrastructure, Towns and Regeneration*, 23 September 2021. The report was commissioned by the Government in March 2021.

deliver more control over funding to local areas:

> Levelling up towns will require a shift in Government's approach from announcing multiple ringfenced pots of money—many of which councils must compete over—to instead handing power to local areas to deliver their own infrastructure strategies with five-year devolved budgets, according to the UK's official infrastructure advisers.[43]

The commission also recommended that the current array of funding streams for local transport be streamlined into two: a "'dual track' approach of devolved, flexible budgets based on population and local network size", and a targeted scheme to help areas with poor transport connections or "where new industries could spring up".[44]

Further, the commission proposed that the Government should support local authorities outside London by enabling them to spend up to £6 billion per year on transport investment over the next five years. The commission contended this would ensure that investment keeps pace with increased investment in centrally managed transport infrastructure.

In addition, the commission argued that increased funding would enable county and unitary authorities to plan and deliver long-term infrastructure strategies developed locally that reflect the particular economic and social needs and opportunities of towns in their area. This new funding approach would build on the approach the Government has taken to provide multi-year funding settlements for transport to mayoral combined authorities.

Commenting on the report, Commissioner Bridget Rosewell said:

> Levelling up cannot be done from Whitehall. Every English town faces a different set of challenges and opportunities and local leaders are best placed to develop strategies to address these.
>
> Competing against other councils for multiple pots of cash creates a focus on the short term, continual uncertainty, and burns up staff time. Local councils need to be empowered to deliver transformational plans for the future and held accountable for doing so.[45]

[43] National Infrastructure Commission, '[Fundamental shift in funding to local level needed to help level up English towns]', 23 September 2021.
[44] ibid.
[45] ibid.

3. Reaction to the Government's proposals

3.1 House of Commons debate on the levelling up fund, March 2021

The levelling up fund was debated in the House of Commons on 16 March 2021.[46] In a statement to the House, the then Parliamentary Under Secretary for Housing, Communities and Local Government, (now Levelling Up, Housing and Communities), Eddie George, said the Government was confident that the levelling up fund and other measures that form part of its levelling up agenda would make a "real difference to people and places across the whole of the United Kingdom".[47] He added:

> The levelling-up fund will invest in regenerating our town centres and high streets, upgrading local transport and investing in our cultural and heritage assets across the UK. That could be repairing a bridge, investing in new or existing cycling provision, upgrading an eyesore building, regenerating key leisure and retail sites to encourage new businesses, or even maintaining museums, galleries and community spaces that are important to the local area.[48]

The minister said that the range of policy interventions created a package which invested in skills, infrastructure, and innovation at local, regional and national levels, "enabling the Government to provide the same support to communities in all nations as we build back from Covid-19".[49]

Speaking for Labour, Shadow Minister Steve Reed said that his party welcomed funding for every town and region, but contended the money was "just a fraction" of what was required and that regions would still be getting less than they received before the coronavirus pandemic.[50] He was also particularly critical of the competitive bids process:

> Every region should get the funding it needs to recover, but instead the Government are pitting regions and towns against one another and forcing them to fight one another for funding. Council leaders are furious that millions of pounds are being wasted on consultancy fees for putting bids together. All that money could have been spent on actually levelling up areas[.][51]

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[46] HC *Hansard*, 16 March 2021, cols 180–94. Debate in the House of Lords following the repetition of the minister's statement took place on 18 March 2021. The transcript of that debate is available here: HL *Hansard*, 18 March 2021, cols 449–61.
[47] ibid, col 182.
[48] ibid.
[49] ibid.
[50] ibid.
[51] HC *Hansard*, 16 March 2021, cols 180–94.

Mr Reed also argued that the formula for allocating funding had omitted some areas with significant deprivation in favour of wealthier areas according to what he charged were political considerations.[52] Specifically, he criticised the omission of deprivation levels from the funding calculation, arguing that this risked deepening regional inequalities rather than removing them.

Speaking for the SNP, Patricia Gibson made a similar point about funding being allocated according to political priorities. She argued that in Scotland areas with higher levels of deprivation had again been ignored in favour of other more affluent areas.[53]

The minister refuted these suggestions and said that the funding calculation had been designed by civil servants and not ministers, thus was not skewed by political considerations.[54]

3.2 House of Lords Public Services Committee position paper, May 2021

In May 2021, the chair of the House of Lords Public Services Committee, Baroness Armstrong of Hill Top, wrote to the Prime Minister on the Government's levelling up agenda.[55] Specifically, noting the Government's intention to publish a white paper on levelling up this year, the committee provided a position paper that made several recommendations.

Calling for the "urgent publication" of the white paper, the committee said the paper should set out (i) how it will measure the progress of its strategy for reducing geographical disparities across the UK against targets disaggregated by lower-tier local authority including healthy life expectancy, employment, pay, productivity, the levels of literacy and numeracy level of those starting school, the proportion of the population with higher-level qualifications, vocational qualifications and skills; (ii) its timescale for achieving these targets; and (iii) its estimate of the cost of achieving them.

Further, the committee called for the expansion of the Government's funding mechanisms, including the levelling up fund and community renewal funds, to include expenditure on preventative measures to improve health; early years programmes; 'social infrastructure' such as childcare services, libraries, youth, and community centres; and higher education institutions.

Among its additional observations, the committee also said that the Government needs to give local authorities and other local service providers

[52] HC *Hansard*, 16 March 2021, cols 180–94.
[53] ibid, col 184.
[54] ibid, col 183.
[55] House of Lords Public Services Committee, *Levelling Up and Public Services: Position Paper*, 20 May 2021.

more autonomy, arguing that current funding mechanisms are overly centralised and counter-productive to long-term planning. The committee called on the Government to liaise closely with local service providers to determine how services should be designed and delivered, and how those providers should be held accountable.

3.3 House of Commons Business, Energy and Industrial Strategy Committee report, July 2021

In July 2021, the House of Commons Business, Energy and Industrial Strategy (BEIS) Committee published its third report of the current parliamentary session, *Post-pandemic Economic Growth: Levelling Up*.[56] In it, the committee said the Government's aim of levelling up was "laudable and should be an aim for any government".[57] However, the committee said it was "disappointed at how little detail has been put forward to explain what the Government sees levelling up to mean and how it will be delivered". The committee said they had sought evidence from a range of government departments, but "have not received adequate answers to any of our basic questions".

The committee added that the responsibility for delivering key objectives was unclear:

> In this context, it is understandably unclear who is responsible for delivering levelling up. We took evidence from powerhouses, regional mayors, city mayors, local councils, local enterprise partnerships, and chambers of commerce, all of whom asked for urgent clarity from the Government.
>
> We are concerned that this lack of definition will result in a failure to deliver meaningful change for people across the country, and that a failure to publish government priorities and metrics will make it impossible for us to understand what has, or has not, been delivered.[58]

The committee also said that there appeared to be confusion on which department was responsible for delivering which levelling up outcomes.

As such, the committee made several recommendations, including that the Government should:

- Urgently publish the levelling up white paper, so that we are clear on what the Government defines levelling up to mean and what its priorities are.

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56 House of Commons Business, Energy and Industrial Strategy Committee, *Post-Pandemic Economic Growth: Levelling Up*, 22 July 2021, HC 566 of session 2021–22.
57 ibid.
58 ibid.

- Work with the Office for National Statistics, the Cities and Local Growth Unit in the Business, Energy and Industrial Strategy Department and the National Audit Office to agree a set of metrics for the routine reporting of progress in delivering levelling up priorities.
- Establish the functioning of a Cabinet Committee on levelling up, that collaborates with devolved, regional, and local leaders.
- Recognise that inequalities exist across the whole of the UK, including within cities, and that levelling up priorities should therefore not be focused on only some regions or sub-regions of the UK.
- Ensure that each region in England has the capacity to competitively bid for Government funding, given that some areas in England have a greater capacity to engage with Whitehall than other areas.[59]

At the time of writing, the Government has not published a response to the committee's report. Again, a white paper on levelling up remains due by the end of this year.

4. Recent developments

On 19 September 2021, the Government announced that the Ministry of Housing, Communities and Local Government would be renamed the Department for Levelling Up, Housing and Communities.[60] A press release on the announcement said the department would be responsible for "driv[ing] cross-Whitehall efforts to deliver a programme of tangible improvements in every part of the UK as we build back better from the pandemic and deliver on the people's priorities".[61]

In his speech to the Conservative Party conference on 4 October 2021, the Secretary of State for Levelling Up, Housing and Communities, Michael Gove, spoke about his department's new agenda:

> We are committed to levelling-up every part of the United Kingdom, unleashing the potential of all [and] recognising that while talent is spread equally across our country, opportunity is not.
>
> […]
>
> Levelling up means four things. We want to strengthen local leadership

[59] House of Commons Business, Energy and Industrial Strategy Committee, *Post-Pandemic Economic Growth: Levelling Up*, 22 July 2021, HC 566 of session 2021–22.
[60] HM Government, 'Ambitious plans to drive levelling up agenda', 19 September 2021.
[61] ibid.

> to drive real change. We will raise living standards especially where they are lower. We will improve public services especially where they are weaker. And we will give people the resources necessary to enhance the pride they feel in the place they live.[62]

The Prime Minister also spoke to the Government's levelling-up agenda as part of his conference remarks, where he called for a rebalancing away from the 'overheating' South East:

> We have one of the most imbalanced societies and lop-sided economies of all the richer countries. It is not just that there is a gap between London and the South East and the rest of the country, there are aching gaps within the regions themselves.
>
> […]
>
> [L]evelling up works for the whole country and is the right and responsible policy, because it helps to take the pressure off parts of the overheating South East while simultaneously offering hope and opportunity to those areas that have felt left behind.[63]

[62] Policy Mogul, 'Michael Gove's speech to Conservative Party Conference', 4 October 2021.
[63] Conservative Party, 'Boris Johnson's keynote speech—We're getting on with the job', 6 October 2021.

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