



Funding Levelling Up: The story so far

Centre for Inequality and Levelling Up
University of West London

January 2021



The Centre for Inequality & Levelling Up (CILUP) is a new research centre based at the University of West London. The centre produces policy relevant research that can shape approaches to addressing inequality in the UK. The centre focuses particularly on developing practical solutions to the challenges that face the UK in the early 21st century related to inequality in employment, education, and opportunity.

To find out more, visit our [website](#) or follow us on [Twitter](#).

The University of West London is the career university. It was voted top modern university in London in The Guardian University Guide 2022; in the top 10 universities in the UK for teaching quality in The Times and Sunday Times Good University Guide 2022 and the University of the Year for Student Experience in The Times and Sunday Times University Guide 2021.

About the authors

Head of CILUP, Professor Graeme Atherton - Graeme has been working in the field of education research and management since 1995. After 6 years leading Aimhigher work in London, he founded AccessHE and NEON in the UK. He now leads both the Centre for Inequality & Levelling Up at the University of West London and NEON. Graeme holds Visiting Professorships at Amity University, London and Sunway University, Kuala Lumpur, Malaysia. He is a member of the board of the National Union of Students (NUS) and has produced over 200 conference papers, and publications.

Caitlin Webb, Research & Policy Officer - Before joining CELUP Caitlin worked as part of the research team who delivered the Health Foundation's COVID-19 impact inquiry set up to explore the impact of the pandemic on health and health inequalities in the UK. Prior to this she managed a national pilot project aimed at improving the healthcare response to domestic abuse.

Table of Contents

Executive Summary	4
1. Introduction	6
1.1 What is levelling up?	6
1.2 Funding for levelling up	7
2. Mechanisms for funding distribution	8
2.1 Levelling Up Fund (LUF)	8
2.2 UK Community Renewal Fund (UKCRF)	9
3. Where is funding being spent?	10
3.1 Levelling Up Fund (LUF)	10
3.2 UK Community Renewal Fund (UKCRF)	10
3.3 Distribution by region	11
3.4 Key trends in funding distribution	12
3.4.1 LUF more northern than UKCRF	12
3.4.2 LUF funding more urban than rural	13
3.4.3 Little LUF funding going to ‘red wall’ areas	14
4. What is LUF being spent on?	16
Box 1: Use of the LUF	17
5. Levelling up funding and existing measures of place-based inequality	18
5.1 Prioritisation of areas for LUF and deprivation	19
5.2 Distribution of funding by deprivation	20
5.2.1 LUF and IMD	20
5.2.2 UKCRF and IMD	21
5.3 Who is missing out?	22
6. LUF and other streams of local government funding	23
7. Summary	26
7.1 Key Points	27
Appendix A	28
Appendix B	31

Executive Summary

This paper examines how the funds distributed via the government's Levelling Up Fund (LUF) and the UK Community Renewal Fund (UKCRF) have been distributed. It uses the data available to outline which geographical areas have received funds and which have not and places the use of this funding in its broader context with regard to other funding distributed from central government. The key points of the analysis are listed below:

- Of the 100 most deprived areas in England, 61 did not receive any LUF. 23% of these areas were in the North West and 20% were London boroughs.
- Of the 10 most deprived areas in the country 5 did not receive resources via the Levelling Up Fund.
- Some regions received more funding than others. The North West, North East and West Midlands received the most LUF whilst Wales, the South West and East of England received the most UKCRF. Across both funds the North East and London received relatively small amounts of funding compared to other regions.
- The devolved nations tended to receive a higher proportion of UKCRF compared to LUF.
- The majority of the LUF was awarded to urban areas with only 13% of funds going to predominantly rural areas.
- Only 20% of red wall areas received LUF.
- The majority of the LUF was awarded to bids concerned with transport infrastructure or town centre regeneration.
- Only 59% of the top 100 most deprived areas in England were classified as the highest priority areas for the LUF by the government's prioritisation methodology.
- 66% of the LUF awarded to English local authorities was awarded to areas ranked in the 30% most deprived in England. 29% of the UKCRF awarded to English local authority districts or upper-tier local authorities was awarded to areas ranked in the 30% most deprived in England.
- The majority of areas that received LUF were not better off after accounting for a loss in core funding to local governments since 2016-17. For 68% (43) of the English local authority areas that received LUF the money they received does not make up for the loss of their core funding due to a reduction in their SFA allocation from 2016-17 to 2020-21.

This was particularly true for the most urban areas probably due to the fact that urban areas receive higher SFA allocations and therefore suffered greater losses in funding due to reductions.

1. Introduction

1.1 What is levelling up?

The government's levelling up agenda has been the focus of Boris Johnson's premiership since his appointment as Prime Minister in 2019. As he stated during his July 2021 keynote speech on levelling up *'it is the mission of this government to unite and level up across the whole UK not just because that is morally right but because if we fail then we are simply squandering vast reserves of human capital we are failing to allow people to fulfil their potential and we are holding our country back.'*¹

Two years on we are beginning to see these plans materialise starting with the appointment of Michael Gove as the Secretary of State for the recently renamed Department for Levelling Up, Housing and Communities in September 2021. A new Levelling Up Taskforce has also been announced, which is set to be led by former Bank of England Chief Economist Andy Haldane. A white paper is expected to be released in January 2021, but the objectives for levelling up laid out in the Autumn 2021 Spending Review documentation² were as follows:

- spreading opportunity and improving public services, particularly where they are weaker
- boosting living standards, particularly where they are lower
- restoring local pride
- empowering local leaders and communities.

However, levelling up has a particular political context. It has been suggested that much of the real purpose here is to shore up the government's majority by ensuring that they retain many of the new seats they have gained in constituencies of the north and the midlands. In the wake of Brexit as well, the government has to find a way of replacing the EU structural funds that will no longer be available for those areas who previously depended on such monies. Finally, the Covid pandemic has only brought into sharper relief the inequalities that exist between individuals, communities and places in the UK.

¹ Gov UK, 2021. *The Prime Minister's Levelling Up Speech: 15 July 2021*. [Online] Available at: <https://www.gov.uk/government/speeches/the-prime-ministers-levelling-up-speech-15-july-2021> [Accessed 20 December 2021]

² HM Treasury, 2021. *Autumn Budget and Spending Review 2021*. [online] Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1029974/Budget_AB2021_Web_Accessible.pdf [Accessed 12 December 2021].

1.2 Funding for levelling up

To help deliver this agenda, the government has announced a range of funds available for local areas to support regeneration and investment.

- **The Levelling Up Fund (LUF)** – £4.8 billion for capital investment in local infrastructure that will drive regeneration and growth in places in need and areas of low productivity and connectivity.³
- **The UK Community Renewal Fund (UKCRF)** - £220 million to help local areas pilot new approaches to tackling local issues through building skills, supporting businesses, communities and places or providing employment support.⁴
- **The UK Community Ownership Fund** - £150 million for communities to take ownership of assets and amenities at risk of closure.⁵
- **The Town's Fund** - £3.6 billion to drive economic regeneration of deprived towns and deliver long-term economic and productivity growth.⁶

This report focuses on the first round of allocations of the LUF which were announced in October 2021 and the UKCRF announced in November 2021. By offering an analysis of the bids that the government will be investing in through these funds, the report aims to offer insights into the nature of the levelling up agenda and the government's future priority areas. Where possible we have aimed to analyse successful bids from the LUF and UKCRF together, however, this is not always possible due to differences in the tier of local government at which the bid has been awarded making it difficult to draw comparisons e.g. county, district, borough or city. For this reason, we are clear which fund we are referring to throughout this document.

The analysis in this report is designed to be illustrative of general trends emerging from these latest announcements and conclusions should be treated with caution due to significant limitations with the data. For example, the government have not announced a full list of areas that bid for LUF so conclusions about government prioritisation of places/projects must remain cautious as they may have been influenced by which areas made bids. Furthermore, much of this analysis has been limited to bids made within England to account for differences in geographies, datasets, and methodologies. This has been clearly stated where this is the case.

³ HM Treasury, 2021. Levelling Up Fund: Prospectus [Online] Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966138/Levelling_Up_prospectus.pdf Accessed 20 December 2021

⁴ Gov UK, 2021. *UK Community Renewal Fund: prospectus 2021-22* [Online] Available at: <https://www.gov.uk/government/publications/uk-community-renewal-fund-prospectus/uk-community-renewal-fund-prospectus-2021-22> Accessed 20 December 2021

⁵ Gov UK, 2021. *Community Ownership Fund: prospectus* [Online] Available at: <https://www.gov.uk/government/publications/community-ownership-fund-prospectus/community-ownership-fund-prospectus> Accessed 20 December 2021

⁶ Gov UK, 2019. *Towns Fund prospectus*. [Online] Available at: <https://www.gov.uk/government/publications/towns-fund-prospectus> Accessed 20 December 2021

2. Mechanisms for funding distribution

2.1 Levelling Up Fund (LUF)

The LUF was first announced in March 2021 with a *'core objective of improving local communities by investing in local infrastructure that has a visible impact on people.'*⁷

It focuses on:

- *'Town centre and high street regeneration, including remediation and repurposing of vacant and brownfield sites;*
- *Improving local transport connectivity and infrastructure, including upgrades to local bus, road and cycle infrastructure; and*
- *Maintaining and regenerating cultural, heritage and civic assets.'*⁸

The methodology for allocation of funding was based on a prioritisation of all local authority areas from 1 to 3, with areas ranked in category 1 deemed in most need of investment. Three indicators, related to the priorities of the fund, were used to rank areas. A description of each indicator and their associated metrics are described below:

- **economic recovery and growth (indicator 1)**
 - Productivity, measured using gross value added (GVA) per hour;
 - 16+ Unemployment rate; and
 - Skills, measured using the proportion of the proportion of the 16-64 population without NVQs or other formal qualifications.
- **improved transport connectivity (indicator 2)**
 - Need for improved transport connectivity (indicator 2, data only available within England):
 - England: Average journey times to employment centres by car, public transport and bike.
- **regeneration (indicator 3)**
 - England: commercial and dwelling vacancy rates.
 - Scotland: dwelling vacancy rates (commercial vacancy rate date not available at time of calculation).
 - Wales: commercial and dwelling vacancy rates.

⁷ Gov UK (2021) Levelling Up Fund: Prioritisation of places methodology note [Online] Available at: <https://www.gov.uk/government/publications/levelling-up-fund-additional-documents/levelling-up-fund-prioritisation-of-places-methodology-note>

⁸ Ibid

2.2 UK Community Renewal Fund (UKCRF)

Following the UK's exit from the European Union, local areas across the UK will lose investment from the EU Structural Funds they have previously received. The government has committed to replacing with a new UK Shared Prosperity Fund from 2022.⁹

Prior to the introduction of this new fund, the government set up the UKCRF in 2021 to *'help local areas to pilot imaginative new approaches and programmes that unleash their potential, instill pride and prepare them to take full advantage of the UK Shared Prosperity Fund when it launches.'*¹⁰

All bids had to respond to a strategic need set out in the prospectus, either skills, supporting local businesses, communities and places or providing employment support. Furthermore, all proposed projects had to be delivered by 30th June 2022.

Although all areas across the UK were able to bid for funding, the government identified 100 priority places defined at the district, unitary or borough scale in England, council areas in Scotland and unitaries in Wales who were given capacity funding to support the development of funding proposals. These priority areas were identified using the UKCRF index of economic resilience. The metrics for this index were detailed in the UKCRF prioritisation of places methodology note¹¹ and are outlined below:

- **Productivity (30% weighting)** - The natural logarithm of the nominal smoothed Gross Value Added (GVA) per hour worked (2018)
- **Skills (20% weighting)** - The proportion of those aged 16–64 with no qualifications (NVQ) (2019)
- **Unemployment Rate (20% weighting)** - The ONS model-based estimate of the unemployment rate among those aged 16+ (July 2019 - June 2020)
- **Population Density (20% weighting)** - The natural logarithm of those aged 16-64 per squared km of land area (high water excluding area of inland water)
- **Household Income (10% weighting)** - The natural logarithm of the Gross Disposable Household Income (GDHI) per head at 2017 prices (2017)

⁹ House of Commons Library, 2021. *The UK Shared Prosperity Fund*. [Online] Available at: <https://commonslibrary.parliament.uk/research-briefings/cbp-8527/> [Accessed 20 December 2021]

¹⁰ Gov UK, 2021. *UK Community Renewal Fund: Prospectus 2021-22*. [Online] Available at: <https://www.gov.uk/government/publications/uk-community-renewal-fund-prospectus/uk-community-renewal-fund-prospectus-2021-22> [Accessed 12 December 2021]

¹¹ UK Gov, 2021. *UK Community Renewal Fund: prioritisation of places methodology note*. [Online] Available at: <https://www.gov.uk/government/publications/uk-community-renewal-fund-prospectus/uk-community-renewal-fund-prioritisation-of-places-methodology-note> [Accessed 2 December 2021]

3. Where is funding being spent?

3.1 Levelling Up Fund (LUF)

In October 2021 the government announced the first round of allocations of the LUF. In total they awarded funding to 107 successful bids from 85 local authorities across the UK. The successful bids totalled £1.7 billion and ranged from £800k to £49.6 million.

Table 1 shows the 10 areas that received the most LUF funding. As shown, the majority of these areas were in the North and Midlands of England.

Table 1 – Top 10 areas receiving highest allocation of the LUF

Area	Region	Amount of funding received
Stoke-on-Trent	West Midlands	£56 million
Birmingham	West Midlands	£52.6 million
Derbyshire	East Midlands	£49.6 million
Isles of Scilly	South West	£48.4 million
Leicester	East Midlands	£45.6 million
Bury	North West	£40 million
Newcastle upon Tyne	North East	£39.8 million
Newham	London	£39.8 million
Rotherham	Yorkshire and the Humber	£39.5 million
Renfrewshire	Scotland	£38.7 million

3.2 UK Community Renewal Fund (UKCRF)

In November 2021 the government announced the successful UKCRF bids with £230m split between 477 successful bids from 124 areas. Most of the funding was awarded to local authorities, county councils and combined authorities except in Northern Ireland where 84% of successful bids were awarded to charities, universities, and other non-public sector organisations. The bids were on average smaller than the LUF, ranging from £7k to £2.5 million.

Table 2 shows the 10 areas that received the most UKCRF funding. As shown, half of these areas were in the South, East of England or London.

Table 2 – Top 10 areas receiving highest allocation of UKCRF

Area	Region	Amount of funding received
Devon County Council	South West	£9.3 million
Sheffield City Region Combined Authority	Yorkshire and the Humber	£8.2 million
Kent County Council	South East	£6.9 million
Norfolk County Council	East of England	£6.6 million
West Midlands Combined Authority	West Midlands	£5.4 million
Essex County Council	East of England	£4.4 million
Greater Manchester Combined Authority	North West	£4.4 million
Nottinghamshire County Council	East Midlands	£3.9 million
Torfaen County Borough Council	Wales	£3.9 million
Greater London Authority	London	£3.8 million

3.3 Distribution by region

All regions across the UK received LUF and UKCRF. However, some regions received more funding than others. Table 3 shows a breakdown of both funds by region. As shown, the North West, North East and West Midlands received the most LUF whilst Wales, the South West and East of England received the most UKCRF. The top 3 regions receiving each fund are highlighted in blue. Across both funds the North East and London received relatively small amounts of funding compared to other regions.

Table 3 – Amount and percentage of LUF and UKCRF received by each UK region

Region	LUF received	% LUF received	UKCRF received	% of UKCRF received
North West	£232,457,372	14%	£12,115,147	6%
Yorkshire and the Humber	£206,478,277	12%	£15,749,621	8%
West Midlands	£195,975,000	12%	£16,756,213	8%
East Midlands	£183,398,837	11%	£16,069,123	8%
Scotland	£171,708,259	10%	£18,428,681	9%
South East	£150,576,785	9%	£12,774,539	6%
South West	£131,247,588	8%	£21,888,117	11%
Wales	£121,394,396	7%	£46,855,257	23%
North East	£99,800,000	6%	£7,718,301	4%
East of England	£86,599,910	5%	£18,702,241	9%
London	£64,896,154	4%	£3,788,212	2%
Northern Ireland	£48,791,079	3%	£12,362,975	6%

3.4 Key trends in funding distribution

3.4.1 LUF more northern than UKCRF

The maps below (Figures 1 and 2) help to highlight the difference in distribution across regions for both funds. Figure 1 shows that allocations for the LUF were concentrated in the North and Midlands of England. In comparison, in Figure 2 the UKCRF was concentrated in the South East and the East of England.

The devolved nations tended to receive a higher proportion of UKCRF compared to LUF. Wales in particular benefited more from the UKCRF receiving 23% of total funding compared to only 7% of LUF while Northern Ireland and Scotland received a similar proportion of the money across both funds.

Figure 1 - Map of LUF allocations by UK regions

Levelling Up Fund Regional Distribution

< 50M 50M-100M 100M-150M 150M-200M ≥ 200M

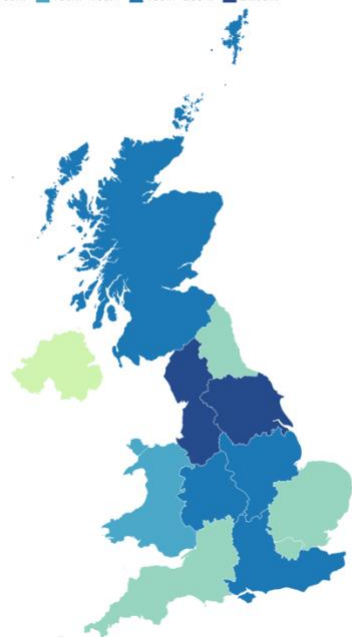


Figure 2 - Map of UKCRF allocations by UK regions

UK Community Renewal Fund Regional Distribution

< 12M 12M-14M 14M-16M 16M-18M ≥ 18M



3.4.2 LUF funding more urban than rural

This analysis looks at the Rural Urban Classification¹² of the 70 local authority districts in England and Wales that received LUF to get a broad understanding of whether the fund was awarded to more urban or rural areas. This analysis was not possible for UKCRF as funding was awarded at a higher governance level and therefore the Rural Urban Classification was not comparable.

Table 4 shows that 80% of LUF bids awarded to local authority districts in England were allocated to areas classified as predominantly urban (less than 26% living in rural settlements and hub towns). This represents a skew towards urban areas when compared with the average Rural Urban Classification of English local authority districts (only 55% are classified as predominantly urban).

¹² Department for Environment, Food & Rural Affairs, 2014. Lookup for 2011 Rural Urban Classification of Local Authorities [Online] Available at: <<https://www.gov.uk/government/statistics/2011-rural-urban-classification-of-local-authority-and-other-higher-level-geographies-for-statistical-purposes>> Date accessed: 12 December 2021

Table 4 – Local authority districts receiving LUF by Rural Urban Classification

Rural Urban Classification	Number of areas receiving LUF	Percentage of areas receiving LUF	Amount of LUF funding awarded to areas
Predominantly Urban (>3)	56	80%	£961,403,397
Urban with Significant Rural (3)	5	7%	£81,352,537
Predominantly Rural (<3)	9	13%	£171,159,519

Please note: Funds awarded at a higher governance level and those awarded to areas in Scotland, Wales and Northern Ireland are not included in this analysis as rural-urban classifications are incomparable at this level. Therefore, this analysis should be treated with caution and used as a broad indication of which areas received funding.

3.4.3 Little LUF funding going to ‘red wall’ areas

The 2019 general election saw a re-making of the electoral map in Britain with Labour losing seats in a range of areas, in the midlands and the north, many of which they had held for a long time. These lost seats have subsequently been named the ‘red wall’.¹³ As outlined above, it has been argued that the levelling up agenda is associated with the Conservatives desire to retain these seats. How many of the areas receiving the LUF were classified as ‘red wall’ ones was examined. For this analysis a broad definition of ‘red wall’ area has been used, as all areas in which Labour lost seats in the 2019 general election¹⁴. This analysis was not possible for UKCRF as funding was awarded at a higher governance level and it was not possible to identify whether these areas were ‘red wall’.

It was found that 12 (14%) of the successful areas receiving the LUF are red wall areas. These areas are plotted on the map below. They account for only 20% of the 60 red wall areas identified after the 2019 general election¹⁵. It certainly does not appear then that this LUF is going disproportionately to such areas.

¹³ Kanagasooriam, J and Simon, E (2021) Red Wall: The Definitive Description, *Political Insight*, 2021;12(3):8-11. doi:[10.1177/20419058211045127](https://doi.org/10.1177/20419058211045127)

¹⁴ Chappell, E., 2019. The 60 seats Labour lost in the 2019 general election. *Labour List*, [online] Available at: <<https://labourlist.org/2019/12/the-60-seats-labour-lost-in-the-2019-general-election/>> [Accessed 12 December 2021].

¹⁵ Ibid.

Figure 3 – Map showing red wall areas receiving LUF



4. What is LUF being spent on?

The LUF prospectus states that the fund is intended to invest capital in local infrastructure that will drive regeneration and ‘*growth in places in need and areas of low productivity and connectivity*’¹⁶. This section concentrates on what LUF appears to be funding. This does not include analysis of UKCRF because there is not as much information publicly available about UKCRF bids and therefore analysis to determine bid types was not possible.

Each successful LUF bid was categorised into bid type based on the primary aim of the project that was identified using information available about the bid online on council websites or in local newspapers. The full bids are not available so in some cases this information was limited. Some bids fell into multiple categories in which case they were allocated to the bid type that was the most relevant.

As shown by Table 5, this analysis found that 50% of funding was allocated to bids related to transport and town centre regeneration with industry investment receiving the next highest proportion of funding (13%). Box 1 presents examples of successful bids that fell into each of these three categories to provide context to the types of bids these included.

Table 5 – LUF by Bid Type

Bid type	Amount of LUF awarded	Percentage of LUF awarded	Number of successful bids
Transport	£439,743,359.33	26%	25
Town Centre Regeneration	£413,134,985.00	24%	26
Industry investment	£213,931,738.00	13%	16
Community space	£145,592,955.00	9%	9
Seafront Regeneration	£119,172,880.00	7%	7
Cultural Capital	£103,073,408.00	6%	6
New Homes	£101,084,155.00	6%	4
Leisure Facilities	£73,585,996.00	4%	6
Education/Training	£47,106,078.00	3%	4
Net Zero Initiatives	£19,856,253.00	1%	1

¹⁶ HM Treasury, 2021. Levelling Up Fund: Prospectus [Online] Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966138/Levelling_Up_prospectus.pdf Accessed 20 December 2021

Health Centres	£17,041,850.00	1%	1
----------------	----------------	----	---

Box 1: Use of the LUF

Bromsgrove Town Centre Regeneration Bid¹⁷

Bromsgrove District Council were successful in securing £14.5 million to regenerate their town centre. This will include investment in commercial, residential, leisure and retail spaces within the town. One project will include the redevelopment of the former Market Hall site, a brownfield site in the town centre that has stood vacant since 2010, which will become a commercial and cultural hub for the town

AMIDS South Transport Infrastructure Bid¹⁸

Renfrewshire Council were successful in securing £38.7 million to improve links between Paisley town centre and Scotland’s manufacturing innovation district, AMIDS. The money will be used to develop road, cycling and walking links from the town centre train station and bus interchange to Glasgow Airport, AMIDS and onto Inchinnan hopefully cutting carbon emissions and boosting the local economy by some £136 million.

Causeway Coast and Glens Industry investment Bid¹⁹

Ulster University will receive almost £3 million towards a Drug Discovery Food and Pharmaceutical Innovation Centre. It is hoped the bid will secure the borough as a centre of excellence in this field, placing it at the heart of scientific discovery and encouraging entrepreneurship.

¹⁷ Bromsgrove District Council, 2021. *Bromsgrove celebrating Levelling Up announcement*. [online] Available at: <<https://www.bromsgrove.gov.uk/news/2021/bromsgrove-celebrating-levelling-up-announcement.aspx>> [Accessed 7 December 2021].

¹⁸ Renfrewshire Council, 2021. *Renfrewshire transport links project secures significant funding*. [online] Available at: <<https://www.renfrewshire.gov.uk/article/11975/Renfrewshire-transport-links-project-secures-significant-funding>> [Accessed 10 December 2021].

¹⁹ Causeway Coast Community, 2021. *Three projects in Causeway Coast and Glens share funding worth £4.9million*. [online] Available at: <<https://news.causewaycoastcommunity.co.uk/three-projects-in-causeway-coast-and-glens-share-funding-worth-4-9million/>> [Accessed 10 December 2021].

5. Levelling up funding and existing measures of place-based inequality

5.1 Which measures of place based inequality already exist?

The purposes of the LUF and UKCRF are described above. They each relate to addressing inequalities between places using different metrics to capture these inequalities. The metrics used and the relative weight given to them, appears to be specific to each funding stream. However, there are already in existence generally accepted measures of place-based inequality. In England there is the Index of Multiple Deprivation (IMD)²⁰; in Scotland the Scottish Index of Multiple Deprivation (SIMD)²¹; in Wales the Welsh Index of Multiple Deprivation²² and in Northern Ireland the Northern Ireland Multiple Deprivation Measure.²³

The IMD has been in use since the late 1990s and has been used to allocate a wide range of funding, including funds aimed at addressing regional inequality. For example, IMD was used in the allocation of European Regional Development Funds which the UK Shared Prosperity Fund hopes to replace, starting with the allocation of UKCRF to help prepare areas for this transition²⁴. IMD is also a consideration in the formula used by NHS England to allocate health funding to Clinical Commissioning Groups (CCGs)²⁵ and the Income Deprivation Affecting Children Index (IDACI), a supplementary index of the IMD, among other deprivation measures is used to allocate 9.1% of annual spending on education to deprived pupils.²⁶ Furthermore, the Northern Ireland Executive have used the Northern Ireland Multiple Deprivation Measure to allocate funding and interventions under their Neighbourhood Renewal Strategy since 2003.²⁷

²⁰ Gov UK, 2019. English indices of deprivation 2019. [Online] Available at: <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019> Date accessed: 10 December 2021

²¹ Scottish Gov, 2020. Scottish Index of Multiple Deprivation 2020. [Online] Available at: <https://www.gov.scot/collections/scottish-index-of-multiple-deprivation-2020/> Date accessed 20 December 2021

²² StatsWales, 2019. Welsh Index of Multiple Deprivation [Online] Available at: <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Welsh-Index-of-Multiple-Deprivation> Accessed 20 December 2021

²³ NISRA, 2017. Northern Ireland Multiple Deprivation Measure 2017 (NIMDM2017) [Online] Available at: <https://www.nisra.gov.uk/statistics/deprivation/northern-ireland-multiple-deprivation-measure-2017-nimdm2017> Accessed 20 December 2021

²⁴ MHCLG, 2019. The English Indices of Deprivation 2019 Research Report, [Online] Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833947/loD2019_Research_Report.pdf Accessed 20 December 2021

²⁵ NHS England (2019) Technical Guide to Allocation Formulae and Pace of Change [Online] Available at: <https://www.england.nhs.uk/wp-content/uploads/2019/05/allocations-2019-20-technical-guide-to-formulae-v1.2.pdf>

²⁶ Department of Education (2021) The national funding formulae for schools and high needs [Online] Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003492/20-22-23_NFF_Policy_Document.pdf

²⁷ Department for Communities, Introduction to Neighbourhood Renewal [Online] Available at: <https://www.communities-ni.gov.uk/articles/introduction-neighbourhood-renewal> Accessed 6 January 2022

Given the existence and importance of other forms of measuring place-based inequalities, it would seem worthwhile to examine the distribution of the LUF and UKCRF in the context of these measures. Given that the majority of funding is allocated to areas in England and measures differ across the four nations the focus in this report is on looking at allocations in the English context.

5.2 How IMD is calculated

While the LUF includes metrics on transport connectivity and commercial vacancy rates and the UKCRF focuses on productivity and population density among other things, for IMD there is a stronger focus on a range of metrics less related to potential causes of place-based inequalities impact on people and communities than the nature of these impacts. The metrics used to construct the IMD in 2019 and their relative weights are outlined below.

- Income Deprivation (22.5% weighting)
- Employment Deprivation (22.5% weighting)
- Education, Skills and Training Deprivation (13.5% weighting)
- Health Deprivation and Disability (13.5% weighting)
- Crime (9.3% weighting)
- Barriers to Housing and Services (9.3% weighting)
- Living Environment Deprivation (9.3% weighting)

The metrics used to allocate LUF are important markers of place-based inequality, but not all of these relate directly to the inequalities that impact on people's lives. Nor do they relate to all the inequalities that constitute what the Prime Minister sees as at the heart of levelling up. For instance, in his July 2021 speech he spoke about the injustice of a man in Blackpool having a life expectancy ten years shorter than a man in Rutland. Neither the methodology for prioritising areas for LUF or UKCRF included health metrics, but IMD does.²⁸ There appears a disjuncture then between the indicators of inequality used to allocate levelling up funding and those that describe the inequalities that underpin the levelling up challenge.

5.1 Prioritisation of areas for LUF and deprivation

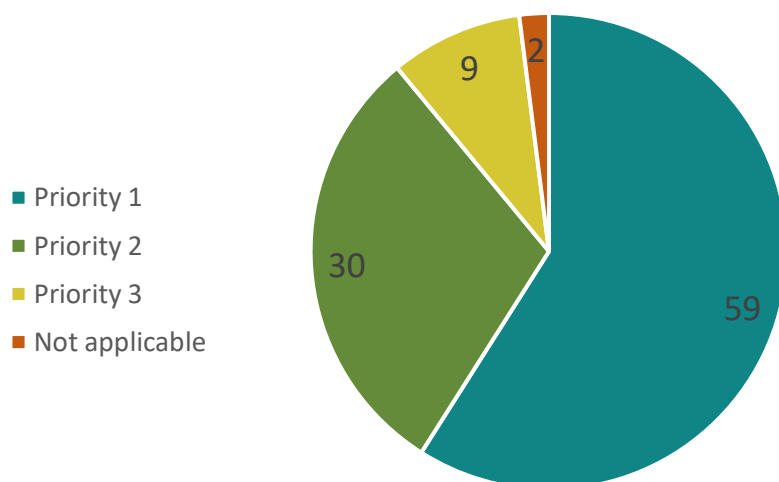
When the government published their methodology for prioritising areas for the LUF, they also published a list of local authority areas ranked by priority from 1 to 3. The 100 areas ranked as the most deprived in England, according to the 2019 Indices of Multiple Deprivation (IMD),²⁹ were compared to the prioritisation score awarded to them by the government.

²⁸ Gov UK, 2021. *The Prime Minister's Levelling Up Speech: 15 July 2021*. [Online] Available at: <https://www.gov.uk/government/speeches/the-prime-ministers-levelling-up-speech-15-july-2021> [Accessed 20 December 2021]

²⁹ Ibid

As the analysis below shows, there are some disjunctures, with a significant percentage of the most deprived areas as measured by IMD not receiving any LUF. The analysis found that only 59% of the top 100 most deprived local authorities in England were ranked in the government’s top priority level for the LUF as shown below in Figure 4.

Figure 4 – Top 100 most deprived English local authorities by the government’s LUF Prioritisation



Note: County Durham and Cornwall are the two areas in the top 100 IMD that were not given a LUF prioritisation score at that geographical level

5.2 Distribution of funding by deprivation

5.2.1 LUF and IMD

The LUF was awarded to 105 successful bids in total. Of these bids, 73 were awarded to English local authority areas. Table 6 shows a breakdown of how many of these successful English bids were awarded to areas in the 20%, 30% and 50% of most deprived areas in England (as determined by their IMD rankings³⁰).

³⁰Ibid.

Table 6 – English LUF successful bids by deprivation ranking

	Number of successful English bids	Percentage of successful English bids	Amount of LUF awarded to successful English bids	Percentage of LUF awarded to successful English bids
20% most deprived areas*	34	46.6%	£606,511,721	48.6%
30% most deprived areas**	48	65.8%	£847,768,504	67.9%
50% most deprived areas***	48	65.8%	£847,768,504	67.9%

*As measured by local authority districts with an IMD ranking of 63 or less and upper-tier local authorities with an IMD ranking of 30 or less

** As measured by local authority districts with an IMD ranking of 95 or less and upper-tier local authorities with an IMD ranking of 45 or less

*** As measured by local authority districts with an IMD ranking of 158 or less and upper-tier local authorities with an IMD ranking of 75 or less

5.2.2 UKCRF and IMD

UKCRF was awarded to 477 successful bids, 225 of which were in England. Of these, 53 of the successful bids in England went to combined local authorities which do not have IMD rankings and can therefore not be measured by deprivation.

Table 7 shows a breakdown of how many of the remaining 172 successful English bids went to areas in the 20%, 30% and 50% of most deprived areas in England (as determined by their IMD rankings³¹). Only 34% of these bids were awarded to areas in the bottom 50% of IMD rankings.

³¹ Ibid.

Table 7 – English UKCRF successful bids by deprivation ranking

	Number of successful English bids	Percentage of successful English bids	Amount of UKCRF awarded to successful English bids	Percentage of UKCRF awarded to successful English bids
20% most deprived areas*	41	23%	£19,316,657	21%
30% most deprived areas**	50	29%	£22,867,979	24%
50% most deprived areas***	59	34%	£26,786,943	28%

*As measured by local authority districts with an IMD ranking of 63 or less and upper-tier local authorities with an IMD ranking of 30 or less

** As measured by local authority districts with an IMD ranking of 95 or less and upper-tier local authorities with an IMD ranking of 45 or less

*** As measured by local authority districts with an IMD ranking of 158 or less and upper-tier local authorities with an IMD ranking of 75 or less

5.3 Who is missing out?

Our analysis looked at the top 100 most deprived local authority districts according to the 2019 Index of Multiple Deprivation to see how many of these areas missed out on receiving the LUF. A significant amount of UKCRF was awarded at a county council level and details about successful bids were difficult to find therefore it was not possible to determine whether a local authority district would benefit from this fund, so this analysis focuses solely on LUF.

Of the top 100 most deprived areas (according to 2019 IMD rankings), 61 did not receive any LUF. Of these 61 areas that did not receive funding, 23% (14) were in the North West and 20% (12) were London Boroughs. It is unsurprising that London boroughs would be less likely to receive LUF as they are more likely to score highly on productivity and transport connectivity metrics.

Table 8 shows the 10 most deprived areas that did not receive any LUF. As shown, 5 of these areas are in the North West and 2 are in London. All of these areas were classified as Priority 1 for the LUF by the government apart from Hackney. A full list of which areas in the top 100 IMD rankings received LUF can be found in Appendix A.

Table 8 – 10 most deprived local authority districts that did not receive LUF

Local authority district	Region	2019 IMD ranking	Gov Prioritisation
Blackpool	North West	1	1
Knowsley	North West	3	1
Barking & Dagenham	London	6	1
Hackney	London	7	2
Sandwell	West Midlands	8	1
Hastings	South East	13	1
Blackburn with Darwen	North West	14	1
Middlesbrough	North East	16	1
Rochdale	North West	17	1
Hyndburn	North West	18	1

What is particularly striking about the distribution of LUF is that 5 of the most deprived local authority districts in the country including the most deprived local authority district in the country did not receive any LUF.

6. LUF and other streams of local government funding

In England local government are responsible for delivering a range of neighbourhood services including social care, waste collection and elements of transport, housing and education. They raise money to pay for these services in three ways: council tax; business rates and government grants. Since 2010 the spending power of local government in England has decreased by 16%³². This is largely due to cuts in the central government grant portion of their funding. These grants were cut by 37% in real-terms from 2009-10 to 2019-20³³.

This analysis explores whether the receipt of LUF made up for this loss of government grants for the English local areas that received it. The analysis excludes UKCRF which is awarded at a higher governance level and therefore cannot be compared. The analysis also focuses specifically on

³² Institute for Government, 2021. *Local Government funding in England*. [Online] Available at: <https://www.instituteforgovernment.org.uk/explainers/local-government-funding-england> Accessed 20 December 2021

³³ Ibid.

English areas receiving LUF as allocation of central government grants works differently in the devolved administrations.

Using the government’s Settlement Funding Assessment (SFA) calculator³⁴, which outlines the grants each local authority has received since 2016-17, an area’s total SFA allocations³⁵ between 2016-17 and 2020-21 were calculated. This was then compared to what they would have received if their SFA allocation had simply remained consistent each year since 2016-17. See Appendix B for an example of how we did this.

This analysis found that the majority of areas that received LUF were not actually better off when accounting for their reduction in central government grants. For 68% (43) of the English local authority areas that received LUF, the money they received does not make up for the reduction in their central government grant from 2016-17 to 2020-21.

Table 9 shows the five areas receiving LUF that had the highest net losses since 2016 when accounting for their SFA allocations each year. Table 10 shows the five areas that had the highest net gains since 2016 when accounting for their SFA allocations each year.

Table 9 – Areas with lowest net gain after LUF when accounting for loss of SFA allocations since 2016-17

Area	Cumulative change in SFA received in last 5 years from 2016-17	Amount of LUF awarded	Net gain since 2016	Urban Rural Classification (6=most urban, 1=most rural)
Birmingham	–£284,800,000	£52,625,000	–£232,175,000	6
Leeds	–£169,800,000	£20,000,000	–£149,800,000	6
Manchester	–£137,200,000	£19,823,516	–£117,376,484	6
Lincolnshire	–£134,300,000	£19,558,800	–£114,741,200	N/A
East Sussex	–£115,200,000	£7,957,517	–£107,242,483	N/A

³⁴ Gov UK, 2021. Settlement Funding Assessment Calculator 2021-22 [Online] Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945347/Settlement_Funding_Assessment_Calculator_2021-22.xlsx Date accessed: 10 December 2021

³⁵ Each year the government sets out how much money local authority areas will have to spend on public services via their Settlement Funding Assessment (SFA) allocations. The SFA allocations include the local authority’s Baseline Funding Level (BFL) and their Revenue Support Grant (RSG).

Table 10 – Areas with highest net gain after LUF when accounting for loss of SFA allocations since 2016-17

Area	Cumulative change in SFA received in last 5 years from 2016-17	Amount of LUF awarded	Net gain since 2016	Urban Rural Classification (6=most urban, 1=most rural)
Isles of Scilly	£100,000	£48,443,497	£48,543,497	1
Thanet	-£6,200,000	£26,146,078	£19,946,078	4
Hinckley and Bosworth	-£3,000,000	£19,900,000	£16,900,000	3
Forest of Dean	-£3,200,000	£20,000,000	£16,800,000	1
Chesterfield	-£3,500,000	£19,982,028	£16,482,028	4

When taking loss of government funding into account, urban areas gained the least from LUF compared to their rural counterparts. This analysis considered the Rural-Urban Classification of the English local authorities receiving LUF and found that all 23 of the most urban (classified as Urban with Minor Conurbation or Urban with Major Conurbation by the 2011 Rural Urban Classification for Local Authority Districts in England³⁶) districts despite benefitting from LUF, were still worse off over the period 2016-17 to 2020-21 than if they had just continued to receive the same level of SFA since 2016-17. Only 8 rural areas (classified as Mainly Rural or Largely Rural by the 2011 Rural Urban Classification for Local Authority Districts in England³⁷) received LUF. Of these, five were financially better off and three were worse off over 2016-17 to 2020-21 taking their LUF allocations into account than if they had just continued to receive the same level of SFA allocations over the period.

³⁶ Department for Environment, Food & Rural Affairs, 2014. Lookup for 2011 Rural Urban Classification of Local Authorities [Online] Available at: <<https://www.gov.uk/government/statistics/2011-rural-urban-classification-of-local-authority-and-other-higher-level-geographies-for-statistical-purposes>> Date accessed: 12 December 2021

³⁷ *Ibid.*

7. Summary

As we await the Levelling Up White Paper, due for release in January 2022, the funding distributed under the levelling up banner so far shows that while this a genuinely national agenda there are some areas and groups who benefit more than others and some places in the greatest need who appear to be missing out.

There are differences between the LUF and UKCRF funds. While both aim to contribute to the levelling up agenda they have been designed with different aims in mind. LUF is aimed at investing in infrastructure that will improve local areas whilst UKCRF has been designed to allow areas to pilot new approaches to building economic resilience. This highlights the government's focus on physical infrastructure and economic resilience as core to an areas ability to level up. It will be important for the upcoming White Paper to justify this focus or lay out plans for future investment in social infrastructure so that investment in education, health and community resilience are not ignored.

Our analysis has also highlighted some clear differences in the way funding from these two funds has been allocated so far. LUF has been largely allocated to ex-industrial regions such as the North West, North East and West Midlands whereas UKCRF allocations were concentrated in the South East and East of England. Furthermore, LUF has been allocated to a higher proportion of deprived areas than the UKCRF where only 34% of English bids were allocated to English areas in the bottom 50% of 2019 IMD rankings (excluding bids awarded to combined local authorities).

Some of the most deprived areas in the country did not receive any monies in this first allocation of levelling up funding. For example, on the basis of the index of multiple deprivation Blackpool is the area in greatest need in England yet is not a recipient of support for levelling up funding. The UKCRF's focus on the South East and East of England and lack of investment in the most deprived areas in the country suggests the government may not take the most obvious approach to levelling up by investing in areas that have traditionally been considered to be 'left behind'.

While the levelling up funds are not designed to replace changes in how central government supports local and regional government the role of devolved administration in delivering on an agenda to address place-based inequality has been recognized by government as well as virtually everyone else involved in this debate. This is why it is important to see the investment in levelling up in context. For many local authorities receiving LUF, this funding will not make up for the reduction in central government funding they have experienced in recent years.

7.1 Key Points

Key points highlighted in this report include:

- Of the 100 most deprived areas in England, 61 did not receive any LUF. 23% of these areas were in the North West and 20% were London boroughs.
- Of the 10 most deprived areas in the country 5 did not receive resources via the Levelling Up Fund.
- Some regions received more funding than others. The North West, North East and West Midlands received the most LUF whilst Wales, the South West and East of England received the most UKCRF. Across both funds the North East and London received relatively small amounts of funding compared to other regions.
- The devolved nations tended to receive a higher proportion of UKCRF compared to LUF.
- The majority of the LUF was awarded to urban areas with only 13% of funds going to predominantly rural areas.
- Only 20% of red wall areas received LUF.
- The majority of the LUF was awarded to bids concerned with transport infrastructure or town centre regeneration.
- Only 59% of the top 100 most deprived areas in England were classified as the highest priority areas for the LUF by the government's prioritisation methodology.
- 66% of the LUF awarded to English local authorities was awarded to areas ranked in the 30% most deprived in England. 29% of the UKCRF awarded to English local authority districts or upper-tier local authorities was awarded to areas ranked in the 30% most deprived in England.
- The majority of areas that received LUF were not better off after accounting for a loss in core funding to local governments since 2016-17. For 68% (43) of the English local authority areas that received LUF the money they received does not make up for the loss of their core funding due to a reduction in their SFA allocation from 2016-17 to 2020-21. This was particularly true for the most urban areas probably due to the fact that urban areas receive higher SFA allocations and therefore suffered greater losses in funding due to reductions.

Appendix A

Table 11 – Areas in the top 100 of the 2019 Index of Multiple Deprivation rankings by whether they received LUF and their government prioritisation for the fund

IMD ranking	English Local Authority Area	LUF/No funding (N)	Gov Prioritisation
1	Blackpool	N	1
2	Manchester	LUF	1
3	Knowsley	N	1
4	Liverpool	LUF	1
5	Barking and Dagenham	N	1
6	Birmingham	LUF	1
7	Hackney	N	2
8	Sandwell	N	1
9	Kingston upon Hull, City of	LUF	1
10	Nottingham	LUF	1
11	Burnley	LUF	1
12	Newham	LUF	1
13	Hastings	N	1
14	Blackburn with Darwen	N	1
15	Stoke-on-Trent	LUF	1
16	Middlesbrough	N	1
17	Rochdale	N	1
18	Hyndburn	N	1
19	Wolverhampton	LUF	1
20	Salford	LUF	2
21	Bradford	LUF	1
22	Leicester	LUF	1
23	Tameside	LUF	1
24	Great Yarmouth	N	1
25	Hartlepool	N	1
26	South Tyneside	N	1
27	Tower Hamlets	LUF	3
28	Islington	N	3
29	Oldham	N	1
30	East Lindsey	N	1
31	Walsall	N	1
32	Tendring	N	1
33	Sunderland	LUF	1
34	Thanet	LUF	1
35	Lewisham	N	2
36	Pendle	N	1
37	Haringey	N	2

38	Barnsley	N	2
39	Halton	N	2
40	St. Helens	N	1
41	Doncaster	LUF	1
42	Lambeth	N	3
43	Southwark	N	3
44	Barrow-in-Furness	LUF	1
45	Waltham Forest	N	2
46	Preston	N	1
47	Bolton	LUF	1
48	Torbay	N	1
49	Brent	LUF	2
50	Rotherham	LUF	1
51	Fenland	N	2
52	Luton	LUF	1
53	Peterborough	LUF	1
54	Gateshead	N	1
55	Southampton	N	2
56	Mansfield	N	1
57	Portsmouth	LUF	2
58	Bolsover	N	2
59	Enfield	N	2
60	Greenwich	N	2
61	Norwich	N	2
62	Redcar and Cleveland	N	1
63	Ashfield	N	2
64	Wakefield	LUF	1
65	County Durham	LUF	#N/A
66	North East Lincolnshire	LUF	1
67	Torridge	N	1
68	Lincoln	LUF	1
69	Swale	N	1
70	Corby	N	2
71	Ipswich	N	2
72	Plymouth	LUF	2
73	Slough	N	3
74	Newcastle upon Tyne	LUF	1
75	Scarborough	N	1
76	Calderdale	LUF	2
77	Wirral	LUF	2
78	Copeland	N	2
79	King's Lynn and West Norfolk	N	1
80	Isle of Wight	LUF	2

81	Coventry	N	2
82	Bristol, City of	N	2
83	Cornwall	N	#N/A
84	Folkestone and Hythe	N	1
85	Boston	N	1
86	Chesterfield	LUF	1
87	Kirklees	N	2
88	Ealing	LUF	2
89	Sefton	N	3
90	Derby	LUF	1
91	Rosendale	N	1
92	Leeds	LUF	1
93	Sheffield	LUF	2
94	North Norfolk	N	2
95	Hounslow	N	3
96	Hammersmith and Fulham	N	3
97	Wigan	N	1
98	Medway	LUF	2
99	Telford and Wrekin	N	3
100	Harlow	N	1

Appendix B

This appendix offers an example of how cuts to local government funding have been calculated for the analysis presented in section 6.

Table 11 shows Leeds’ SFA allocations from 2016-17 to 2020-21. Their allocation has reduced each year except 2020-21 when it increased from the previous year by £3.1 million. The table also shows the loss of funding this represents in comparison to their allocation in 2016-17 each year. It shows that if their SFA allocation had remained consistent since 2016-17 they would have been £169.4 million better off. This is a conservative estimate as it does not account for inflation. Leeds received £20 million from the LUF, but even taking this funding into account, they are still £250 million worse off.

Table 11 – Leeds reduction in SFA allocations since 2016-17

Year	SFA Allocation	Change since 2016-17
2016-17	£238.0 million	N/A
2017-18	£213.0 million	–£25 million
2018-19	£198.9 million	–£39.1 million
2019-20	£183.7 million	–£54.3 million
2020-21	£186.6 million	–£51.4 million
Total		–£169.4 million