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‘LEVELLING UP’ POST-INDUSTRIAL CITY-REGIONS IN ENGLAND

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Abstract

The UK government’s ‘Levelling Up’ agenda represents the latest attempt to address long-standing interregional socio-economic disparities in England. This paper assesses how the *Levelling Up the UK* White Paper, published in early 2022, frames the problem of interregional inequality and the potential of the proposed solutions contained within the paper to address the problem. We argue that the White Paper represents a welcome attempt to embed and elevate regional policy into central government activity but that if regional policy is to mean anything, it cannot be about everything. A more acute spatial focus, with emphasis on key policy levers, needs to be developed to meaningfully tackle interregional inequality in England. We suggest that England’s ‘second-tier’ city-regions represent the most obvious cornerstone of an agenda focused on improving economic performance outside London and the South East. Using the Liverpool City Region as a case study area, we highlight three policy areas where further work is required to build on the *Levelling Up the UK* White Paper.

Keywords

Levelling Up; regional; devolution; city-region; urban

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1. Introduction

The long-awaited *Levelling Up the UK* White Paper was published in February 2022, over two years after Prime Minister Boris Johnson coined the phrase during the 2019 General Election campaign. Having been used as both a campaigning slogan and, following the election, as an overarching description of the government's policy programme (Newman, 2021), the White Paper represents the first comprehensive attempt to flesh out the Levelling Up agenda. The description of Levelling Up by the Secretary of State for Levelling Up, Housing and Communities, Michael Gove, as 'a mission – part economic, part social, part moral' (HM Government, 2022, p.x) reflects not only the ambiguity of the phrase but its development in the context of geographical discontent; exemplified in recent years by the EU referendum of 2016 and, to some extent, the General Election of 2019 (McCann and Ortega-Argilés, 2021). Implicit within the White Paper is an acknowledgement that levels of interregional inequality in the UK are restricting prosperity in the nation as a whole, and a rejection of previous approaches focused primarily on fiscal transfers from the 'growth engine' of London to the rest of the country. Beyond this, however, the spatial focus of the White Paper 's analysis varies extensively between regional, urban, and local.

This article assesses the Levelling Up White Paper's analysis of the UK's spatial inequality problem, the proposed solutions contained within it, and the spatial scope of the Levelling Up agenda. Due to the devolved structures in Scotland, Wales and Northern Ireland, as well as their differing local and regional governance arrangements, the paper primarily focuses on matters concerning England. Using the Liverpool City Region (LCR - a metropolitan area in North West England with a population of around 1.5 million) as a case study, we argue that addressing the wide socio-economic gaps between different English regions must include a comprehensive plan to improve the economic performances of post-industrial, 'second-tier' city-regions such as the LCR. We discuss the key policy levers identified in the White Paper and whether these are sufficient to transform the fortunes of these city-regions.

2. Levelling Up: Where and How?

The White Paper extensively details a number of spatial and economic inequalities, both inter-regional and intra-regional. It acknowledges that the UK faces what Philip McCann (2016) describes as a 'regional-national economic problem'. Over the last 100 years, the UK economy has bifurcated between a handful of high-growth, high-productivity regions (namely London, the South East, and North East Scotland), and the rest of the country. Illustrating the severity of interregional disparities, McCann has demonstrated that the UK is more spatially unequal at the regional level than 28 of the 34 OECD nations (McCann, 2020); a point recognised in the White Paper, which notes that the gap in productivity between the highest performing region (London) and the lowest (Northern Ireland) is around 60 percent.

The White Paper also accepts that, in contrast to larger nations such as the USA, the economic performance of towns and rural areas in the UK are not uniformly lower than in cities and notes, as an example, that Darlington (a town located in the North East of England with a population of around 100,000) has similar levels of productivity to central Manchester (the core of a Greater Manchester city-region with a population of around three million). The regional character of these disparities are illustrated in Figure 1, which shows that Gross Value Added (GVA) per hour worked is higher on average in London and the South East than in other regions (see Figure 1).

In its analysis of inter-regional inequalities, the White Paper acknowledges the underperformance of the UK's 'second-tier' cities compared to similarly sized cities in other comparable nations. Core to this observation is a recognition of the size and centrality of London to the UK's economy. There is some evidence that, London aside, UK cities perform poorly in economic terms compared to cities in Western Europe, as illustrated in Figure 2. English cities in the North and Midlands in particular, have long lagged behind European counterparts and this gap has grown in recent years (Parkinson et al., 2004; Parkinson, 2022).

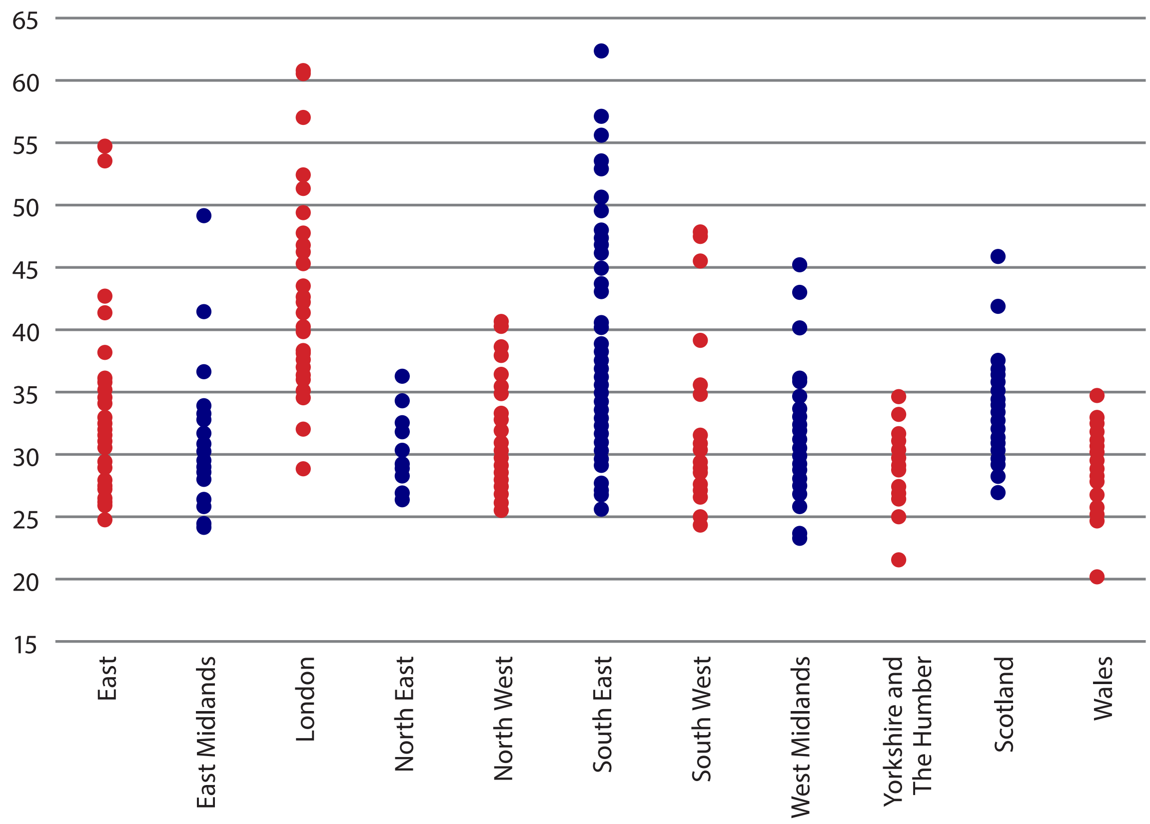

Figure 1 - Distribution of GVA per hour worked (£), local authorities by GB countries and regions, 2019 (HM Government, 2022, p.7)

The White Paper recognises that the economic underperformance of English cities is central to the UK's interregional inequality problem. There are numerous references to the importance of 'globally competitive' cities, along with a diversion into the history of cities and extensive discussion of the Medici dynasty of 16th century Florence. A key proposal included in the paper is a commitment to increase public investment in research and development outside the South East, and to open three new Innovation Accelerators in Greater Manchester, the West Midlands, and Glasgow. However, beyond this there is little in the way of distinctively urban policy.

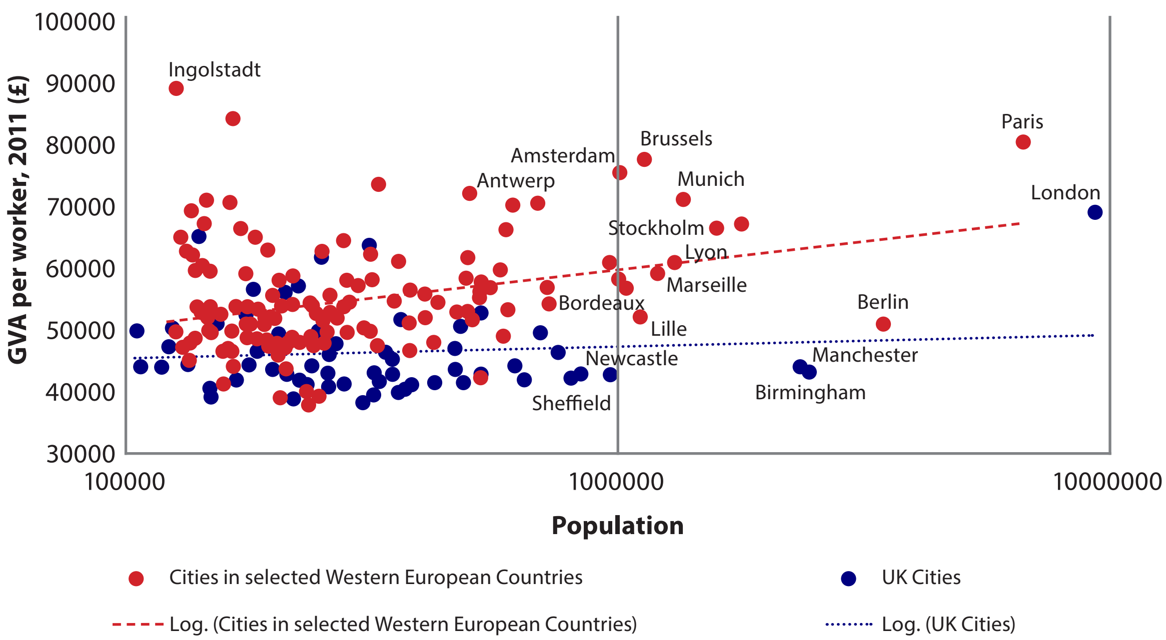

Figure 2 - GVA per hour vs population size, selected Western European Cities, 2011 (HM Government, 2022, p.33)

The White Paper also identifies various intra-regional inequalities, acknowledging that socio-economic disparities within regions and city-regions are often larger than between regions. Many of the most discussed inequalities in the White Paper relate to quality of life issues.

To address these spatial inequalities, the White Paper identifies 12 'missions', covering four broad policy areas: productivity, pay, jobs and living standards; spreading opportunity and improving public services; restoring a sense of community, local pride and belonging; and empowering local leaders and communities. The missions vary in their spatial focus. Some, such as the aspiration for 90% of children under 11 to achieve the expected standard of reading, writing and maths, are led at the national scale, within government departments. Other missions focus on inter-regional issues, such as the commitment to increase spending on research and development outside the South East of England by 40%. Others, meanwhile, seek to address intra-regional inequalities, such as reducing the gap in Healthy Life Expectancy between the best and worst performing areas.

The White Paper seeks to embed the aims of levelling up across government, and to encourage government departments to consider the place-based impacts of policies. While presented as a radical departure from previous attempts at addressing spatial inequalities, in many respects it represents continuity of regional policy over the last 20 years. In its discussion of the 'Medici effect' and its emphasis on the importance of globally competitive cities, the paper reflects New Economic Geography arguments about the importance of city size and agglomeration. The Northern Powerhouse concept, developed during the mid-2010s, was based largely on the idea that transport connectivity and political devolution would help boost productivity in Northern England's largest cities (Lee, 2017; Mackinnon, 2020; Parr, 2017;). However, in its emphasis on quality of life issues, and discussion of intra-regional inequalities, the White Paper reflects a growing perception amongst policymakers that the most significant economic divides are between cities and towns. This is potentially problematic as there is limited evidence that this view fairly represents the reality of spatial inequality in the UK, with imbalances being more significant between regions (particularly the Greater South East and the rest of the country) than within them (McCann 2016; McCann 2020).

3. Post-industrial City-regions: The Case of Liverpool City Region

The challenge of 'levelling up' is closely linked to the need to improve productivity and standards of living in the UK's city-regions. England, in particular, is a densely populated and highly urbanised nation with extensive economic linkages between cities and their hinterlands (Fothergill and Houston, 2016). While recent political debates have focused on the need to address social discontent in so-called 'left behind' towns and rural areas (Rodríguez-Pose, 2018; Leyshon, 2021; Mackinnon et al., 2022), and the purported economic and political disconnect that exists between thriving large cities and declining smaller conurbations (Jennings and Stoker, 2016), it is evident that policy will need to address underperformance in city-regions if interregional inequalities are to be reduced.

The economic underperformance of English second-tier city-regions has been a central theme of UK regional policy analysis for the last 25 years. This group is comprised of the largest cities outside London, with notable members including Greater Manchester, Newcastle, and Liverpool City Region. The 'urban renaissance' strategy of the New Labour governments (1997-2010) sought to regenerate and repopulate city centres through property-led investment and via growth of the knowledge and service sectors (Colomb, 2007). The 2007 Review of Sub-National Development and Regeneration formalised the concept of city-regions, providing new powers (particularly over public transport) to metropolitan regions (HM Treasury 2007). Following the abolition of regional structures by the Coalition government (2010-2015), a series of interventions highlighted the need to improve the economic performance of cities outside the Greater South East, notably IPPR North's Northern Economic Futures Commission (2012), the RSA City Growth Commission (2014), the One North report delivered by Northern England's largest local authorities (2014). The rollout of sub-national devolution in the mid-2010s, manifested most visibly in the introduction of 'metro' mayors in some English city-regions, reflects this focus. The importance of improving the performance of city-regions, in relation to the overall health of the UK economy, is well understood (Parkinson 2016).

The Liverpool City Region is an exemplar of England's second-tier city-regions. A metropolitan area in the North West of England comprised of six districts with a total population of around 1.5 million, the LCR faces a number of long-standing and deep-rooted social and economic performance gaps with the rest of the country. In this regard, the LCR represents something of a paradigmatic, if not critical, case through which to interrogate the current levelling up agenda and its prospects for England's underperforming post-industrial city-regions more generally (Flyvbjerg, 2006).

Figure 3 - Map of Liverpool City Region (Thompson et al., 2020)

In common with other English city-regions, the LCR's economic position has been challenged by deindustrialisation and shifts in global trade over the last century. Employment in the city-region's core maritime and manufacturing industries fell rapidly during the depression of the 1930s and again from the 1960s onwards. For example, between 1966 and 1978, 20 percent of Liverpool's jobs were lost and 350 plants and factories closed or transferred production elsewhere (Parkinson, 2019). The population, in many areas of the city-region contracted markedly in response to this economic decline. The City of Liverpool (one of the six constituent districts of the LCR), experienced a decline in population of almost 50 percent from its peak in the early 1930s to the turn of the millennium (City Monitor, 2017). During the late 1980s and 1990s, areas of LCR (most notably Liverpool City Centre) witnessed extensive physical regeneration, with tentative repopulation beginning during this period and accelerating during the 2000s. The local economy has transitioned from one primarily focused on the port and related industries to a service, knowledge, and culture-based economy. The City Centre has a strong visitor economy, a large public sector, and a wide range of professional services firms, while the wider city-region has complementary strengths in chemical manufacturing, automotive engineering, transport and logistics, and health and life sciences. The LCR economy has grown by £2 billion in the last decade, and now stands at £33 billion GVA (LCRCA, 2022a).

However, despite significant economic progress over the last two decades, productivity in the LCR remains lower than the average in both England and the North West region, at around £21,500 GVA per head in 2019 compared to England's average of £30,000. Low business and job density, as well as high rates of economic inactivity, contribute to significant deprivation across many areas of the city-region. A third of Lower Super Output Areas (LSOAs) in the LCR are amongst the most deprived decile in England (MHCLG, 2019). This suggests that the physical regeneration of the city centre and associated increase in economic activity has not been sufficient to address the causes and consequences of long-standing deprivation. The LCR also exemplifies the vicious cycle of underperformance of England's post-industrial city-regions. Health inequalities, poor housing quality, weak transport, and low skills attainment hinder productivity in LCR (Heseltine Institute, 2021). In common with other English city-regions, there are wide socio-economic disparities within relatively small areas. In the Wirral district (see Figure 3), for example, there is an 18-year gap in healthy life expectancy between the best and worst performing wards. A similar picture is evident in education outcomes: three of the six LCR local authority areas register average GCSE results above the England average (St Helens, Sefton and Wirral), while Knowsley has some of the poorest GCSE outcomes in the country (Shaping Futures, 2022).

With a view to addressing these entrenched inequalities, the LCR has recently become a focal point for city-region devolution in England. A devolution deal with government was signed in 2015, granting the newly-created Liverpool City Region Combined Authority (LCRCA) a limited range of powers, responsibilities, and control over regional funding (see Figure 4). The first Metro Mayor of LCR, Steve Rotheram, was elected in 2017, and subsequently re-elected for a second term in 2021. Exemplifying the scale and severity of the socio-economic inequalities that typify England's second-tier city-regions, as well as demonstrating the journey from deindustrialisation to partial regeneration and devolution that is shared with similar areas, the LCR provides us with a useful perspective from which to evaluate the current levelling up agenda.

Table 1: Devolved powers in Liverpool City Region.

Transport	• Devolved, consolidated transport budget • Bus franchising • Joint working with highways England and NR • Local roads network
Skills, Employment, Health	• Joint working with UTI • Business support services • Adult education budget • Work and health
Land and Housing	• Public land commission / joint assets board • Compulsory purchase orders • Mayoral development corporations • Planning call-in powers • Consultation on strategic planning applications • Spatial strategy
Finances	• Investment fund (£30m per year) • 100% business rates revenue retention • Business rates supplement

Source: Authors, adapted from Sandford (2022)

4. Three Dimensions to Levelling Up Post-industrial City-regions

In order to effectively address the multiple inequalities impacting the Liverpool City Region, and similar post-industrial, second-tier city-regions in England, the Levelling Up policy agenda must itself be multidimensional; strategically addressing disparities in productivity, prosperity, and power. Together, these three elements highlight the complexity of regional inequalities and the extent to which addressing them is simultaneously an economic, social and political challenge.

4.1. Productivity

The White Paper presents the problem of spatial inequality in the UK as primarily one of uneven economic geography. Increased interlinkages in global trade and technological innovation have positively impacted certain places and hollowed out others, with London and its hinterlands in the South East of England being particular beneficiaries. In contrast, coastal areas and former industrial centres have suffered from declining populations and reduced presence in the UK's economic and trading framework. Addressing this uneven geography, we are told, 'needs to begin by improving economic dynamism and innovation to drive growth across the whole country, unleashing the power of the private sector to unlock jobs and opportunity for all' (HM Government, 2022, p.xii). The White Paper highlights the need to address these disparities from a macro perspective, as well as addressing political and social discontent:

> The economic prize from levelling up is potentially enormous. If underperforming places were levelled up towards the UK average, unlocking their potential, this could boost aggregate UK GDP by tens of billions of pounds each year. (HM Government 2022., p.xiv).

In its analysis, if not in the policies proposed to address the identified challenges, the White Paper is concerned primarily with improving productivity and prosperity in places that have experienced decline in both over the last 40 years. It is clear from the White Paper that the UK Government views 'globally competitive' cities and city regions as the primary focal point for this economic reorientation, unlocking the untapped potential of the UK's second-tier cities relative to international comparators. But, in order to meaningfully narrow existing productivity and prosperity gaps, post-industrial cities and regions such as LCR will not only need to compete with successful national and international comparators, but also outperform them for a sustained period of time (Martin et al., 2021).

To achieve this, LCR and other second-tier UK city-regions will need to find ways to create, attract, and maintain stable sources of value creation that will help to close productivity and employment gaps over the long-term. This means identifying new industries, trades, jobs and products, promoting economic strengths and addressing underpinning weaknesses. It will also mean navigating and overcoming current economic headwinds, both domestically generated (such as the UK's exit from the European Union, single market, and customs union, or the consequences of economic policymaking during Liz Truss' short premiership) and external shocks (such as the recent rapid increase in energy prices following Russia's invasion of Ukraine). Only by securing more sources of good quality, stable employment can places such as the LCR develop long-term and meaningful prosperity for their residents.

The White Paper points primarily to the knowledge economy – that is, knowledge-intensive activities and the rapid advancement of technical and scientific innovation (Powell and Snellman, 2004) – as the likely route to achieving this goal across the UK, with a mission to increase public investment in R&D outside the South East by at least 40 percent by 2030 (HM Government, 2022, p.xvii). The LCR appears well-placed to deliver on this priority, with a number of emerging strengths identified in innovative areas of the economy such as high performance computing and AI; infection control, materials chemistry, low carbon technologies, culture and creative industries, and the social economy. The city region has also adopted an ambitious target that R&D investment should be equivalent to 5 percent of its GVA by 2030 (LCRCA, 2022, pp.15-21).

However, growing the knowledge economy in second-tier cities has long been an ambition of regional policy in the United Kingdom. Under the New Labour governments of the 1990s and 2000s, for example, emphasis was placed on developing "knowledge assets" and stimulating "knowledge-based industries", with Regional Development Agencies tasked with identifying potential local clusters of knowledge-economy activity through the publication of Regional Economic Strategies (Peck and McGuinness, 2003). Technology-intensive industries were identified as the drivers of urban growth, particularly where they could help to capitalise on local university research capacity (Dalingwater, 2011). Nevertheless, it appears that these knowledge economy interventions at the urban scale did little to significantly disrupt the competitive advantages of London and the South East, or to close performance gaps at the regional scale. Critics have suggested that a siloed approach to growing particular knowledge-based industries failed to exploit the potential for deeper multi- and cross-sectoral innovation within cities, or to deal more fundamentally with the underlying causes of uneven R&D investment in the regions (Dalingwater, 2011). In this regard, the approach outlined in the White Paper risks repeating the past. It presents investment in the knowledge economy as central to reversing the relative decline of productivity in second-tier cities, whilst falling short of the kind of comprehensive and coordinated industrial strategy that is required to unlock the full potential of the knowledge economy outside of London and the South East.

There are further practical barriers to adopting a place-based approach to growing the knowledge economy. In addition to its inherent vulnerability to disruption and devaluation (think of the decline of Nokia and Blackberry after the introduction of the iPhone), knowledge economy activity also tends towards intense concentration: a few monopolistic firms (e.g. Google, Apple, Amazon) operating in a few geographic locations (London, New York, Silicon Valley) (Unger et al., 2019). Unlike previous transformations in production, such as that associated with the first industrial revolution, the knowledge economy 'cannot be reduced to a stock of readily transportable machines and procedures and easily acquired abilities' (Unger et al., p.12). This makes it much more difficult for firms and places outside existing concentrations of knowledge economy activity to compete for talent, develop ideas, and attract investment in high-innovation opportunities. This leaves behind a rear-guard of stagnating 'zombie firms' outside existing concentrations of knowledge economy activity which are less able to expand or invest in the technologies, talent, or processes that could help to improve the productivity of their local economies (Unger et al., p.18).

The uneven geography of knowledge economy activity is apparent in LCR where, despite the development of an increasingly significant innovation ecosystem over recent decades, the majority of employment growth has been in less productive sectors (Heseltine Institute, 2021). Moreover, the challenge of diffusing knowledge economy activity beyond existing concentrations is further compounded by the extent to which many firms across the economy are disincentivised from investing in innovative technologies while labour remains cheap and flexible. Currently, one in five jobs in Liverpool City Region pays below the Real Living Wage (LCRCA, 2022b), with many of these jobs characterised by increasingly precarious contracts. The high concentration of these jobs in LCR entrenches inequality and hinders the transition to a more innovative, high-skill, high-productivity, economy.

4.2. Prosperity

Alongside identifying new sources of value creation and shared prosperity, city-regions such as LCR face the equally important task of strengthening the foundations upon which prosperity can be built and sustained. Improving the quality of local assets, infrastructure, and institutions – from schools and public transport systems, to housing stock and public spaces – is not just a necessary precondition for developing a high productivity economy, it is also fundamental to creating a more meaningful sense of shared prosperity. After all, prosperity is measured not only in GVA growth, but in the health, wealth, and wellbeing of people, communities, and the curation of an environment that can support future generations.

The White Paper recognises that many places are caught in vicious cycles, where entrenched challenges undermine local foundations for economic prosperity and lead to persistently poor outcomes across a range of social and economic metrics (HM Government, 2022). This acknowledgement is particularly relevant for LCR, where (as already highlighted) there are long-standing, deep-rooted, and interconnected challenges associated with deprivation, low skills, and poor health. The Government has set itself a number of specific missions that directly address the foundations of economic prosperity, including: bringing local public transport services closer to the standards of London, delivering nationwide gigabit broadband coverage, improving educational outcomes, increasing skills training, improving housing quality for renters, tackling crime, and closing gaps in Healthy Life Expectancy. However, it will be vital that continued emphasis is placed on disrupting entrenched socioeconomic challenges as the Levelling Up agenda develops further, particularly as much of the detail explaining how the Government plans to tackle these issues was absent from the White Paper.

The White Paper recognises both the urgency of such challenges and the state's role in solving them. This represents a tacit acknowledgement that austerity and the retrenchment of (local and national) state spending over the last 12 years has been detrimental to prosperity. Local authorities in the LCR saw on average a 28 percent reduction in their core spending power in the decade 2010/11 to 2019/20 (LCRCA, 2020b), reducing their capacity to arrest critical social and economic challenges in local communities, undermining the local public services that support people to thrive, and weakening the architecture around which shared prosperity can be developed. More detail is needed from the Government to explain how austerity-era cuts to public spending and public services will now be meaningfully reversed and rectified to support levelling up.

In addition, the long-term success of the levelling up agenda will require underperforming places to break the relationships of dependence which mean that their future prosperity is determined by the good will or indifference of national policymakers. Achieving this will require a significant redistribution of fiscal and political power to the local level, enabling places to develop alternative economic models that meet the needs of local citizens. A resurgent interest in municipalism – or 'the democratic autonomy of municipalities (from town parishes to metropolitan boroughs to city-regions) over political and economic life vis-à-vis the nation-state' (Thompson, 2021, p.317) – reflects this. Community Wealth Building (CWB) has, for example, become an increasingly influential model of municipalism that aims to establish:

> 'collaborative, inclusive, sustainable, and democratically controlled local economies' through the promotion of 'worker cooperatives, community land trusts, community development financial institutions, so-called "anchor institution" procurement strategies, municipal and local public enterprises, and public and community banking' (Guinan and O'Neill, 2020, p.2).

This approach seeks to nurture the local economic policies and institutions that provide for local citizens first and foremost, so as to develop the foundational economy upon which most people rely, and ensure that prosperity is more evenly distributed to help improve quality of life. The so-called 'Preston Model' provides one example of how CWB principles have been adopted to support economic development in an English city (see Brown and Jones, 2021); the Liverpool City Region has similarly committed to ensure these principles are central to its economic development policies and practices (LCRCA, 2022a).

Increasing local ownership and control over local policies will be even more critical in the context of accelerating climate emergency. As the birthplaces of the first industrial revolution, there is both an ethical and economic imperative that England's post-industrial cities now lead the transition towards zero carbon ways of living, working, and getting around. A changing climate, and the race to meet decarbonisation goals, will present systemic challenges to the resilience and effectiveness of the infrastructures that cities and their populations need to thrive. Rapid investment is now required to build resource efficiency and climate adaptation into the forms and functions of urban spaces, supporting the long-term sustainability, and prosperity, of local communities.

4.3. Power

The White Paper represents an acknowledgement of the limitations of centralised power and governance in England, and includes a welcome commitment to extend the devolution to city-regions that has taken place over recent years. As the White Paper notes, local actors have too rarely been empowered to design and deliver policies necessary to drive growth due to a centralised model that 'under-utilises local knowledge, fails to cultivate local leadership and has often meant anchor institutions in local government have lacked powers, capacity and capability' (HM Government, 2022, p.112).

Over the last decade, England has experienced an exceptionally high degree of institutional churn at the sub-national scale. Following the abolition of the Regional Development Agencies and Government Offices for the Regions in 2011, new regional and city-regional institutions introduced in the period since include:

- Local Enterprise Partnerships representing a wide spectrum of geographies including city-regions, single counties and multi-county areas, some of which are overlapping.
- Police & Crime Commissioners, some of which have been subsumed into combined authority structures.
- NHS Clinical Commissioning Groups.
- Combined Authorities, mainly covering metropolitan areas but also including the non-metro area of Cambridgeshire and Peterborough, and the partial metro area of North of the Tyne.
- Elected 'Metro' Mayors representing these combined authority areas.
- Pan-Regional Transport Bodies: Seven pan-regional bodies, including Transport for the North, Midlands Connect, and Transport for the South East.

Devolution arrangements have tended to be organised through ‘contract-style agreements between central government and local public bodies, to pursue agreed outcomes in discrete policy areas where a common interest can be identified’ (Sandford, 2017, p.64), with a menu of policy options in which a number of devolved powers are available as standard to most areas, but with each deal also containing some unique elements (Sandford, 2020). Powers devolved to all or most combined authorities in England include: adult education; aligning business support (e.g. growth hubs); spatial planning and some powers over housing; public transport, including bus franchising in some areas; and transport infrastructure through the Transforming Cities Fund. Bespoke deals have been agreed with the West Midlands CA, the GMCA, and the West of England CA on funding for affordable housing. Two devolution deals (Greater Manchester and Cornwall) include significant powers and funding for health and social care.

Despite these recent advances towards decentralising some powers, sub-national government in England has little ability to raise revenue itself, leaving the UK as one of the OECD’s most centralised nations (McCann, 2020). In Germany, over 30 percent of tax revenue is raised at the sub-national level compared to under 5 percent in the UK. In Spain, local and regional taxes account for 23.6 percent of total tax income, and in Italy the figure is 16.5 percent. Even in France, historically regarded as a highly centralised state, 13 percent of tax revenue is raised locally (OECD, 2020). While London has more extensive income generating powers than other English cities, particularly through the operation of its public transport network, 70 percent of its revenue comes from central government compared to 26 percent in New York, 16.3 percent in Paris, and 5.6 percent in Tokyo.

The devolution framework set out in the White Paper provides welcome clarification as to the direction of travel for the rescaling of powers to the sub-national scale in England. It outlines four principles for devolution: provision of effective local leadership, with a preference for directly elected mayors; ‘sensible’ geographies, emphasising the need for devolved bodies to be based on functional economic areas; flexibility, noting that devolved powers will be tailored to each individual area; and accountability, highlighting the need for sub-national bodies to be transparent, accountable and open to working with other local partners in both private and public sectors. However, there is little in the way of detail about the potential for future fiscal devolution. As a result, sub-national governmental bodies will continue to rely on redistribution directed by central government to fund local priorities. Furthermore, following the UK’s exit from the European Union, new sources of regional investment funding such as the UK Shared Prosperity Fund (UKSPF) look likely to be aligned with national political priorities, leaving local and city-regional leaders with limited autonomy over policy design and spending decisions. Local and sub-national governments remain principally a delivery vehicle for public services based on nationally-set entitlements (John, 2014; Sandford, 2016). There are also concerns that the level of funding for UKSPF falls short of what was previously provided by EU Structural Funds. Liverpool City Region, for example, will receive £10.2m less from UKSPF per year between 2022 and 2025 than it did from EU Structural Funds between 2014 and 2020 (LCRCA, 2022c).

The implications of this are of interest not only in terms of central-local relations and the distribution of power in a multi-level system, but also with regards to the potential to develop long-term, sustainable policy solutions to address regional inequalities. The ability of national governments to privilege certain places over others in policy and funding is one of the defining characteristics of modern governance (Jessop, 2001; Jessop and Morgan, 2021). However, in the case of regional policy in England this has led to a high turnover in policy priorities which has arguably damaged attempts to focus on the types of long-term structural changes required to reverse decades of bifurcation between regions. More sustainable and locally generated sources of funding will be required to ensure local and sub-national leaders have sufficient tools at their disposal to address specific local policy priorities.

5. Conclusion

While the Levelling Up the UK White Paper is often insightful in its diagnosis of the UK’s spatial inequality challenges, the policies proposed to address these inequalities – and crucially the levels of funding required to meet its objectives – are insufficiently ambitious. Comparisons have been made to Germany’s success, since reunification, in investing heavily in the physical and social infrastructure of Eastern cities such as Berlin, Leipzig, and Dresden (Enenkel, 2021; Fischer, 2019), and the levels of public funding required to achieve necessary economic transformation. Perhaps more pertinent to the situation in England is the experience of France which, despite its long lineage of centralised government since the 19th century, devolved a range of fiscal and policy powers to the regions in the early 1980s, while also investing extensively in rail infrastructure to improve connectivity between its largest cities. Lessons may also be drawn from the Netherlands, which has adopted a holistic view of regional policy across government, incorporating strategies on housing, industry and the environment into its approach to regional development (OECD 2019). Funding committed to the Levelling Up agenda does not come close to the 7.5 percent 'solidarity' tax levy on all employers and employees in Germany after reunification (5.5% after 1998), nor is there any clear pathway for local leaders in England to enjoy the kinds of political powers held by their peers in many European nations.

If Levelling Up is to be truly impactful for post-industrial cities and city-regions such as the Liverpool City Region, more power must be distributed to allow places to design, deliver, and fund the regeneration and renewal of their own local economies. The mainstreaming of 'place' in government policies is promoted through the White Paper, and it acknowledges that all government departments have a role to play in reducing regional inequalities. However, there is a risk that the Levelling Up agenda as it stands is insufficiently spatially focused to achieve change, especially given the levels of funding likely to be available over coming years. Recent comments from government ministers have suggested that Levelling Up incorporates policy areas as diverse as schools, crime and defence (IfG, 2022). The White Paper 's 12 'missions' cover a range of geographies and socio-economic objectives. If regional policy is to mean something, it cannot be everything. Difficult political decisions will need to be made about where funding and focus should be prioritised. While we do not suggest that spatial policy should solely focus on second-tier English city-regions such as the Liverpool City Region, we argue that they represent the most fertile ground upon which to sow the seeds for a rebalanced and renewed UK economy, with communities empowered to meaningfully identify local needs and promote local opportunities. Crucially, a focus on second-tier city-regions would build on regional policies of the last 20 years, and particularly moves since the mid-2010s to provide more visible, accountable local leadership in the form of 'metro' mayors.

Analysis of the challenges facing the Liverpool City Region and other English city-regions contained within this paper is not new. As discussed in Section 3, acknowledgement of the UK's interregional inequalities, and the contribution of second-tier city underperformance towards them, is long-standing (Martin et al., 2016). The Levelling Up the UK White Paper represents a welcome, high-profile assessment of the problem. What has been lacking in regional policy over the last two decades is consistency, and a long-term commitment to both a deep and robust devolution of powers and funding to the sub-national scale. Genuine levelling up will require significant investment in infrastructure and public services, alongside fundamental restructuring of the UK's overly centralised system of governance. Success of the agenda should, in large part, be measured by the extent to which local leaders and communities feel that they have sufficient powers and funding to affect change and determine their own futures.

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