



Improving public funding allocation to reduce geographical inequalities

MAY 2025

Summary

The UK faces severe geographical inequalities that manifest across multiple dimensions – including productivity, income, education, and health – and in different ways within and between areas.

These multifaceted issues and their spatial expression create interconnected challenges that hamper national growth and leave economic potential unrealised.

The UK's centralised governance system has failed to address these longstanding inequalities, with standardised policy approaches and ineffective public funding allocation unable to address geographical differences. England's asymmetric devolution and competitive funding environment particularly disadvantage areas with limited institutional capacity.

While the 2024 English Devolution White Paper offers some promise for strengthening subnational governance, its focus on national economic growth is likely to continue benefiting major urban centres with the most immediate economic potential at the expense of other places, thereby reinforcing geographical inequalities.

This project proposes improved ways to allocate public funding within and between different areas in England to reduce geographical inequalities and enable more places to contribute meaningfully to national economic growth and renewal. It draws on the research of a multi-disciplinary team of academics, researchers and consultants undertaken between June 2024 and March 2025.

This research included evidence reviews, international case studies, analysis of spatially targeted funding streams, 'deep dives' into specific topics, interviews with policy practitioners, and citizen engagement. Addressing the role of public funding in reducing geographical inequalities in England, the research identified ten guiding principles and ten key problems with incremental, moderate and radical proposals to help resolve them.

The main messages for policy practitioners and decision-makers are:

- prioritising and resourcing geographical inequality reduction within the national growth and renewal agenda are critical to improving public funding allocation
- the problems in the existing funding allocation system are largely recognised and accepted by national, subnational and local policymakers and there is genuine appetite for reform. Early progress on positive reform – such as funding simplification – needs further support, acceleration and expansion to achieve meaningful change
- meaningful and sustained decentralisation of powers and resources from national to subnational and local government is integral to building capacity and capability for improving funding allocation to reduce geographical inequalities
- strengthened accountability is central to enhancing the effectiveness and wider transparency, oversight and scrutiny of public funding
- monitoring and evaluation require substantive resources and strengthening alongside improvement of data and legibility for users, stakeholders and the wider public

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This report is based on research conducted as part of the **‘Improving public funding allocation to reduce geographical inequalities’** project.

This is a multi-partner project led by the University of Birmingham, together with the Universities of Bristol, De Montfort, Newcastle, Nottingham, Plymouth and Sheffield, the National Centre for Social Research and Metro Dynamics.

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Introduction

Persistent and widening geographical inequalities across the UK present a critical policy challenge, attracting intense academic, political and policy attention in recent years. These inequalities are manifest across multiple dimensions – from economic productivity and household incomes through health outcomes to educational attainment and air quality and public infrastructure and service provision – and in different ways within and between areas.

These multifaceted issues and their varied spatial expression create a complex web of interconnected economic, social, and environmental challenges.¹

The root causes of these geographical inequalities are deeply structural and multifaceted. Such spatial disparities are a drag on national economic growth, generate costs for public service provision to ameliorate their negative impacts, and leave economic potential untapped and social needs unmet across the UK.

The UK's highly centralised governance system has struggled effectively to address its longstanding geographical inequalities.

This centralisation has often resulted in standardised and top-down policy approaches and ineffective public funding allocation that fail to account for the distinct characteristics, challenges and potential of regions, cities and local areas across the country. As the devolved nations have sought to exercise their differential powers and resources, the situation is further complicated by asymmetric devolution arrangements within England, creating a patchwork of governance structures, capacities and resources.

In recent years, the effectiveness of local, regional and urban development initiatives seeking to reduce geographical inequalities has been hampered by national government's extensive use of short-term, competitive, and fragmented public funding mechanisms.

¹ See, for example, Marmot, M. et al. (2020) [Health Equity in England: The Marmot Review 10 years On](#), Institute of Health Equity: London, Martin, R. et al. (2022) [Levelling Up Left Behind Places](#), RSA: Seaford and Resolution Foundation and Centre for Economic Performance, LSE (2023) [Ending Stagnation: A New Economic Strategy for Britain](#), London.

This approach has meant already stretched combined and local authorities must constantly try to navigate a complex and changing funding landscape and compete for resources, leading to inefficient utilisation and allocation and difficulty in planning long-term and strategic interventions.

The problems are particularly acute in areas lacking the institutional capacity to interpret funding opportunities, formulate strategic plans, and develop competitive funding bids, which ends up reinforcing existing geographical inequalities.²

Many local authorities are also facing severe financial constraints in delivering their statutory services that severely limit their ability to invest and support local development. How public funding is allocated is integral to efforts to reduce geographical inequalities. More effective deployment of public funding in turn helps support more socially and spatially equitable growth and tax revenue generation as well as reducing the costs and inefficiencies of geographical inequalities.

The election of the Labour Government in the UK in July 2024 is a potential inflection point in addressing these long-standing challenges. The English Devolution White Paper published in December 2024 aims to strengthen and streamline subnational governance and funding structures in England.³

While there is recognition of the need for growth across the country and its regions, the proposals are missing a more comprehensive approach for addressing geographical inequalities.

Instead, the current vision is focused on prioritising national economic growth and generating tax revenues to refurbish public services; an emphasis which has historically disproportionately benefited major urban centres and especially London and the Greater South East.

Despite mentions of driving and igniting growth across the country, disquiet has grown that national government is again focusing its scarce public funding resources upon places with the most immediate potential for economic growth and relatively neglecting elsewhere in the country.⁴

² Newman, J., & Hoole, C. (2024) The intersection of productivity and governance capacity in spatial inequality: the case of England's devolution periphery, *Contemporary Social Science*, 19, 4, 555-582.

³ MHCLG (2024) *English Devolution White Paper: Power and Partnership: Foundations for Growth*, MHCLG: London.

⁴ See, for example, Williams, J. (2025) "Labour needs a growth plan for the North", *Financial Times*, 13 February, *Financial Times*: London and Hetherington, P. (2025) "The North of England had high hopes for this government. Why is it only offering us crumbs from the South?", *The Guardian*, 16 February, *Guardian Newspapers*: London.

Improving the allocation of public funding for reducing geographical inequalities is therefore a pressing policy issue, both to enable more places across the country to contribute to national economic growth and renewal, and to advance broader national agendas for stability, investment and reform.

To contribute to this debate and help address these complex challenges with a particular focus on England, this report provides evidence-based and practical recommendations of incremental, moderate, and radical changes to support national government (e.g. Ministry of Housing, Communities and Local Government (MHCLG), Treasury), local government (e.g. combined authorities, local authorities) and other public agencies (e.g. Homes England, Innovate UK) and community and neighbourhood organisations to improve public funding allocation to reduce geographical inequalities.



Research Design

The evidence and recommendations in this report draw on the research and analysis of a multi-disciplinary team of academics, researchers and consultants undertaken between June 2024 and March 2025.

The research was organised in a range of integrated work packages and produced outputs available on p.28:

Work Package 1: Co-production – working with a Project Advisory Group which comprised a range of senior policy and academic experts in the field.

Work Package 2: Desk review – including academic and grey literature reviews covering topics including fiscal devolution, the UK Treasury's Green Book, and the utilisation of funding; categorisation of spatially targeted funding streams; desk-based assessments of funding-related issues in combined authorities supplemented by focused interviews with relevant staff members; international case studies of funding and governance in Australia and France; and, 'deep dives' into key issues of accountability, geographic concentration and spreading of resources, and monitoring and evaluation.

Work Package 3: Policy practitioner engagement – qualitative research led by Metro Dynamics including 41 interviews with practitioners and a follow-up roundtable to sense-check key findings and emerging recommendations with selected interviewees.

Work Package 4: Citizen engagement – a day-long deliberative workshop with members of the public led by the National Centre for Social Research testing the public understanding and appetite for incremental, moderate or radical reforms to funding allocation models. The event was attended by 43 members of the public from a diverse range of backgrounds and geographical areas with and without experiences of devolved public funding.

Work Package 5: Synthesis and recommendations – drawing together conclusions from all the project's work packages and communicating the conclusions of the project to the MHCLG and other policymakers and interested parties.

Principles

Underpinned by the research undertaken within the project, the following ten guiding principles aim to inform the design and formulation of approaches to public funding allocation and the reduction of geographical inequalities (Table 1).

The idea is that specific funding allocation arrangements reflect and build in these principles. In certain governance settings, balances or trade-offs between principles can be made, for example accommodating or prioritising equity over efficiency, or devolution over centralisation.



Table 1: Principles for public funding allocation

Principle	Description
Economy, efficiency and effectiveness	Economy is the minimisation of the cost of resources used or required ('spending less'), the relationship between the inputs of resources and their outputs ('spending well'), and the relationship between the intended and actual results of expenditure ('spending wisely') ⁵
Equity	Social and spatial fairness and equality of treatment between people and places wherever they are located and whatever their level of needs, and minimisation of the inequalities in public goods and service levels and living standards between and within areas through redistribution
Devolution and subsidiarity	Decentralising powers and resources to the lowest suitable levels of authority and establishing an appropriate degree of local autonomy, discretion and flexibility in generating income and allocating and prioritising expenditure. ⁶ Central government must place greater trust in devolved institutions, allowing them the freedom to innovate, experiment with different approaches and demonstrate their capacity to deliver effective results
Geographical scale	Recognising that different policy problems are better addressed by institutions and public funding deployed at different geographical scales, from national through regional, sub-regional, city-regional, local and neighbourhood levels
Accountability	Responsibilities for and decisions about the allocation of funding should be clear for each level of government to enable them to be held accountable by people as residents, service users, taxpayers, and voters

⁵ National Audit Office (n.d.) *Decision Support Tool General Principles*, NAO: London.⁶ The Congress of Local and Regional Authorities of the Council of Europe (2013) *European Charter of Local Self-Government*, Council of Europe: Strasbourg.

Principle	Description
Inter-governmental co-operation and collaboration	Joint working, alignment of priorities and funding programmes between national, subnational, and local levels of government
Responsiveness and place-based tailoring to local circumstances	Allocating funding to reflect local needs and preferences and in flexible ways to allow subnational and local governments to tailor provision to local conditions, needs and potentials
Stability	Providing a high degree of certainty, continuity and predictability over time to enable and support subnational and local government strategic planning and management of public funding in the short, medium and longer term to reduce geographical inequalities
Participation	Widening the range of actors involved in the allocation of public funding to include other public, private, civic and community institutions
Monitoring and evaluation	Using information intelligently and understanding and evidencing change in systematic, robust and accessible ways ⁷ ; providing independent and ringfenced resources to build and sustain monitoring and evaluation capacity, and supporting knowledge transfer and learning within appropriate and funded mechanisms and networks

Source: Project team research

⁷ National Audit Office (2024) *Financial Management in Government: Allocating Resources*, NAO: London.

Proposals for change

10 key problems

Drawing upon the project's research, our proposals are based upon the identification and articulation of the main problems in public funding allocation for reducing geographical inequalities and potential incremental, moderate and radical changes with examples for each type.

We define the types of changes as:

Incremental

Involving small-scale adaptations, tweaks and enhancements to existing arrangements (e.g. revised weightings for allocation criteria)

Moderate

As comprising medium-scale and appreciable changes and improvements to the existing models (e.g. revised objectives and target outputs and outcomes)

Radical

As involving large-scale and substantial changes and wholly new kinds of models very different from the existing arrangements (e.g. new needs-based and more participatory approaches)

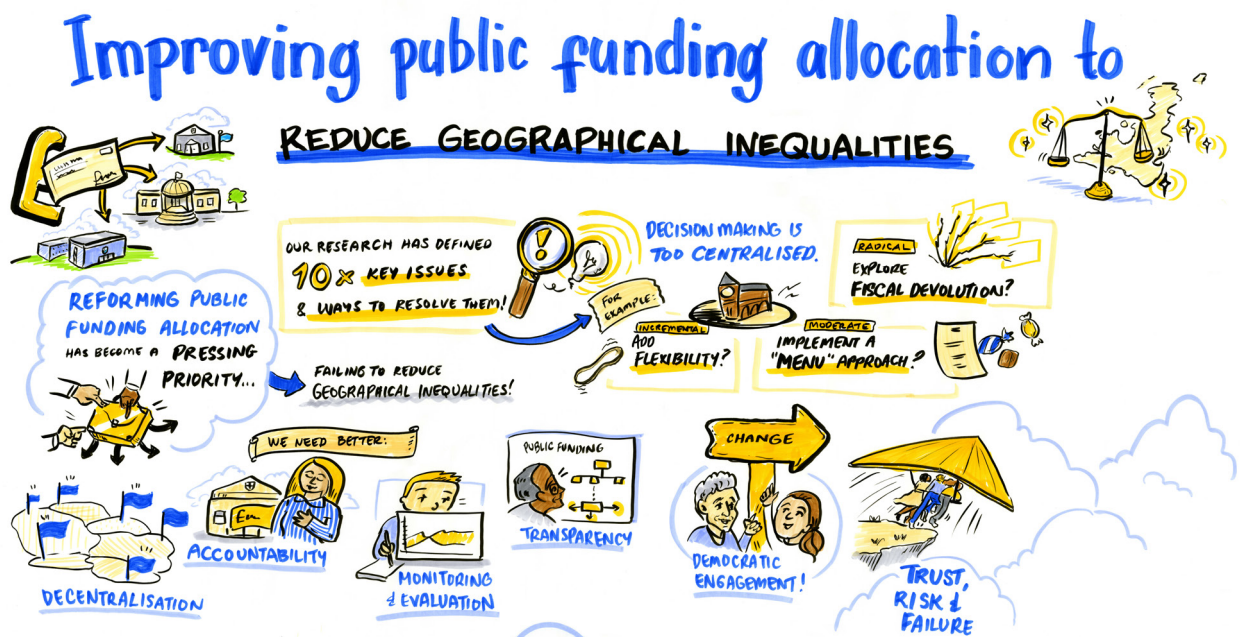
Incremental changes are potentially less challenging, lower risk and less uncertain but their returns and added value are lower. Radical changes are more challenging, higher risk and more uncertain but their returns and added value are higher. Moderate changes sit in between these two ends of the spectrum. Table 2 summarises the types of changes proposed, implementation considerations and potential outcomes and impacts.

Table 2: Types of proposals for change, implementation considerations and potential outcomes and impacts

	Implementation considerations	Potential outcomes and impacts
Incremental	• Can be implemented within existing legislative frameworks • Require minimal additional resources • Can be piloted in specific areas or funding streams • Deliver quick wins and build momentum for larger changes	• Improved efficiency in existing systems • Better user experience through clearer guidance and support • Reduced administrative burden • Enhanced feedback and learning opportunities • More transparent processes • Minimal improvement in reducing geographical inequalities
Moderate	• May require policy or regulatory changes • Require modest additional resource allocation • Need medium-term implementation timeframes • May require significant stakeholder engagement	• Significant improvement in funding effectiveness • Better alignment with local needs • Enhanced stakeholder engagement • Moderate improvement in reducing geographical inequalities
Radical	• Likely to require new legislation • Need substantial system redesign • Require major additional resource allocation • Demand long-term implementation timeframes • Require significant organisational and cultural change	• Fundamental transformation of funding landscape • Significant realignment of central-local relations and power dynamics • Long-term structural change • Potentially dramatic improvement in reducing geographical inequalities

Source: Project team research

Figure 1: Summary of project findings (Laura Sorvala, March 2025)



The following proposals for change are organised in response to the ten key problems identified by the project team's research.

Each proposal is based on analysis of the evidence collected in the project and, guided by the principle above, represent ideas that require monitoring and evaluation of their effectiveness.

Problem 1: The quantum of funding is too small

There are insufficient resources to address the scale and scope of the problems of geographical inequalities. Policymakers are formulating visions, strategies and policies at the subnational, city and local levels but there is a fundamental mismatch because the funding is inadequate to realise their ambitions and deliver meaningful changes for people and places.

Incremental changes:

- Reduce or remove small pots of competitive funding which can be burdensome in terms of bidding resource, and can lack transparency and clear guidelines, building upon the current funding simplification work
- Enable funding streams to be adjusted upwards to account for inflation

Moderate changes:

- Shift to longer-term funding programmes that are wider in scope to aid utilisation of funding and to align with local needs across policy domains
- Increase funding headroom and flexibility to account for inflation over the project duration
- Reflecting the principle of social and spatial equity, review and quantify the full spatial distribution of total national government spending across the UK to gain a more complete picture of the quantum of funding and assess against needs

Radical changes:

- Adopt a genuine whole of government approach where the expenditure of each national department is oriented towards reducing geographical inequalities
- Move away from a multiplicity of funds towards a more stable and longer-term system with greater and appropriate resources better matched to address the scale and scope of the problems of geographical disparities
- Explore potential options for increasing spending power through national economic policy, fiscal rules and what counts on the national balance sheet

Problem 2: Public funding allocation is failing to reduce geographical inequalities

Irrespective of which broader agenda is being pursued by national government from 'levelling up' to 'national growth', the existing ways of distributing public funding are not successfully decreasing spatial disparities within or between areas. Geographical inequalities are therefore persisting and, in some cases, intensifying into entrenched and more difficult problems of polarisation.

Incremental changes:

- Introduce cost-benefit analysis, benefit-cost ratio and social metrics that are more user-friendly and user-oriented (e.g. this could take the form of a 'Green Book Lite')
- Create dedicated funding application support teams within national government departments to assist areas with historically low local funding success rates (e.g. capacity building teams), reflecting the need for equity and levelling the playing field across England

Moderate changes:

- Introduce mandatory geographical impact assessments for all new major funding programmes and assessing their potential contributions to reducing geographical inequalities (e.g. above a certain financial value threshold)
- Refine the existing funding formulas to give greater weight to local deprivation indicators and including a review of current needs assessment processes and metrics (e.g. assessing the impacts of adjusting the weighting of benefit take-up and average wages on the Index of Multiple Deprivation)

Radical changes:

- Making concrete the principle of devolution and subsidiarity, strengthen the powers and resources available to sub-national and local institutions to better understand and tailor their allocations of funding to address area-specific challenges and opportunities
- Implement a geographical balancing mechanism that automatically triggers additional support when funding disparities between regions exceed certain thresholds, addressing social and spatial equity concerns

Problem 3: Decision-making and governance is too centralised

The way England is governed and decisions are made about funding allocations is concentrated in national government in London. Centralisation creates chokepoints for progress, delays and inefficiencies in fund delivery. Subnational and local political leaders and policymakers have too little autonomy, discretion, flexibility and input into funding allocation decisions and in the prioritisation and tailoring of policies to their particular needs and potentials.

Incremental changes:

- Reduce ministerial sign-off for project changes (e.g. under specific and agreed thresholds)
- Enable further flexibility between pillars within the integrated settlement model

Moderate changes:

- Lengthen the project timescales for delivery of funding
- Invest in co-operation and joint working mechanisms vertically and horizontally (e.g. between and across the national, subnational, and local levels)
- Where appropriate, deploy 'menu' and 'prospectus' approaches in more funding streams to enable the locally-led consolidation of business cases for schemes under certain thresholds and improve efficiency while retaining local contributions to national strategic direction (e.g. as used in Investment Zones, City Region Sustainable Transport Settlements)
- Establish a high-level working group of representatives from multiple government departments, Treasury and local and regional experts with lived experience of managing different types of funding streams to develop new approaches to allocating, managing and evaluating funding
- Enable easier identification of the application criteria and learning from previous fund processes – and thus better support analysis of trends and good practice in funding allocation – by improving access to previous central and local government webpages relating to funding calls

Radical changes:

- Greater and faster moves towards decentralising decision-making and governance to increase local autonomy and discretion in raising funding and expenditure, accelerating implementation of the devolution and subsidiarity principle
- Examine further fiscal devolution and matching equalisation and redistribution measures reflecting the social and spatial equity principle to take account of capacity constraints and geographical differentials in local economies and tax bases

Problem 4: Weak institutional capacity

Subnational and local institutions lack the capability and resources successfully to engage with and utilise existing funding allocation models. Austerity since 2010 has eroded local capacity, proactive initiative and well-developed project pipelines. Limited knowledge, skills and experience hampers abilities meaningfully to use available funding to address and deliver local visions and strategies.

Incremental changes:

- Introduce a structured programme of short- and long-term secondments between national and local government (e.g. ensuring participation in secondments is more strongly recognised in career progression and promotion criteria)
- Regain greater balance between revenue and capital funding to support local delivery of projects and programmes (e.g. making appropriate revenue funding available to enable the sustainable delivery of capital projects)
- Create a peer-learning network between more advanced devolved areas and non-devolved areas to share best practice and expertise (e.g. sub-national support hubs and potential link to Local Policy Innovation Partnership projects and Hub)

Moderate changes:

- Introduction of a long-term capacity building programme, ring-fenced to avoid pressures to deploy the resources elsewhere
- Enhance capacity and monitoring and evaluation expertise across all sub-national and local governments especially to reduce reliance on outsourcing to often costly external consultants
- Establish baseline funding for developing local governance capacity that is not dependent on competitive bidding, embedding equity by enabling weaker areas to build up their basic institutional capacities and capabilities (e.g. dedicated capacity building funds allocated on the basis of need)

Radical changes:

- Implement a comprehensive legislative package that combines governance reform with geographical rebalancing, moving away from asymmetric devolution and the patchwork of powers and resources towards a more structured and upgraded system for more areas
- Establish constitutionally protected powers and resources for sub-national authorities (e.g. using the European Charter for Local Self-Government to guide reform)

Problem 5: Funds are spent ineffectively and/or poorly

Within the current governance arrangements and with the existing funding allocation models, subnational and local policymakers are impeded in their efforts to follow the principle of spending less, well and wisely. Scarce resources are therefore not deployed as effectively and as well as they could be.

Incremental changes:

- Building on the integrated settlement approach, consolidate funding streams within thematic and/or policy areas (e.g. all regeneration-focused funds)
- Provide increased local flexibility on funding use, furthering the integrated settlement approach (e.g. from the outset to enable planning and increasing the ability to vire larger proportions and values of funds between budget headings)

Moderate changes:

- Building upon the integrated settlement approach, better balance the split of funding between revenue and capital in favour of revenue in order to better ensure delivery of funding programmes so that the quantum of money available is spent better
- Improve transparency and scrutiny of funding use (e.g. ensuring and strengthening robustness of existing systems and standards through existing audit and scrutiny committees and external audit)
- Simplify and strengthen monitoring and reporting frameworks (e.g. published dashboards of fund expenditures against planned and increased resources ringfenced for local monitoring and evaluation)

Radical changes:

- Move to wider and longer-term funding programmes matched to broader local priorities and outcomes (e.g. 3-5+ years)
- Introduce and evaluate innovative mechanisms of local public participation in funding utilisation monitoring and evaluation (e.g. citizens' assemblies or juries)

Problem 6: Poor data is limiting analysis and decision-making

Lack of relevant and timely information is preventing evidence-based approaches to policy formulation and decisions on deploying funding. Knowledge and insights to improve policy delivery and outcomes are not being generated and utilised.

Incremental changes:

- Enhanced engagement with combined/strategic authorities on identifying and acting on barriers to better sharing including building trust to share experiences of failures as well as successes and use of data between government, the Office for National Statistics, and local and regional partners
- Building on the work of the MHCLG Data Unit and ONS Local, develop cross-government rules and standards for the collection, storage, recording and management of data at place level, with alignment to institutional geographies

Moderate changes:

- Establish combined/strategic authorities as a data controller with associated data powers, with the same recognition as local authorities to establish legal gateways for data sharing and to facilitate data access for purposes of processing data linked to key policy domains of regional and/or local significance
- Substantively strengthen the clarity of cross-government accountability, governance, and funding for improving spatially disaggregated data which is accessible to combined and local authorities to support place-based policy decision-making and delivery
- Collaboration with government on the cost of licensing data products for sharing across departments and with local and regional partners

Radical changes:

- Greater national government investment in regional and local staff and capacity required to utilise data for evidence-based decision-making
- Create a national data observatory that defines a set of data to be used when allocating funding for monitoring and evaluation purposes. This would include firstly setting geographic and economic baselines to measure improvement
- Establish an independent and national Monitoring and Evaluation Institute and capacity building programme that showcases what works, highlights success in terms of programmes and geographical focus, and provides an opportunity for institutional governance peer to peer review and learning

Problem 7: Accountability is poor and weak

Understanding of who makes decisions about public funding allocations is limited and unclear. Subnational and local policymakers as well as other stakeholders and the wider public lack clarity in who to hold to account for their funding allocation decisions.

Incremental changes:

- Improving transparency, scrutiny, and audit (e.g. making the current systems more effective and robust and work better including the fixing of the local audit system and the new Local Audit Office)
- Enhancing monitoring and evaluation systems (e.g. ringfencing resources for independent monitoring and evaluation capacity, standardising and identifying core criteria, and working towards parity of esteem for quantitative and qualitative data)

Moderate changes:

- Ensure and incentivise more holistic and wider use of the Treasury's Green Book to demonstrate economy, efficiency and effectiveness within the existing system (e.g. broader use of guidance on economic as well as social and environmental values)
- Enhancing awareness and operation of all four accountability types – top-down, bottom-up, inward and outward (e.g. experimenting with and evaluating innovations such as local public participation pilots)

Radical changes:

- Devolution of accountability (e.g. replacing the system of national government accounting officers with a more devolved system)
- Establishing local Public Accounts Committees to take a holistic overview of public spending within an area
- Introducing a legal 'Duty to Engage' or 'Involve' rather than only consult local public, private, civic, and community actors in the governance of funding allocation

Problem 8: Limited monitoring and evaluation

The systems of observing and checking progress in funding allocation and assessing its effectiveness are under-resourced and lack capacity. Subnational and local policymakers suffer from a dearth of relevant and timely information and knowledge to guide their funding allocation decisions and delivery.

Incremental changes:

- Develop shared digital infrastructure to facilitate data integration and sharing (e.g. new systems to support communication between and across different institutional silos and geographical levels)
- Standardise data collection methodologies across local and regional levels
- Establish an evaluation learning platform that develops local and regional competence in evaluation, set within a cross-government department framework that details how and when to carry out impact evaluation studies. This would ideally set a procurement framework for evaluation consultants to register with

Moderate changes:

- Ringfence ~5-10% of programme and project budgets for monitoring and evaluation
- Introduce a flexible, multi-dimensional evaluation framework that balances quantitative metrics with qualitative impact assessments, allows for local contextual nuances, includes socio-cultural and environmental outcomes together with economic outcomes, and extends evaluation beyond short-term fiscal and/or electoral cycles
- Establish a national Monitoring and Evaluation capacity-building programme

Radical changes:

- Extending and embedding good practice, ringfence ~10-15% of programme and project budgets for monitoring and evaluation over the long term
- Create a new independent and national Monitoring and Evaluation Institute (e.g. to provide technical support to local and combined authorities, develop evaluation methodologies and offer training and resource sharing)

Problem 9: Lack of clarity and understanding of who does what and where public funding comes from

The complex, fragmented and opaque nature of the funding system limits wider comprehension and understanding of how it works. Stakeholders and the wider public struggle to know the roles of subnational and local institutions and how and where the taxes they pay relate to public funding programmes.

Incremental changes:

- Improve the awareness of relevant stakeholders and the wider public of national and local government roles, responsibilities, and resources (e.g. promotion of local public, private and civic advocates and champions in receipt of funding, increasing public knowledge and debate about local governance and funding)
- Enhance identification of national and/or local government funding in local projects (e.g. clear, consistent and more visible 'Funded by...' signage, reinvigorated local media coverage and debate)

Moderate changes:

- Ensuring clear, transparent, and accessible criteria for funding allocation (e.g. to avoid concerns about 'pork barrelling' and political partisan bias, interference, and subjectivity in funding allocation)
- Better connect and align national and local policy priorities and funding (e.g. clearer and more visible identification of national and local partners involved in funding initiatives)

Radical changes:

- Establish a charter of national and local powers, responsibilities and resources (e.g. through a public constitutional convention and public fora for debate about how we are governed)

Problem 10: Weak participation and democratic engagement in funding decisions

The governance and decision-making for public funding allocation decisions are closed to wider civic and public engagement and participation. Wider stakeholders and the public feel shut out and unable to influence decisions about how public funds are allocated and used in their areas.

Incremental changes:

- Increase public awareness, education and debate about governance and funding (e.g. including in schools, through diverse media channels, and arts and cultural organisations)
- Set out local guidance encouraging deliberation locally about sources of funding, and how it is allocated and spent

Moderate changes:

- Build independent oversight and audit functions in order to address citizens' concerns about accountability and transparency
- Invest, experiment and evaluate the contribution of participatory democracy innovations including citizens' assemblies or juries and community evaluations

Radical changes:

- Mandate a 'Duty to Engage' or 'Involve' and respond to local citizens' views on selected funding decisions to give authority to local and regional stakeholders to be flexible with how and on what funding is spent
- Ensure reorganisation of subnational governance geographies take appropriate account of citizens' identities and affiliations

Conclusions

Addressing the role of public funding in reducing geographical inequalities in England, this report identified ten guiding principles and ten key problems and incremental, moderate and radical proposals to help resolve them. It also outlined implementation considerations and potential outcomes and impacts.

The main messages for policy practitioners and decision-makers are outlined below.

National political economy and reducing geographical inequality – questions of national political economy and the priority and resources given to reducing geographical inequalities as part of the government's national growth and renewal agenda are critical for improving public funding allocation.

System reform and implementation – the problems in the existing system are largely recognised and accepted by national, subnational and local policymakers and there is genuine appetite for reform. Early progress on positive reform – such as funding simplification – needs further support, acceleration and expansion to achieve meaningful systemic change.

Decentralisation and multi-level governance – meaningful and sustained decentralisation of powers and resources from national to subnational and local government is integral to building the capacity and capability for improving funding allocation to reduce geographical inequalities. This devolution requires strong inter-governmental collaboration to align priorities and funding programmes across all levels, supported by flexible funding mechanisms that enable place-based tailoring to local circumstances.

Accountability enhancement – accountability requires strengthening across all four dimensions – top-down, bottom-up, inward and outward⁸ – as a central task for enhancing the effectiveness and wider transparency, oversight and scrutiny of the funding allocation system and to broaden participation.

Monitoring, evaluation and system simplification – monitoring and evaluation are seriously under-invested in and require substantive resources and strengthening, supported by a reduction in the complexity, fragmentation and opacity of the overall funding system to improve its data, legibility and understanding for users, stakeholders and the wider public.



⁸Newman, J., Warner, S., Kenny, M., Westwood, A. (2024) Rebuilding local democracy: the accountability challenge in English devolution. Productivity Insights Paper No. 028, The Productivity Institute.

The findings from this study require further action through additional research and impact activities to communicate the findings to key audiences at the national, regional, and local levels. Key steps should include discussing implementation considerations, stimulating innovations and experiments that can be piloted, monitored and evaluated locally and regionally, and assessing the potential outcomes and impacts of the proposed changes. A high level and specialised working group needs to be established with relevant academic and national, regional and local policymakers to take this agenda forward. While we have deliberately presented a comprehensive spectrum of potential approaches, stakeholders should evaluate these options within their specific contexts for achieving meaningful change – from combined authorities through local government to community and neighbourhood groups. Strategy and planning for future enhancement of the funding allocation system must incorporate and reflect upon the ten guiding principles to guide and inform the design and formulation of approaches to public funding allocation and the reduction of geographical inequalities.

Figure 2: Key reflections on project findings and policy priorities from a panel of experts (Laura Sorvala, March 2025)



Links to other project outputs

Reports

ESRC Practitioner Engagement: Summary Findings Report

Mike Emmerich, James Gilmour, Megan Russell, April 2025

Funding Local Areas: What do the English public think about changes to how funds are allocated to local government? Findings from a Citizen Engagement workshop

Ceri Davies, John Evans, April 2025

Geographically Concentrating or Spreading Public Funding

Professor Andy Pike, Professor Anne Green, Shona Duncan, April 2025

A Review of Funding Allocations in England to Address Geographical Inequalities

Dr Abigail Taylor, Dr Sanne Velthuis, April 2025

International Case Studies

Geographical Inequalities and Sub-National Funding in France

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Edgbaston, Birmingham,
B15 2TT, United
Kingdom
birmingham.ac.uk