

# **Geographically concentrating or spreading public funding?**

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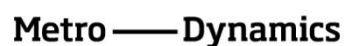


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## Introduction

A central issue in public funding allocation is the geographical concentration or spreading of resources within areas. Which places receive funding, why, and how, is integral to the capacity of their governance institutions to formulate, design and deliver integrated national, regional, and local policy. This spatial distribution question is relevant to current UK government policy at the national and subnational levels and raises issues about the relative merits of the spatial concentration or dispersal of funding. Crucial to the UK government's national Industrial Strategy is working out how it can best promote and support the economic growth potential and contribution to its national missions of priority sectors, spatially concentrated clusters of economic activities, and city-regions (Department for Business and Trade 2024). The devolution white paper aims to decentralise decision-making power and resources to mayoral strategic authorities to decide how they distribute public funding within their geographical areas and amongst their constituent local authorities (Ministry of Housing, Communities and Local Government 2024). The Combined Authorities (CA) and Mayoral Combined Authorities (MCA) across England have had to formulate accountable and transparent processes for decision-making and governance for the geographical distribution of investment and expenditure within their areas to meet national, regional, and local policy goals.

## Summary

- The geographical concentration or spreading of funding each have advantages and disadvantages as funding allocation approaches and both can be used to address rationales for policy interventions based on market failures and efficiencies as well as social and spatial equity
- Geographical concentration or spreading of funding is not a simple choice of one approach or the other; rather the benefits and costs of each approach need to be considered systematically in relation to specific functions and policy areas and

their intended outcomes and impacts in governance geographies at the national and CA/MCA levels

- Both geographical concentration and spreading of resources require increased investment in enhancing the capacity and capability of local institutions for policymaking and delivery
- Accountable and transparent governance processes are required to demonstrate the rationales, objectives, and evidence underpinning decision-making on geographical funding allocations nationally and subnationally
- Robust monitoring and evaluation frameworks are needed to support the accountability, transparency, and scrutiny of geographical funding allocations at the national and subnational levels.

## Scope and structure

This report addresses the public funding allocation issue of the geographical concentration or spreading of resources within areas. It first sets out the context within the UK and England. The next section outlines the main rationales for the geographical allocation of public funding based on market failures and efficiency and social and spatial equity and redistribution. Drawing upon these logics, the following section sets out the main rationales for geographically concentrating public funding, including policy examples, and concludes with an assessment of the advantages and disadvantages of this approach. The rationales for geographically spreading public funding are covered in the next section as well as policy examples and assessment. The next section examines how the geographical concentration and spreading of public funding is handled in practice. The closing section provides the conclusion and implications for national and subnational policy. The main message is that a trade-off between geographical concentration or dispersal is not inevitable and appropriate and effective balances can be found for different types of policies and public funding allocations. This report is based on review of secondary literature from academic, public policy and grey sources, case studies, empirical material collected and analysed in other work packages within the

project, and selected stakeholder interviews. The scope of this report is limited to the national and subnational levels in England. Although it is an important issue, it does not address the geographical allocation of funding at the local level within local authority areas.

## Context

The constraints of relatively limited public funding at the national level in the UK increases the importance of the allocation mechanisms used to distribute this funding across space and time. This geographical distribution issue elicits strong views on both sides of what is often a binary ‘geographically concentrate versus spread’ debate. Advocates of the spatial concentration of resources argue this is the most effective and efficient way to deploy limited public funding, encourage evidence-based analysis to underpin objective prioritisation and baseline setting, maximise the potential impact of funding and achieve more ‘bang for the buck’ including generating additional local income, and support the achievement of transformational rather than incremental change in addressing public policy issues in a place (Pacione 2001, Overman and Harding 2024). Geographical dispersal of public funding is criticised as the ‘jam spreading’ of giving multiple areas with varied governance and management capacity and capability small amounts of public funding that is distributed too thinly. This limited resource ends up being insufficient to resolve the scale of problems and is an ineffective and inefficient way to deploy scarce funding with likely constrained outcomes and impacts.

Whereas proponents of geographically spreading public funding highlight the utilitarian argument of trying to ensure social and spatial equity and the greatest impact for the most people and places with limited resources. Advocates of the wider spatial distribution of funding also identify the risks involved in concentrating resources in specific areas and the potential that this form of ‘picking winners’ in projects and places may fail (Stokan et al. 2021). Rather than top-down selection and allocation of funding from higher level institutions to specific places, supporters of geographically spreading funding highlight the importance of devolving resources and decision-making over their

deployment to often democratically accountable and fiscally able institutions. Guided by fiscal federalism principles (Pike 2025), they claim combined and local authorities that can more effectively tailor policy and funding to local circumstances and needs and better reflect the preferences of local taxpayers and voters (Mulgan and Williams 2023). Geographical concentration is criticised because often places with existing advantages receive even more public funding and what is interpreted as more than their ‘fair share’ of resources compared to other places, enhancing their already advantageous relative position. Spatial concentration risks continuing centralised and top-down forms of decision-making and governance by ministers and civil servants in Whitehall, London, deepening rather than ameliorating geographical inequalities, and adding to the geography of discontent of people in places feeling ‘left behind’ and overlooked (Pike et al. 2023).

This debate about geographical concentration or dispersal is played out at the national and subnational scales. At the UK level, national policy and funding distributions across the country address this issue in multiple policy areas including transport, innovation and R&D, housing, and regeneration. The Department for Transport concentrates funding spatially via City Region Sustainable Transport Settlements and spreads funding into non-City Region areas via local transport plans and targeted funding opportunities such as the Zero Emission Bus (Steer 2024). The Innovate UK National Catapult Network concentrates funding in nine main Catapult centres and has links with 65 other locations across the UK (Department for Science, Innovation and Technology 2023). Homes England allocates funding via place-based plans in MCA’s and strategic area-based partnerships (Homes England 2023).

At the subnational level, CA and MCAs are the accountable leads and managers for the place-based funding allocations to their areas. They face the spatial concentration or dispersal issue in relation to policy and the distribution of funding across their areas and its relationships to the spatial boundaries of their constituent local authorities. Their budgets and investment funds need to have governance and decision-making processes to determine where to deploy these resources within their geographical areas raising questions of spatial focus or spreading of both revenue and capital projects. Alignment and co-ordination with the expenditure and investment plans of their constituent local

authorities adds a further layer of complexity, including different political leaderships, to their governance and decision-making (Table 1).



**Table 1: Local authorities (LAs) and political leadership by Mayoral Combined Authority (MCA) area, 2024\***

MCA area	Elected mayor	Political party	LAs	Political leadership				
				Lab	Con	Lib Dem	Green	Reform
Cambridgeshire and Peterborough	Nik Johnson	Labour	7	2	2	3	0	0
East Midlands	Claire Ward	Labour	4	2	2	0	0	0
Greater Manchester	Andy Burnham	Labour	10	9	0	1	0	0
Liverpool City Region	Steve Rotherham	Labour	6	6	0	0	0	0
London	Sadiq Khan	Labour	32	11	8	2	3	1
North East	Kim McGuinness	Labour	7	5	0	8	0	0
South Yorkshire	Oliver Coppard	Labour	4	4	0	0	0	0
Tees Valley	Ben Houchen	Con	5	5	0	0	0	0
West of England	Dan Norris	Labour	3	1	0	1	1	0
West Midlands**	Richard Parker	Labour	15	9	6	0	0	0
West Yorkshire	Tracy Brabin	Labour	5	5	0	0	0	0
York and North Yorkshire	David Skaith	Labour	2	1	1	0	0	0
<b>Total</b>			<b>100</b>	<b>60</b>	<b>19</b>	<b>15</b>	<b>4</b>	<b>1</b>

\* In London, 32 London Boroughs and the City of London Corporation make up the Greater London Authority (GLA). GLA is governed by the London Assembly, made up of 25 elected members, and the Mayor of London, 14 representatives of constituencies and 10 elected from party lists according to total London vote.

\*\* This includes constituent and non-constituent local authorities.

**Source: MCAs, London Councils**

# Rationales for the geographical allocation of public funding

Rationales for the geographical allocation of funding are long-established and based on market failures and efficiency and social and spatial equity and redistribution (Bartik 1990). These principles are codified for public policy-making in the UK in the Treasury's Green Book (Agarwal 2025). There are also reasons for not intervening or allocating public funding to an area to address a specific issue. These logics include: it not being deemed a sufficiently important or priority problem within the wider array of public policy concerns for national, subnational and/or local government leaders and institutions; lack of resources; interpretations that the problem will resolve itself in time; and, the absence of capability and capacity at lower spatial levels efficiently to formulate policy and administer funding.

The first main rationale for policy intervention and funding allocation is based on market failure. This situation is where the market has not and cannot of itself be expected to deliver an efficient outcome. Efficiency in this understanding refers to the achievement of an objective with the least waste of time and effort. The logic is that where markets are failing then policy intervention is required to correct the failure and make the market work and remove the inefficiencies.

There are three types of market failure that underpin rationales for policy intervention and public funding allocation to places. First are public goods that are fundamental but are un(der)-served by the private market. Examples include pure public goods that are accessible to all and have no rival, such as the legal system, and publicly provided public goods that are less excludable and offer some alternatives, such as transport systems which involve payment to access and different modes such as road and rail. Public policy intervention and geographical funding allocation to improve public transport in large urban areas, for example, is understood to be key to improving their economic integration, labour mobility, and connectivity and facilitating the spatial clustering of highly productive economic activities and growth (Forth 2024).

The second type of market failure is based on information asymmetries. These knowledge gaps occur when actors are unaware of market transactions that are able to

generate net benefits above costs. For example, imperfect information in capital markets leads investors to under-supply funds to SMEs in certain places due to a lack of awareness and information about available and potentially lucrative investment opportunities (Mason and Brown 2013). Policy intervention and geographical funding allocation then aims to provide public provision of information and specialised lending institutions such as territorial development banks to address such information asymmetries and correct the failure in how the regional capital market works.

Externalities are the third type of market failure which occur when production or consumption generates positive external economies and benefits or negative external *diseconomies* and costs for others not reflected in the market prices for the goods and services. These third party or spill-over effects from the production and consumption of goods and services are not transmitted through the price mechanism. Externalities can be positive and generate benefits such as knowledge spill-overs from R&D in a local economy. Public policy and geographical funding allocations can aim to initiate and stimulate such externalities, for example by investing in business incubators and university-industry commercialisation intermediaries in places to support local innovation and knowledge-based industries (Office of the Deputy Prime Minister 2004). Externalities can also be negative and impose costs such as pollution. The various urban clear air zones introduced across the UK are examples of public policy intervention and funding allocation in cities to improve air quality and public health outcomes arising from this market failure (Tyers and Smith 2023).

The second main rationale for public policy intervention and geographical public funding allocation is based on social and spatial equity. Equity concerns the actual or perceived fairness or unfairness of a particular outcome. Social equity refers to (un)fairness in relation to specific groups and spatial equity relates to certain places. For this rationale, public policy intervention aims to redistribute resources to address the unfairness and achieve fairer and more equitable outcomes. The (un)fairness can relate to people and/or place, personal and geographical inequalities, and social and/or spatial need. An example of this rationale is European Union (EU) regional policy. Socially and spatially uneven access to employment opportunities generates inequalities across the EU. Regional policy in the EU interprets this as inequitable for individuals depending on where

they live and aims to reduce spatial disparities and promote economic and social cohesion across the regions and Member States of the EU (Hübner 2008).

The different rationales for allocating public funding raise questions about their relationships and how they relate to the reduction of geographical inequalities. Are market failure and efficiency logics only relevant for the geographical concentration of funding? Or can geographical concentration help achieve social and spatial equity goals? Does following a market failure and efficiency logic necessarily mean a trade-off with social and spatial equity rationales? Can market failures be resolved and efficiencies generated by geographically dispersing funding? Are social and spatial equity concerns only ever achievable through spreading funding distributions across areas? Are there ways in which each logic could be balanced? Drawing upon these main rationales and questions, the next section sets out the reasons for the geographical concentration of public funding.

## The geographical concentration of public funding

There are three main rationales for geographically concentrating the allocation of public funding to achieve public policy goals:

- 1. Geographically focusing local and regional development and regeneration:**

Spatial targeting of funding takes two main forms. First is focusing resources on selected areas that are disadvantaged and/or lagging economically to enable and support them to catch-up and close the gap with relatively more prosperous areas and reduce geographical inequalities (Martin et al. 2022). A shorthand description of this logic is ‘worst first’ meaning prioritising people and/or places with the most severe issues for funding. Place-based regeneration can also be kick-started by concentrated public funding to encourage other public, private and civic investments, and attract people and businesses to stimulate renewal and revitalisation (Crisp et al. 2023). Areas of specific social and environmental needs can also be spatially targeted with tailored policy support and investment, for example by enhancing conservation, education, health, and protective

services in disadvantaged neighbourhoods. Second, resources can instead – or simultaneously depending on national and local priorities and finances – be geographically concentrated in high growth potential areas to maximise their contributions to local and national economic growth (Overman and Harding 2024). Spatial concentration is deemed especially important with limited resources and the need to create virtuous circles and effect local economic transformation. Both these arguments for spatial targeting can be underpinned by both the main market failure and social and spatial equity rationales. Untapped potential in weaker local economies can be released, for example, by reducing information asymmetries in local labour markets through strengthening employment support and job search (Welsh Government n.d.). Growth can be boosted in more prosperous places through investment in public goods, especially transport to reduce the negative externalities of congestion and enhance the positive externalities of connectivity. Whether targeting weaker or stronger areas for the geographical concentration of funding, potential exists for generating feedback loops between expenditure in different areas. For example, positive or negative interactions can be envisaged between spending on transport, regeneration and skills in a place. Co-ordinated and simultaneous policies can seek to promote positive inter-relations and mitigate and manage negative interactions. Such feedback loops can be identified and promoted or managed more effectively within decentralised compared to centralised governance systems, especially those with strong departmentalised and siloed organisational structures such as the UK national government.

2. **Advancing economic, social and environmental policy goals:** Geographically concentrating funding can support the pursuit of more sustainable forms of local, regional and national development. Concentrating public investment as part of strategic spatial planning, for example, can be used to stimulate more compact and ecologically-sensitive development, reduce sprawl and unsustainable mobility, and preserve and recover green spaces. Spatially focused investment can also target mitigation and adaptation measures in climate risk-prone areas, for example enhancing the resilience of local infrastructure to hazardous weather

events (HM Government 2011). This rationale most aligns with the social and spatial equity rationale as well as the market failure logic.

3. **Enhancing resource allocation efficiency:** Geographically concentrating public funding can generate economies of scale that reduce costs and increase the reach of benefits in the provision of public goods and services. Investment in hospitals and schools in urban areas with larger and denser populations, for example, improves access to essential public services for more people in places. Underpinned by the rationale of generating positive externalities, mutually reinforcing benefits and positive outcomes can be created by spatially concentrating investments in particular places, for example focusing housing and social infrastructure provision around public transport hubs (National Infrastructure Commission 2022). Informed by the logic of efficient resource use, spatial targeting of funding also has the potential to support the effective governance and management of initiatives. For example, through reducing complexity, improving co-ordination between participating institutions, minimising administrative costs, enhancing accountability and oversight, and supporting monitoring and evaluation (Stokan et al. 2021).

Geographically concentrating funding allocations generates several advantages and disadvantages (Table 2).

**Table 2: Geographically concentrating funding allocations advantages and disadvantages**

Advantages	Disadvantages
<b>Targeting scarce resources</b> – enables focusing, and potentially a greater quantum, of potential impact where it is needed most (i.e. to achieve greater equity) and/or where transformational rather than incremental change is sought	<b>Non-recipient areas lose out</b> – if resources are spatially concentrated there is potential for actual or perceived unfairness/inequity and for geographical inequalities to widen and for growing resentment between places as ‘winners’ or ‘losers’
<b>Spatial selectivity</b> – geographical targeting of resources affords institutions discretion in the allocation of funding to specific types of places that meet predetermined criteria such as growth potential or social need	<b>Risks of exposing limited capacity and capability of place-based institutions</b> – geographically concentrating funding in particular places relies upon local leadership and the ability effectively to manage and deliver programmes
<b>Addressing multiple public policy goals simultaneously</b> – Spatial targeting of funding in several policy domains can promote positive interactions between policies and expenditures and amplify the complementary potential impacts of investments in selected places	<b>Displacement effects</b> – economic activities can move in response to the geography of funding support, for example a firm moving to an area of spatially targeted financial support with no net gain to the local economy
<b>Efficiency</b> – concentration of funding and allocation to fewer recipients may be more efficient and reduce costs and streamline operations involved in administering funding	<b>Potential problems when funding ends</b> – in a case of concentrated funding the impact of losing funding might be greater
<b>Building, maintaining and nurturing local capacity</b> – concentration of funding can stimulate and enhance capacity and capability and scale economies for planning, delivering, and monitoring of funding	
<b>Enhancing local engagement and accountability</b> – spatial targeting of resources with decentralisation of powers can improve local participation, voice, and oversight	

**Source: Authors’ research**

# The geographical spreading of public funding

The geographical spreading of public funding allocation is underpinned by three main rationales:

**1. Reducing geographical inequalities and improving access to opportunities:**

The spatial spreading of funding can help address the unequal geographical distribution of resources available to people and places to access opportunities and pursue the forms of local ‘development’ they deem valuable (MacKinnon et al. 2022). Governance institutions articulating and delivering what can be generally understood as a ‘fairer’ form of geographical public funding allocation have the potential to make a difference to more people’s lives and address concerns about places being and feeling ‘left behind’, ignored, and overlooked that has fostered the geography of discontent (McCann 2019). More equal access to public funding across the UK can foster inclusion, cohesion, and unity. Connecting the wider geographical distribution of funding with decentralised governance enables and incentivises local empowerment and decision-making giving people and places agency and voice in how, where, and on what such resources are spent. Underpinned by this rationale, spreading opportunity more evenly across the UK and devolving a highly centralised governance system has been a central element of recent policies aimed at ‘spatial rebalancing’ and ‘levelling up’ and initiatives such as the Towns Fund (Pike and Tomaney 2024).

**2. Improving the efficiency and sustainability of resource use:** Spatial dispersal can enhance the effectiveness and sustainability of funding utilisation in two main ways. First, under-utilised potential can be mobilised and tapped by providing funding to more people and places. Benefits can be realised, for example, by overcoming the barriers, including financial constraints, that young people face in pursuing further local education and training opportunities (Spielhofer et al. 2010). Second, geographical spreading of resources can help reduce pressure on growth centres by supporting the spatial decentralisation and dispersal of economic activities, reducing the costs and inefficient use of resources. Such an approach can support attempts to ease the negative



externalities and diseconomies generated in spatially concentrated economic geographies such as factor price inflation in labour and land markets, congestion, and pollution. Geographical spreading of funding has the potential to help more balanced and sustainable, rather than unbalanced and unsustainable, forms of national, regional, and local development. Supporting the spatial redistribution of the UK's highly centralised economic geography reduces its over-dependence upon London, encourages experimentation and innovation in cities and regions across the country, and improves resilience to disruptions and shocks (McCann 2016).

3. **Ensuring social and spatial equity in access to public infrastructures and services:** Distributing funding across a geographical area ensures essential infrastructures and services are accessible to more people and places, for example in education, healthcare, public transport, and social care. Effective spatial dispersal of funding can help address the 'postcode lottery' of people's unequal access to public services depending on where they live (Redhead and Lynch 2024). Reflecting interpretations of fiscal policy as a matter of social and spatial justice (Pacione 2001), a floor of standards and more geographically even access to public infrastructures and services are integral to people's living standards, quality of life, and wellbeing. Such concerns have stimulated a policy focus upon enhancing the 'everyday' or 'foundational' economy in places through public investment (Foundational Economy Collective 2022).

Geographically spreading funding allocations generates numerous advantages and disadvantages (Table 3).

**Table 3: Geographically spreading funding allocations advantages and disadvantages**

Advantages	Disadvantages
<p><b><i>Social and/or spatial equity</i></b> – more people and places can receive support, with potential for reducing geographical inequalities and ensuring access to opportunities, infrastructures, and services</p>	<p><b><i>Reduced impact</i></b> – if resources are spread the quantum in any one place is smaller and the potential ‘to make a difference’ is reduced</p>
<p><b><i>Improvement of resource use efficiency and sustainability</i></b> – mobilising under-utilised potential and reducing pressures on growth centres</p>	<p><b><i>Administrative inefficiencies and added complexities</i></b> – potential for greater bureaucracy, especially where there is a need to co-ordinate and integrate activities across multiple smaller funding pots</p>
<p><b><i>Supporting local innovation and experimentation</i></b> – spreading funding can foster local innovation and experimentation with potential to enhance learning about the effectiveness of different approaches</p>	<p><b><i>Ineffectiveness</i></b> – spreading of resource might mean some recipients might not be well placed to use the resource, leading to overall ineffectiveness of funding</p>
<p><b><i>Providing resources for devolved decision-making</i></b> – geographical spreading of funding can be matched to decision-making in more decentralised governance arrangements</p>	

## Geographically concentrating and spreading public funding in practice: selected examples

The principles guiding public funding allocation and the geographical concentration or spreading of resources guide the practice of public institutions in different governance and funding systems internationally. How such ideas are addressed and used in practice is informative and provide learning for other actors and settings. This section outlines practice in selected examples from France and the Liverpool City Region and Tees Valley MCAs in England.

In **France**, a series of vertical and horizontal equalisation mechanisms operate to reduce disparities in resources between local governments (Taylor 2025). The French Constitution stipulates that laws establish equalisation mechanisms to promote fairness among communities. Underpinned by fiscal federalism ideas (Pike 2025), this equalisation is achieved through two mechanisms:

- Vertical redistribution: national government distributing equitably the grants it pays to local governments in order to provide them with relatively stable and predictable resources on a year-by-year basis
- Horizontal redistribution: involving a deduction from the revenues of the richest local governments and their redistribution to the less-well off.

Equalisation mechanisms are important in supporting local governments in France that face significant expenses and insufficient resources, thus reducing territorial inequalities. In practice, experiences in France suggest equalisation measures can be complicated to operate and deduction of revenues from some local governments can cause resentment. The volume and ease of operation of equalisation mechanisms are therefore important. Vertical equalisation grants may be most effective if they are targeted at a small number of the most disadvantaged local governments. Additionally, grant funding programmes targeted at particular types of areas (e.g. towns) have been criticised for spreading funding too thinly across areas, whereas concentration of funding where there is greatest need could have more impact.

In **England**, national government allocates funding to CA/MCAs in a largely top-down process. Within their package of devolved powers, the CA/MCAs then undertake a second layer of allocation and distribution within their areas. While further research is needed to analyse and compare the detailed funding distributions within each CA/MCA, there are differences in the allocation processes for each funding stream and their geographical distribution is not always the main driver at this level. However, as the CA/MCAs are developing and maturing and their funding has become more certain, with the development of their local spatial plans the geographical distribution of their funding is beginning to be monitored and more closely considered. This is the case for Liverpool City Region and the Greater Manchester Combined Authority which are both now considering the spatial impact of their distribution of funding and taking this into consideration when new funding streams become available. The caveat is that the top-down national allocation process for each funding stream influences how much flexibility and opportunity there is for the CA/MCA to shape its distribution. Time limitations for implementation and delivery and the policy area can constrain or enable spatial targeting. CRST Transport funding, for example, has enabled MCAs to develop strategic local responses and delivery plans based on their local needs. In theory, this flexibility should result in a different geographical allocation rather than a distribution based on per capita or equal shares between constituent local authorities. In contrast, the allocation of non-devolved Adult Skills funding is distributed to Training Providers based on their past volumes of delivery and ability to attract and retain students which creates a very different geographical distribution pattern.

Where the top-down national allocation process enables further flexibilities, the CA/MCAs can take varying approaches to further distribution. This can be seen with UK Shared Prosperity Fund where Combined Authorities either passported the funds to local authorities (Liverpool City Region MCA) or allocated locally based upon need and ability to deliver (Tees Valley MCA).

**Liverpool City Region** provides an example of a well-established programme-led allocation process that is determined by the ability of local organisations to respond. This approach has developed over time and moved from an allocation process that resulted in a concentration of funding to areas and/or organisations who had the capability and

capacity to respond to short deadlines. The readiness to deliver and achieve the outputs of each funded programmes were and remain strong assessment criteria that determine funding allocation in a competitive process. From the initial launch of devolved funding programmes from 2017, local organisations have developed and the geographic spread of funding has widened across the city-region as their ability to respond to funding opportunities has increased. The number of new priorities and further devolution have increased the frequency and value of funding made available across multiple themes, including business support, skills, and transport. This expansion in the range of priority areas and more devolved decision-making has resulted in the local authority areas receiving more parity in the allocations across varying themes. Although this balance of allocations across areas is considered occasionally, it is not a determining factor in funding allocation. As each local authority has different assets and strategic priorities, the devolved funding allocation is expected to vary. The geographical pattern of more localised allocation within local authorities is not routinely monitored.

**Tees Valley MCA** has a mixed approach to allocating funding within their geographic area. The MCA consults and negotiates with its constituent local authorities to inform its distribution of funding streams, including those passed through the MCA including the Indigenous Growth Fund and Bus Fare concessions. This approach has resulted in the spreading of funding to each local authority. Alongside this approach, the MCA has a strategic spatial plan that is the main basis for strategic prioritisation and funding allocation. The MCA's Investment Plan annual budget process is aligned to this spatial plan. Therefore, strategic priorities determine the geographical spread of funding. Redcar has received a high proportion of funding, for example, but this is predominantly capital funding for the Teesworks renewable energy development site. There are other significant developments in other local authorities such as the Airport and Health Innovation Zone in Stockton and the national government economic campus in Darlington. Hartlepool and Middlesbrough have Mayoral Development Corporations to develop their local priorities. The spatial plan also underpins business cases required by national government departments for specific funding initiatives, including the UK Shared Prosperity Fund and Investment Zones, and this includes their geographical allocations. The recent introduction of the Business Board within the governance structure of the

MCA strengthens the business-led approach to economic prioritisation to achieve the growth objectives articulated in the Spatial Plan. The MCA's local Performance and Assurance Framework then determines the monitoring processes and the performance reporting of achievements to national government. The spatial allocation of funding is not specifically monitored or reported within this framework.

Overall, these examples from France and Liverpool and Tees Valley in England illustrate the different kinds of approaches to the geographical allocation of funding and how both geographical concentration and spreading are managed in practice.

## Conclusion and implications for policy

This report has addressed the geographical concentration or spread of public funding allocation. It set out the UK and England context, outlined the main rationales for the spatial allocation of public funding, explained the logics underpinning geographical concentration and spreading, and assessed their advantages and disadvantages. The conclusion is that a trade-off between geographical concentration or dispersal is not inevitable and appropriate and effective balances can be found for different types of policies and public funding allocations.

The implications for policy are:

- **The geographical concentration or spreading of funding each have advantages and disadvantages as funding allocation approaches and both can be used to address rationales for policy interventions based on market failures and efficiencies as well as social and spatial equity.** There is no simple 'right' or 'wrong' answer for geographical concentration or spreading: it depends on the policy aims and desired outcomes and impacts, and economic, social, and political conditions and context. A nuanced mix of geographical concentration and spreading of resources can reap some of the benefits of targeting taking account of the needs and opportunities of different local areas as well as the need for broader support. Which approach and combinations of approaches need to consider the local economy, neighbouring areas, potential for growth and

management, the interactions and feedback loops between policies and expenditures in places, and what evidence will be used to measure and evaluate achievement of outcomes and impacts.

- **Geographical concentration or spreading of funding is not a simple choice of one approach or the other; rather the benefits and costs of each approach need to be considered systematically in relation to specific functions and policy areas and their intended outcomes and impacts in governance geographies at the national and CA/MCA levels.** Instead of a trade-off between the two approaches, there are potential ways to combine and balance approaches in different policy areas at different spatial levels. For example, using geographical concentration of funding for national objectives, while providing autonomy for geographical spreading of funding at lower spatial levels for local objectives. Another example is better connecting geographically concentrated and spatially dispersed funding programmes to link areas of growth and decline. The challenge is aligning, co-ordinating, and integrating different funding initiatives in the governance geographies of places. Mitigating and managing the interactions and feedback loops between policies and expenditures in a place are key. This issue is being grappled with in relation to the UK industrial strategy's focus on priority sectors and economic clusters and how this steers funding towards particular places and relates to the CA/MCA Local Growth Plans.
- **Both geographical concentration and spreading of resources require increased investment in enhancing the capacity and capability of local institutions for policymaking and delivery.** The highly centralised governance and funding system in the UK and especially England combined with public expenditure constraints from 2010 have hollowed out local policymaking and delivery capacity and capability. Efforts are being made to rebuild this vital resource, especially in CA/MCAs, and this area will need increased and sustained investment (Holden and Harding 2015).
- **Accountable and transparent governance processes are required to demonstrate the rationales, objectives, and evidence underpinning decision-**

**making on geographical funding allocations nationally and subnationally.** At the CA/MCA level, decisions about how to allocate resources geographically within their areas is a complex task given the institutional and political complexity within their areas. CAs and MCAs have autonomy to decide such processes with their local authority members within national assurance frameworks to ensure appropriate democratic accountability for the funds spent. Some identify specific functions and policy objectives to translate into particular funding allocations, for example business start-up and incubation support may be focused on the most promising places likely to deliver positive outcomes within the MCA area, while other areas are funded to address their particular advantages such as education and public service provision. Improvement of top-down, bottom-up, inward and outward accountability are a priority area for future public funding allocation and devolved governance underpinned by transparency, oversight, and scrutiny of the funds spent (Davies et al. 2025).

- **Robust monitoring and evaluation frameworks are needed to support the accountability, transparency, and scrutiny of geographical funding allocations at the national and subnational levels.** To support local policymaking and delivery capacity and capability, monitoring and evaluation requires increased and sustained investment. Such monitoring and evaluation capacity and capability is integral to demonstrating to national government the economy, effectiveness, and efficiency of devolved governance arrangements in England (Agarwal et al. 2025).

There are approaches that aim to achieve balances between local priorities and contributing to the achievement of national objectives. They include integrated regional strategies that seek to align local and national goals at the regional scale and involve multi-level collaboration with a range of stakeholders and potentially more effective use of funding. Community-led development involving and empowering local communities can also identify community economic development needs that align with broad national goals.



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