**Chapter Four: Local Government, Governance and Levelling Up**

**Abstract:** This chapter focuses on the role of local government relative to the Levelling Up agenda and in tackling spatial inequalities more generally. We deploy further data from the Directors of Regeneration regarding local governance and Levelling Up. The chapter considers the trajectory of local government given changes to its role through processes such as the contracting out of services and following a period of sustained cuts in funding during the austerity era. We also consider debates about the function of local government in relation to local democracy and devolution, concluding the chapter by returning to the implications of the Levelling Up agenda for local government.

**Keywords:** Local government, governance, Levelling Up

**Introduction**

As is hopefully clear to the reader, the Levelling Up agenda seeks to influence governance systems at a variety of levels of spatial aggregation including regional, sub-regional, local and neighbourhood. In this chapter, we are concerned with each of these but from the ‘entry point’ of local government. The reason for this is that despite many years of decline in terms of its functions and resourcing local government is still the key state institution of relevance to Levelling Up’s aims and, perhaps more importantly, is the principal site of local democracy in the UK. In fact, this democratic function provides not only accountability and legitimacy for local authorities to act on behalf of their populations but also the reach and knowledge that other institutions lack. A key argument that will be developed is that these organisations have been marginalised and underutilised with the COVID-19 pandemic providing a prime example, albeit one in which local government played a highly significant role largely despite, rather than because of, central government support and engagement, in the highly centralised system of UK government and policy.

The chapter begins by highlighting the role of local government in local governance systems. The decline of local government over the past 40 years will be explored in relation to declining function and powers; funding constraints; the move to commissioning and contracting out of services; and changes in regional and sub-regional government (see for example: Barnett et al. 2021; Hambleton, 2020). These contribute to the growing significance of local governance systems in which the balance has shifted to local authorities commissioning and co-ordinating services rather than directly providing them, with implications for the role and capacity of local government to fulfil its democratic function. At times, issues that have been discussed in previous chapters such as the welfare state, deindustrialisation and austerity are briefly reintroduced particularly in relation to local government and their lack of capacity/resources to address the consequences. The chapter also considers the trends identified within local governance systems alongside debates about devolution and local democracy. It concludes by considering the role and prospects of local government given the implications of the Levelling Up agenda. In doing so, the first part of the chapter provides context about local governance systems, while the second part integrates this with data from the Directors of Regeneration.

**Local Government and Governance Systems: Trajectories of decline and fragmentation**

As Chapter Two documented, the post-war period was a time of rising living standards, relative prosperity and a sizable increase in working class bargaining power. The welfare state was a core component of this, with local government playing a significant role in its development and delivery. Newman (2014) highlights that councils had a substantial remit in planning, place-shaping and the delivery of education, housing and social services, which led Jones (2019) to describe local government as the formal partner of central government in the Keynesian welfare state. Over the past 40 years there has been a considerable shift in power from local to central government (Leach et al. 2018), which Jessop (2015) characterises as a form of path dependency resulting from the neoliberal redrawing of boundaries between state and non-state actors. Peck (2003) described these tendencies as ‘roll out’ and ‘roll back’ neoliberalism, in which the state’s apparatus are used to create space for private capital through reductions in, and the privatisation of, public services (also see: Mitchell and Fazi 2017; Streeck 2016). Jones (2019) argues that the New Right was successful in constructing local economic failure as a result of state involvement and confining the role of the state to maintaining the conditions for the market to function. Therefore, Hill and Hupe (2014) conclude that neoliberal government policy and a strong preference to contract out organisational activities has reduced its own service delivery capacity. Through an increasingly centralised state there has been (somewhat paradoxically) growing fragmentation and complexity in the local state, resulting from an increased plurality of self-organising actors in local systems, which is a feature of and contributor to the system logic outlined in Figure 1.1. For example, Jones (2019) argues that central government has retained control through normalising neoliberalism by widening local authority spatial coalitions and drawing local government into an economic agenda centred on the primacy of the market, deregulation and privatisation.

In effect, there has been a move from government to governance (Rhodes 1997), in which local authorities face growing difficulties in maintaining strategic oversight in key services, given their responsibilities have been ‘hollowed out’ and they are one provider among many (Barnett et al. (2021). Hambleton (2020 p.56) describes government and governance respectively as:

‘the formal institutions of the state. Government makes decisions within specific administrative and legal frameworks, and uses public resources in a financially accountable way.’

‘involving government *plus* the looser processes of influencing and negotiating with a range of public and private agencies to achieve desired outcomes. A governance perspective recognises the importance of collaboration between the public; private and non-profit sectors to achieve mutual goals.’

We have already seen that local government has been at the forefront of the transition to governance. The introduction of CCT in the 1980s was a significant mechanism in changing the role of local government to commissioners of services as opposed to being a provider of these. More recently, the coalition government’s *Open public services* White Paper (HM Government 2011) made it clear that the default position was the state should commission services from a diverse range of providers in the private and voluntary sectors. The 2014 Care Act similarly set out that local authorities are responsible for commissioning care (NAO 2021), as opposed to directly delivering this. Adult social care is the area in which contracting out of services is perhaps most developed. There are now 14,800 registered providers across 25,800 locations in England (NAO 2021). As Wistow (2022 p.65) argues, ‘the growing complexity in governing and governance stems from and is intensified by, the increased diversity of partners involved in service provision in neoliberal governance systems, generating new non-linear dynamics and fragmentation resulting from increased plurality of self-organising actors.’ This is part of the macro and meso context in which adult social care will make its contributions to the ‘health’ and ‘well-being’ missions of the Levelling Up agenda. As Jessop (2016) argues, the complex set of social relations in governance systems extends beyond the state system and its capabilities with implications for the power of state managers to exercise power over these.

To the complexity and fragmentation identified above, a further feature of governance systems is the reduced capacity of local government as an actor. Contracting out of services is itself a reduction in both service delivery capacity and functional capacity. In this respect, Christophers (2018) highlights that an early act from the 1979 Thatcher government was to terminate the Redundant Lands and Accommodation Act, thereby removing local government’s first option to develop this land before the private sector had a chance to purchase it. There are clear implications for a reduction in the place-shaping role of local government. A further key and ideologically and politically motivated area (see: Broughton 2019; Minton 2019; Slater 2018) in which local government has lost capacity within spatial policy is in social housing. Broughton (2019) argues that council housing was seen as providing the wrong kind of accountability (i.e., to local government and tenant associations, instead of to the market) and as limiting choice and personal consumption. The 1980 Housing Act massively accelerated council house tenants’ ‘right to buy’ their homes, with Minton (2019) arguing this was the most important privatisation of the neoliberal era. 1.8 million council homes had been sold by 1997 and council house building declined dramatically in that period from 79,160 homes in 1978-79 to 400 in 1996-97 (Broughton 2019).

‘Right to buy’ represents a significant loss of capacity for local government in its role in providing social housing and has contributed to a concentration of social problems in low value privately rented accommodation. For example, Lloyd et al. (2021) highlight how low-cost housing can lead to competition for scarce resources in specific wards and neighbourhoods within a local authority area in the Northeast with high levels of multiple deprivation. The Director of Regeneration for the ‘Northern Core City’ similarly described how low-cost poor-quality housing can concentrate in areas of “real poverty” within the city, with overcrowding, safeguarding issues for young people (including potential trafficking), poor public health sanitary conditions, and the designation of these as places for the resettlement of refugees. The LUWP’s missions on ‘pride in place’ and ‘housing’ (see table 3.3) includes a focus on poor quality housing and a target to reduce the number of non-decent homes by 50% by 2030. However, beyond plans to explore a new national landlord register and a Social Housing Regulation Bill which will enable residents to hold landlords to account, there is little in the LUWP that suggests local government will be enabled to make transformational change to concentrations of deprivation centred around low-cost and poor-quality housing. As Beel et al. (2021) highlight, housing is an area in which market logic has been incorporated into policies promoting commodification, privatisation and financialisaton. These all impact on the ability of the local state to respond to citizens’ needs, given the primacy of the market.

Unsurprisingly, the 2010 to 2020 period of austerity also played a very significant role in reducing the capacity of local government as an actor in local governance systems. Alongside the other cuts outlined in Chapter Two, there was a 29% reduction in local government real-term spending power between 2010-11 and 2019-20 (NAO 2021). Phillips and Simpson (2018) highlight the highly regressive nature of these cuts in a similar period (2009-10 to 2017-18) as funding per person was reduced by 35% for those living in local authorities in the most deprived quintile, whereas for those in the least deprived quintile it only reduced by 15%. At a higher level of aggregation, Marmot (2022) highlights the post 2010 cuts to local government, amounting to £413 per person in the North, which he contrasts with an allocation of £32 per person in the North in 2021 under Levelling Up. Given the depth of the problem of ‘left behind’ places and the sustained spatial trajectory of austerity, it is questionable whether the Levelling Up funding mechanisms (discussed in Chapter Three and again later in this chapter) will change this trajectory, particularly as the allocation criteria for these competitive-funding schemes do not fully account for deprivation.

More generally, local government functions within a wider sub-national governance system that experienced a great deal of churn over the past forty years with changing regional and sub-regional institutional arrangements (Jones 2019; Martin et al. 2021; Pike et al. 2018; Wistow 2022). Copeland and Diamond (2022) situate this within Dunleavy’s (1989) notion of ungrounded statism because government exercises financial control from the centre rather than driving policy and innovation from the regional and local level. Copeland and Dunleavy (2022) view English governance as both highly centralised, fragmented and differentiated with a weakness and lack of capacity for public institutions at the sub-regional level. The LUWP (HM Government 2022 p.133) states that:

‘In England, local governance is split across county councils, district councils, unitary authorities and London borough councils and, at the sub-regional level, mayoral and non-mayoral combined authorities and the Greater London Authority (GLA). Local Enterprise Partnerships and Pan-Regional Partnerships (PRPs) also have some responsibility for economic strategy.’

Connolly et al. (2021) argue that such fuzzy governance arrangements are convenient for those seeking to avoid being held to account. Similarly, Beel et al. (2021) highlighted concerns about accountability and the marginalisation of local civil society through the development of Local Enterprise Partnerships (LEPs). Following the abolition of the nine Regional Development Agencies in 2010, 38 LEPs have been introduced at the sub regional level. LEPs were created to enact a rebalancing towards and privileging of the private sector through integrating business leaders and their knowledge and networks into this level of governance (Newman and Gilbert 2022). As Newman and Gilbert (2022) argue, there are signs these will be subsumed under new city and county deals but there are important lessons to learn. In particular, Newman and Gilbert’s (2022) research highlights four lessons for future policy design:

* An assumed cleavage between the business and civic context was incorrect given the networks councillors and public sector employees have with the private sector;
* LEPs imported partial perspectives about the private sector’s knowledge about local economies that was interpreted by local leaders as full insights;
* The connectedness to business networks led to concerns about conflicts of interest and opaque decision-making; and
* The presence of appointed elected officials (as opposed to being led by an elected body) on LEPs did not address a significant deficit in democratic accountability.

In summary, they (2022 p.16) claim ‘it is clear that a business-led model of subnational governance tends to deviate from representativeness, transparency and accountability, creating challenges for institutional design.’ Similarly, Copeland and Diamond (2022) highlight that they are not political or administrative institutions, which has contributed to a governance deficit in English sub-national economic development. In the next section, we consider issues relating to local democracy and devolution and the response of the Levelling Up agenda to ongoing challenges to institutional design at the local level. For now, it is clear from the LUWP (HM Government 2022 p.235) that private sector-led partnerships will have a role not only to ‘coordinate action across the private sector, but in partnership with local and central government, and local education and research institutions.’

**Local democracy and devolution**

As stated, local government has a significant function as the primary arm of local democracy, providing a degree of representation and accountability for the public at the local level. The devolution of funding and powers to local government offers the potential to resolve some of the contradictions and fragmentation in local governance systems through strengthening the role of local government and by association local democracy, given the direct line of democratic accountability provided (see, for example: Hambleton 2020; Tomaney 2016; UK2070 Commission 2020). However, it is important to recognise that local elections have been described as ‘second-order’ elections because voters see them as less important than national elections (Heath et al. 2003). Furthermore, the period in which local government has declined and local governance has emerged has not only complicated the role of local government but also undermined its legitimacy through a loss of capacity to respond to local needs and preferences. The UK 2070 Commission (2020) links this to the highly centralised nature of decision-making in the UK that relies upon eroded local capacity to take action and the confusion about what is a national decision and what are local decisions. However, as Skelcher (2003) emphasised local democratic politics still revolves around local councils, despite agencies of local public policy becoming more highly differentiated and multi-layered.

Hambleton (2020) argues that globally, elected local leaders are operating in a context of place-less power, in which decisions made by MNCs, for example, are unconcerned about the impacts on local communities, thereby placing a limit on what can be achieved. Such a dynamic was highlighted in Chapter Two, with deindustrialisation in the UK leading to branch plants moving to low wage economies impacting detrimentally on R&C in Teesside as well as other ‘left behind’ localities (MacLeavy and Jones 2021; Rodriguez-Pose 2018; Sandbu 2020; Tomaney et al. 2021). This, in turn, has co-evolved with wider processes influencing democratic participation. In the 1970s overall turnout in local elections generally exceeded 40% of the electorate; but by the 2010s this had declined to around 30% (Uberoi 2021). Nevertheless, despite the constraints and limitations facing local democracy across complex multi-level systems it remains an important and underutilised avenue to understand and respond to place-based needs and demands. For example, Hambleton (2020 p.12-14) identifies three areas in which place matters:

* It forms an important part of our human identity through our physical relationships with family, friends, neighbours and colleagues.
* It provides a focus for differential needs that government responsiveness can be tuned to.
* It provides the spatial unit for the exercise of democracy.

These are all areas in which local government can fulfil an important function. We are, however, a long way short of place-based policy in the UK given the centralised nature of the system and the lack of resources and functional capabilities for local government as the arm of local democracy. Martin et al. (2021) defines place-based policy as bottom-up locally-led policy, tailoring public goods and services to local and regional problems and potentialities. The COVID-19 pandemic provides an excellent example of the relationship between central and local government and the unwillingness of the former to trust and resource the latter despite the development of the nascent Levelling Up agenda. For example, the NAO (2020) highlighted the experience of local authorities in track-and trace and their statutory duty to control local disease outbreaks. However, the UK did not follow international trends to involve local government in these services, instead preferring to contract it out to the private sector around a call centre model that, at times, was barely used (NAO 2020). This can be interpreted as an example of the rentier and neoliberal system logic at the macro level cutting across hierarchical systems. Wistow (2022) argued that an opportunity to restore much needed capacity to local government was missed due to a narrow ideological preference for a small state, even during widespread spending of public money. To do so at a time when Levelling Up was a significant component of the government’s policy-rhetoric should call into question several aspirations of this agenda, particularly around empowering local leaders and communities. Despite the pandemic demonstrating a capacity for action, if there is a common purpose, with public and private sectors coming together (UK2070 Commission 2020), the UK’s approach to track and trace represents a missed opportunity to invest in and support local government. This was short-sighted because enhancing the capacity and reach of the local state in this respect could have increased the knowledge about, and connections to, local populations during a crisis. These are vital assets relative to the challenges of deprivation, hard-to-reach and ‘left behind’ populations and Levelling Up. Indeed, the White Paper (HM Government 2022 p.233) subsequently stated that:

‘achieving the UK Government’s levelling up missions will rely on local leaders being empowered to develop local solutions to local problems. Many places have large gaps in physical, human and social capital. But the precise challenges they have to deal with are unique to their locality. Strong local institutions and leadership are needed to tackle these local problems effectively on a targeted and sustained basis.’

As we will see in the next chapter, some of these challenges include employment insecurity, the degeneration of community life, crime and anti-social behaviour. Nevertheless, as Broadhurst and Gray (2022 p.11) demonstrate despite the Levelling Up rhetoric, ‘each government department continued to operate in silos without a unified definition of place…favouring city policy networks to gather feedback on the impact of the pandemic at the local level.’ Carr-West and Sillett (2021) argued that following the pandemic there must be a new settlement for places linking the Levelling Up ambitions to the decentralisation of power. The LUWP (HM Government, 2022 p.xix) is the focal point of that settlement and has some fairly strong rhetoric in this respect:

‘central government decision‑making will be fundamentally reoriented to align policies with the levelling up agenda and hardwire spatial considerations across Whitehall. This will require greater transparency around the geographic allocation of funding and simplification of local growth funding. It will mean running levelling up through central government decision-making as a golden thread for which departments are held accountable. And it will mean extra resources being deployed to local areas, including moving 22,000 civil servants out of London by 2030.’

The movement of 22,000 civil servants across 15 government departments to places like Wolverhampton, Darlington, Tyneside, East Kilbride, Cardiff, Belfast, Sheffield, and Bristol is a positive step given the direct and indirect impact of relatively highly skilled and renumerated jobs on local employment. It also represents a broadening of the lens and focus of the civil service given the significance of place to experiential knowledge. However, the extent to which this truly devolves power away from Whitehall remains to be seen given civil servants will continue to report to a centralised and hierarchical bureaucratic system tied to the Westminster model of government. In short, the movement of these jobs is welcome, but it does not represent a shift to locally led policy and instead diversifies the physical location of employment at the centre. Indeed, the ‘hardwiring’ of spatial considerations was met with some scepticism by the Director of Regeneration for the ‘Northern Other City’. They stated:

“I keep seeing the dead hand of the Treasury all over it [funding allocation] and the civil service is having a dampening effect not just over local government but central government too.”

Similarly, the Director of Regeneration in the ‘Northern Core City’ expressed their disappointment that there was very few new policy tools and instruments, arguing they would have to rely on existing tools. Given the significance of the macro-context for micro-level interactions, the need for new devolved powers to Level Up is clear. Indeed, Hambleton (2020) highlights how local leaders have a major advantage regarding being able to tap into local knowledge and understanding but that they are ill-equipped in the face of place-less power. By place-less power Hambleton (2020) is referring to the forces of globalisation and the exercise of power by decision makers including from MNCs, who are unconcerned about their impact on communities living in particular places as will be further discussed in the next chapter.

The Cities and Local Government Act 2016 set in train a move towards integrated governance through mayoral combined authorities and a focus on deal-based devolution through growth deals (Beel et al. 2021). The LUWP (HM Government 2022 p.233-244) subsequently set out the government’s plans to ‘empower local leaders and communities’ with warm rhetoric around empowering ‘local leaders to develop local solutions to local problems’. The White Paper (HM Government 2022) outlines plans to extend devolution to 11 counties through new devolution deals; deepen devolution through new ‘trailblazer deals’ for Greater Manchester and the West Midlands and work with other Mayoral Combined Authorities and the Greater London Assembly to streamline funding and bid for new powers; and simplify devolution through a new devolution framework to establish a new form of combined authority model to provide a single accountable institution for a functional economic area. The preferred option is for a directly elected leader of a combined authority but there is scope for different levels of devolution with functions relating to which model is pursued (HM Government 2022). These levels are briefly summarised below:

* Level 1 – local authorities working across a ‘functional economic area’ (FEA) – i.e., at the sub-regional level that the LEPs function at – and have the opportunity to host functions and pool services at a strategic level and to deliver action on climate change and Net Zero.
* Level 2 – a single institution or County Council without a directly elected mayor covering an FEA or County Council. Functions include those at level 1 plus: transport planning, adult education functions and budget, the ability to introduce bus franchising, Home England compulsory purchase powers, and clearly defined roles in local resilience.
* Level 3 – a single institution or County Council with a directly elected mayor covering an FEA or County Council. Functions include all of those at levels 1 and 2 plus: being prioritised for new rail partnerships, long-term investment fund, role in designing and delivering contracted employment programmes, ability to establish Mayoral Development Corporations, devolution of locally-led brownfield funding, strategic partnerships with Homes England over the Affordable Housing Programme, Mayoral control of Police and Crime Commissioner functions, a new duty for improving the public’s health, and the ability to introduce mayoral precepting on council tax and a supplement on business rates (HM Government 2022).

Our interviews highlighted how the combined authority route may not be attractive to all local authorities given historical political relations across neighbouring councils and the significance of electoral cycles for undermining long-term planning. The Director of Regeneration in the ‘Northern Other City’ described the LUWP’s approach to devolution as, “devolution of power upwards [to a prospective combined authority], quite a stick to hit local politicians with – if you want more money, do as I say.” They also cited uncertainty about what devolution-deals would lead to and how this made it a very hard sell to elected members, since it would mean surrendering some of their profile and powers to a combined authority. Therefore, the LUWP has been sensible in allowing for different paces of devolution. Even so the model was viewed as prescriptive by some of the Directors of Regeneration. They stated that despite the different levels of devolution the White Paper “rewarded the preferred model” and that this depended on how “clubbable” a local authority and its elected members were.

Those local authorities in our study that were members of combined authorities identified benefits of this through devolved powers and enhanced opportunities to access to funding. However, they also described issues with the allocation of funding across combined authorities. For example, the Director of Regeneration in the ‘Midlands Medium Town’ stated that when funding had been granted:

“The theory and intent behind the model disappeared and faded away and was suddenly forgotten about because everybody just wanted their pet project.”

Similarly, in the ‘Northern Large Town’ the Director of Regeneration spoke about being able to secure the maximum allocation from the UK Shared Prosperity Fund for the city region through an investment plan based on calculating all the component district needs. However, when the funding was released central government said it was for the city region to determine how to allocate the money across its constituent parts. They stated that:

“It is devolved to the city region but not necessarily to where the need is…the system doesn’t seem fair in terms of areas of need. It has been so frustrating that you almost lose the fight.”

In summary, these Directors of Regeneration felt there was a good deal of ambiguity in the Levelling Up agenda around the internal working of devolution-deals and that there was a lack of guidance and engagement from central government about how to respond to internal dynamics and tensions around resource allocation within a combined authority. Once again, the significance of deprivation for these ‘left behind’ locales was raised in relation to within city-region inequalities and the implications to Level Up. However, deprivation was considered to have little weight in terms of allocating funding within a combined authority once it had been secured. The high-level mission around devolution (see table 3.3) is explicit about the deal-based approach to devolution and that by 2030 all areas that want one will have one. As Beel et al. (2021) highlight deal-making public policy requires negotiation. Our findings suggest there is a good deal of fatigue around this kind of approach given constrained capacity, the impacts of years of austerity, and contradictions between Levelling Up’s objectives and the dynamics between local partners within a competitive funding model.

**Local government and Levelling Up**

In this section, we consider the implications of the Levelling Up agenda for the role of local government in tackling spatial disparities. In general terms, local government has been provided with a very bad deal from central government in ‘left behind’ places, given the relative lack of support to address post-industrial transitions (Byrne and Ruane 2017; Jones 2019) and the heightened levels of social and economic need resulting from this (Beatty and Fothergill 2016 ). Local government is a key actor at the micro level and one that functions within a heterogenous welfare state in which there is variable capacity and demand at different levels (Warren and Wistow 2017). Responding to heightened need resulting from the long-shadow of industrial destruction has fallen on local authorities with the most regressive cuts to funding under austerity. Nevertheless, Beel et al. (2021 p.76) argue that ‘the significance of local authorities as “anchor institutions” in terms of mitigating the impact of austerity and as a source of contestation in relation to negotiating and opposing austerity cannot be overstated.’ The former is our primary concern here, alongside the role and capacity of local government to Level Up, though it is worth emphasising that these are related. For example, Streeck (2016) claimed privatising formerly public services reduces the material base for the legitimacy of states. In the previous section we saw that local government had been particularly susceptible to this change. Consequently, the potential for local government to act as a source of contestation has been reduced through its diminished capacity to respond to local need and the implications of this for its democratic legitimacy.

The role of local government relative to Levelling Up and the ‘left behind’ problem was nicely summarised by the Director of Regeneration for the ‘Midlands Medium Town’:

“You know the fascination in the trade press and the press generally is the Medici stuff, and, you know, taking the mick out of it. But actually, if you look at Germany and reunification and the effort to get, Eastern Germany, up to the level of Western Germany it took billions and billions a year, to make that happen and the trust that the German national government have in the local authority system. The ingredients you need are long term sustained money to places that need it, with trust in local actors to make the right local decisions, versus our heavily centralised state, with the competitive bidding beauty parade.”

In the previous chapter, the funding model was discussed in relation to deprivation not featuring strongly in the allocation formula. We also briefly considered the nature of the funding streams, which are heavily skewed towards capital investment in physical symbols of Levelling Up. Indeed, The Director of Regeneration in the ‘Northern Large Town’ stated that:

“Those projects will be highly visible in the town centre and recognised through the Levelling Up branding, but will it really level up the issues? The answer is no.”

In common with most of the Directors of Regeneration, they claimed additional revenue funding would be far better aligned with the complex nature of spatial disparities within and between local authority areas. This is close to the vision of the UK2070 Commission who, as we have seen, argued for £375 billion investment over 25 years to level up and crucially to make this part of a full devolution settlement to empower local leaders to take action. In the field of health inequalities, Marmot et al. (2020) developed the notion of ‘proportionate universalism’, which readily translates to the field of spatial inequalities. Their idea is to fund public services and invest in places relative to social need and health inequalities. Crisp et al. (2019) made a similar proposal in their research around local and regional development and suggested proportionate allocation of spend per head relative to the prosperity of places, recommending a £250 billion fund over ten years. These examples could empower local government to invest in the localised nature of spatial disparities through enhancing their revenue. As the UK2070 Commission (2020) argues, this has the potential to renew local democracy through strengthening the capacity of local government.

Increased revenue for local government to invest in place could aide local actors to shape their local economies in the face of global and national trajectories. However, currently the scope of local government to Level Up within the neoliberal and rentier political economy was also questioned by the Director of Regeneration for the ‘Northern Other city’. They stated:

“we’re providing an economic platform for people to be successful on and very little is generally felt in the local economy.”

They described a polarisation between wealth creation and wealth experienced in the city, in which a number of Public Limited Companies were major employers but none of them reported their profits in the local authority area and many of the skilled employees lived outside the city in neighbouring rural areas and paid their council tax there. The Director of Regeneration argued that this compromised the multiplier effect in the city. It is also an example of the macro and meso system logic, highlighted in Figure 1.1 and discussed more fully in Chapter One, limiting the potential for local government to act at the micro level relative to the objectives of Levelling Up.  The Levelling Up agenda (including the approach to systems reform summarised in table 3.2) does not challenge this system logic, thus representing a continuation of what Copeland and Diamond (2022 p.9) describe as a ‘reliance on market forces to correct regional disparities’ with ‘projects scattered across the English regions while a strategy to coordinate them remains absent’.

All Directors of Regeneration taking part in our scoping study reported a lack of, or unequal, connectivity to the economy through history (e.g., labour market), physical infrastructure, skills and population dynamics. This contributed to a concentration of needs and social problems in smaller geographic areas that have to catch up. Whilst connectivity is key (and is a strong focus of the White Paper) it was not considered to be something that was within the control of local government. For example, the Director of Regeneration in the ‘Northern Core City’ reported that central government was more focused on discussions about outputs from town centre projects as opposed to strategic issues such as sub-regional connectivity in discussion with local government. They argued that they were not having a “single integrated conversation about place and sustainable growth”. Similarly, the Director of Regeneration in the ‘Northern Large Town’ argued that the different pots of money available through Levelling Up are not joined-up, which undermines the capacity of local government to develop the type of systems reform the government is encouraging in the LUWP. Transport, in particular, was an area of concern raised by all the Directors of Regeneration. Their local authorities had varying degrees of competitive disadvantage through their connectivity to the wider transport network. In the case of the ‘Northern Core City’ this related to relatively poor connections within the national network, in particular, and to other parts of the region and intra-regional connections across the North of England. For the Director of Regeneration in the London Borough the relatively poor position of their local authority in the overground and underground network meant that it was much less able to access the benefits of economic development within the capital than Boroughs with better connectivity in the city-region. The Midland ‘Medium Town’ and Northern ‘Large Town’ were both peripheral within national and city-region networks. Both Directors of Regeneration argued that the allocation of transport funding was skewed particularly towards agglomerations and London. In this respect, Crisp et al. (2019) demonstrated how criteria for transport spending has historically favoured time savings, which is geared to reducing congestion for high paid workers rather than unlocking new opportunities for development.

In summary, there was a sense across our scoping study that local government was not being backed sufficiently in order to Level Up. There were a range of concerns from: a lack of new tools and resources provided to local government; insufficient funding available relative to the scale of the problem; a reliance on capital as opposed to revenue in the new funding initiatives; an insufficient consideration of deprivation across the agenda; and limited and unequal capacity across local government as a sector to compete for time limited and intensive funding schemes. It is also important to note that the London Director of Regeneration reported a sense of disinvestment in London amongst their peers in the capital.

Local government remains a key actor in responding to the Levelling Up ‘left behind’ places problem. The scale and depth of the problem (MacKinnon et al. 2022; Martin et al. 2021) occurs at the micro level; but as highlighted it is important to not view this as something that can be reduced to the micro level alone. As documented in Chapter Two, the depth and nature of the problem has co-evolved with the shift to a post-industrial and neoliberal political economy. Here we can turn to Titmuss (1968) who predates neoliberalism but nevertheless wrote about progress in societies and how this is not shared equally. He argued that socially caused ‘diswelfares’ are the price some people pay for other peoples’ progress and considered the post-war welfare state to be a ‘partial compensation’ for these social costs and insecurities. In this light, it is difficult to interpret the Levelling Up agenda as anything other than a partial compensation for the disbenefits that have been accumulated in particular types of places (see Martin et al. 2021) over prolonged periods of time. It is hard to make the case that central government has equipped local government to adequately respond to this, let alone to fulfil its potential as a key place-shaping actor.

**Conclusion**

This chapter explored some of the implications of the Levelling Up agenda for local government *and* some of the implications of the changes to local government over the past forty years or so for its role relative to the Levelling Up agenda. From a complex systems perspective, the political economy has been highly significant over this period as the view that the state should intervene in the natural functioning of markets as little as possible has led to local government increasingly commissioning as opposed to delivering services. Over the past decade, austerity has hit local government particularly hard and further reduced its capacity as an actor in local governance systems. Approaches to devolution have occurred within this context. The LUWP provides some enhanced opportunities for local authorities willing to enter into combined authority structures. However, local dynamics between neighbouring areas and deal-based devolution are disincentives for some areas. The final section of the chapter considered the context in which local government functions relative to the Levelling Up agenda. It seems unlikely that local government has been provided with the funding or policy levers required to counteract the deeply embedded nature of the ‘left behind’ problem in the localities most in need of Levelling Up. In the next chapter, we turn to our findings from interviews with residents from ‘left behind’ R&C in Teesside. This provides an additional ‘entry point’ into the multi-scalar complex systems in which the Levelling Up agenda sits, while further elucidating the embedded challenges to Levelling Up.

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