

THE DEMOLITION OF BRITISH REGIONAL POLICY



Industrial Communities Alliance

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Industrial Communities **Alliance**

Summary

This report argues that British regional policy has now largely been demolished. Following Brexit, the then Conservative government failed to renew the long-standing system of Assisted Areas that incentivised investment in less prosperous parts of the country. EU funding to the regions was initially replaced but under Labour the budget has been drastically reduced. Time-limited 'levelling up' funds have also been allowed to expire. The remaining programmes to promote jobs and growth in the regions fail to prioritise the weakest local economies or focus excessively on neighbourhoods.

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The author

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THE DEMOLITION OF BRITISH REGIONAL POLICY

Introduction

Regional policy has long seemed a fixture in British political life. Since at least the 1960s, and on some measures as far back as the 1930s, governments of all persuasions have operated policies to try to generate jobs and growth in the less prosperous parts of the country. This now seems to be changing.

Step by step, British regional policy is being dismantled. This hasn't been the result of an explicit political decision, certainly not one that has been articulated by ministers. It is happening nonetheless as a result of choices made over the last few years by Conservative and Labour governments. It has been pressures such as Brexit, the budget deficit and the need to fund other priorities that have driven these choices, but the result is clear: British regional policy is now weaker than at any time since the 1950s.

This paper explains what has happened. At its core, it sets out the three key components of regional policy's demolition:

- The abolition of Assisted Area status
- The end of EU funding to the regions
- The demise of 'levelling up'

The paper begins however by explaining exactly what is meant by 'regional policy' and detailing a little of its long history. This is followed by discussion of the quite legitimate question 'Do we still need it?' After documenting regional policy's demise, the paper then looks at what's still left and considers what might be done to fill the void.

What exactly is regional policy?

Regional policy is the promotion of jobs and growth in less prosperous parts of the country.

Regional policy doesn't have to be about whole regions, of which there are twelve for statistical purposes across the UK. Indeed, it has generally been sub-regions or smaller areas that have been the focus of policy, reflecting the diversity of economic circumstances within as well as between regions. Nor should regional policy be confused with the management of funds by devolved governments or mayoral authorities. It's possible to have strong layers of regional or local administration without a strong regional policy.

What regional policy does involve is central government discrimination in favour of some areas over others. It's about targeting specific parts of the country. It's about trying to grow jobs and businesses in the places that need them most. So efforts to encourage growth in all regions, which most governments would say they undertake, can't really be described as regional policy.

The traditional tools of British regional policy include:

- Grants or loans to support business investment
- Funding to improve the business environment and labour market
- Development of business sites and premises
- Investment in infrastructure

Back in the 1930s, the development of trading estates in South Wales, North East England and on Clydeside was the first manifestation of a policy to move 'work to the workers'. The late 1940s saw controls on factory development in the South East and Midlands and by the 1960s a comprehensive system of Development Areas (later rebranded 'Assisted Areas') had been put in place, defining the places where financial assistance was available to support business investment. The 1980s saw the creation of Enterprise Zones and in the 1990s EU funding began to play a big role. The 2000s were the heyday of the English regional development agencies, the 2010s of the Regional Growth Fund, and the early 2020s of Levelling Up.

There is plentiful evidence that these interventions have had positive effects on the location of jobs and economic activity¹. Because of years of regional policy, output and employment is higher in the less prosperous parts of the UK and worklessness is lower. That said, regional policy has nearly always had to swim against the tide of wider economic changes, trying to offset the job losses in industries such as coal, steel, textiles and engineering, and its positive impact on the location of manufacturing in the post-war years was badly undermined by later deindustrialisation. But we can conclude that in the UK context regional policy does work.

¹ See for example:

R S Howard (1968) *The movement of manufacturing industry in the United Kingdom 1945-65*, HMSO, London.

B Moore and J Rhodes (1973) 'Evaluating the effects of British regional economic policy', *Economic Journal*, vol. 83, pp. 87-110.

B Moore, J Rhodes and P Tyler (1986) *The effects of government regional economic policy*, HMSO, London.

J Taylor and C Wren (1997) 'UK regional policy: an evaluation', *Regional Studies*, vol. 31, pp. 835-848.

M Hart, N Driffield, S Roper and K Mole (2008) *Evaluation of Regional Selective Assistance (RSA) and its successor, Selective Finance for Investment in England (SFIE)*, Occasional paper no.2, Department for Business, Enterprise and Regulatory Reform, London.

National Audit Office (2014) *Progress report on the Regional Growth Fund*, NAO, London.

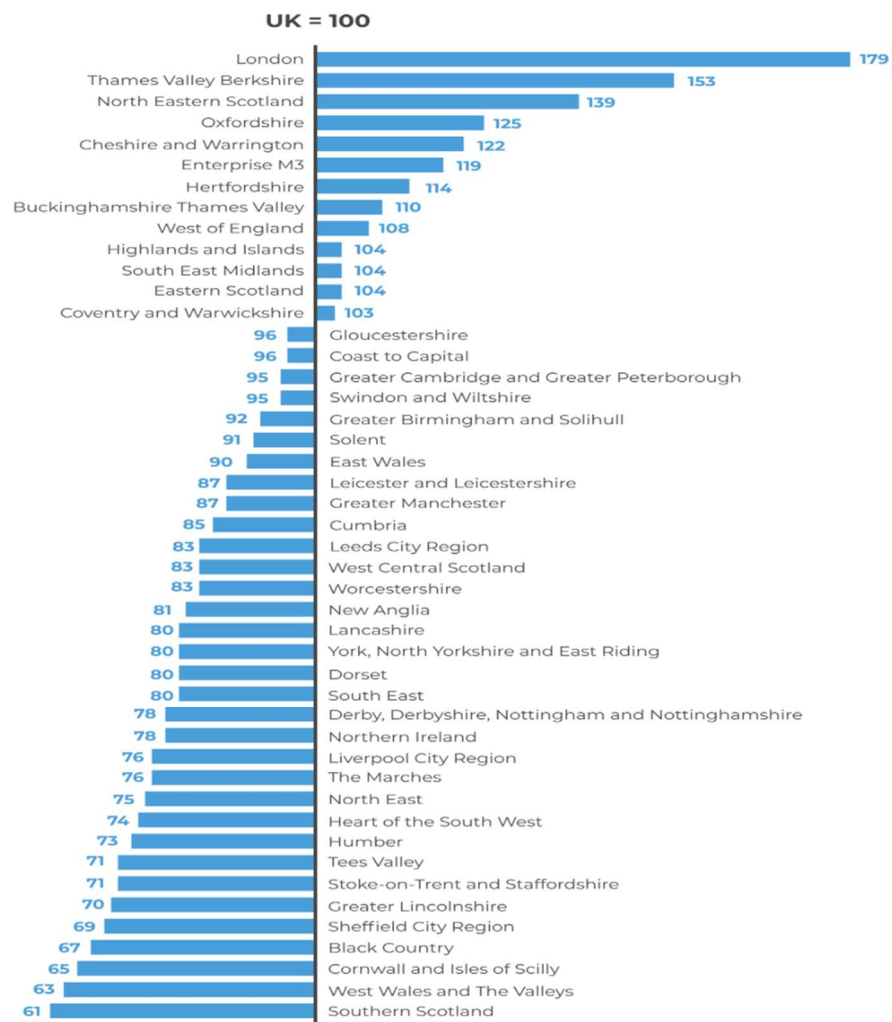
MHCLG (2023) *National evaluation of the English ERDF programme*, Ministry of Housing, Communities and Local Government, London.

Do we still need regional policy?

After so many years and evidence of positive impacts it's probably reasonable to ask whether Britain still needs regional policy. The simple answer is 'yes'. The UK is still disfigured by huge differences in prosperity between different parts of the country.

One measure of these differences is economic output. Figure 1 shows the Gross Value Added (GVA) per head by sub-region. This diagram is taken from a study using 2017 data² and the sub-regions in England are the now-discarded Local Enterprise Partnership areas but the fundamentals of the UK's economic geography shift only slowly. At one end of the spectrum GVA per head is 179% of the UK average in London, compared to just 65% in Cornwall, 63% in West Wales & the Valleys and 61% in Southern Scotland.

Figure 1: GVA per head by sub-region, 2017



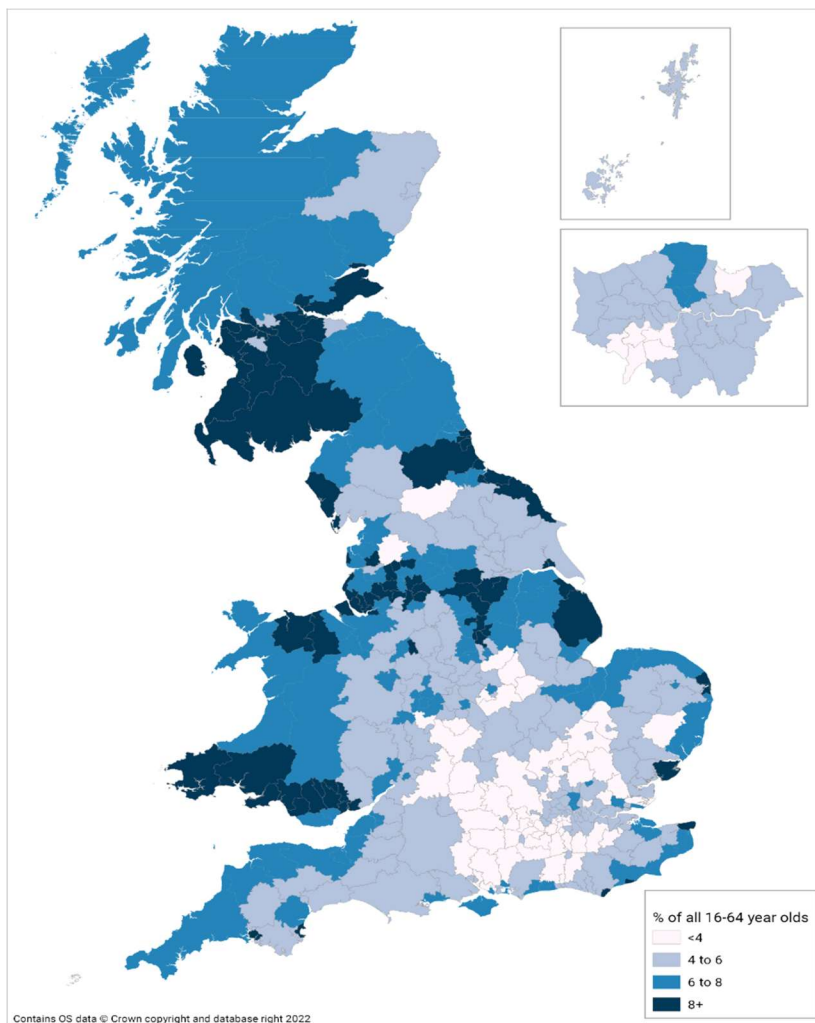
Source: ONS

² C Beatty and S Fothergill (2019) *Local Productivity: the real differences across UK cities and regions*, CRESR, Sheffield Hallam University.

These GVA figures are the value of production in each area in relation to its resident population, so in London’s case for example it counts the production where commuters work but not necessarily where they live. The figures also reflect the mix of industries and occupations rather more than the efficiency with which any activity is undertaken. Nevertheless, the big differences across the country in where economic activity takes place are real enough.

A more traditional way of looking at regional differences is to examine unemployment. Indeed, it was high unemployment in parts of the North, Scotland and Wales that was the original reason for the development of regional policy. The problem is that ‘unemployment’, defined as those looking for work or claiming unemployment benefits, no longer reflects the scale of worklessness. Since the great wave of deindustrialisation in the 1980s and 90s the numbers out-of-work on incapacity benefits have surged from around 750,000 to more than 2.5 million – far more than the numbers now recorded as unemployed. This has taken a long while to become logged in political and public consciousness but what still seems to be overlooked is that very high incapacity claimant rates are actually a regional problem.

Figure 2: Incapacity-related benefit claimant rate by district, 2021



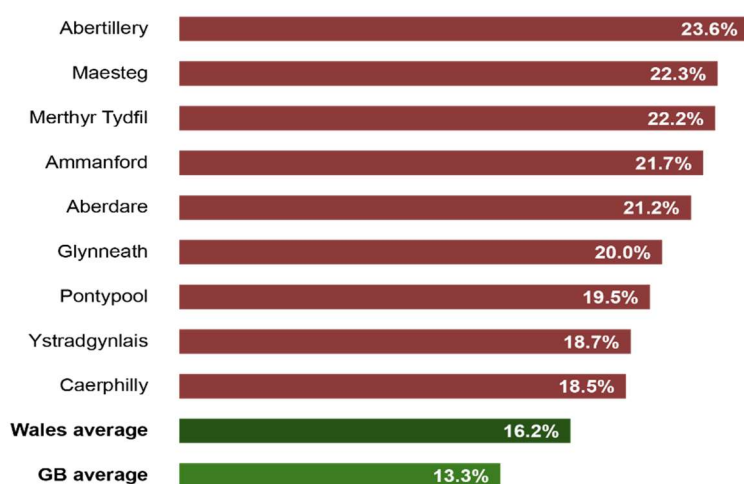
Sources: DWP, ONS

Figure 2 shows the share of adults of working age (16-64) out-of-work on incapacity benefits by local authority across Britain. The data here is for 2021 but the pattern has been stable for at least twenty years. Anyone familiar with Britain’s economic geography will see that the highest claimant rates are in the older industrial areas of South Wales, the North of England and parts of Scotland, plus a number of coastal areas. By contrast, there is a substantial part of southern and eastern England outside London where claimant rates are far lower, and in London itself the claimant rate is also modest.

This geography reflects extensive hidden unemployment. The empirical evidence shows clearly that ill health or disability is not an obstacle to employment in all circumstances – the low claimant rates in parts of southern England point firmly in this direction – and even after adjusting for higher underlying levels of poor health, the less prosperous parts of the country display well above-average incapacity claimant rates³. In difficult labour markets many of the men and women with health problems or disabilities have simply been marginalised. Financial incentives in the benefits system and the onerous conditionality associated with unemployment benefits then divert them onto incapacity benefits.

In some parts of Britain the level of worklessness on benefits remains frighteningly high. Figure 3 shows the overall out-of-work claimant rate among 16-64 year olds in a selection of towns in the South Wales Valleys⁴. Admittedly, the Valleys have some of the highest claimant rates in Britain but the towns here have been selected to provide a range of sizes and locations, not because they are the worst. In several of the towns more than one in five of all working age residents are out-of-work on benefits of one kind or another. In some of the towns this is nearly 10 percentage points above the GB average. Worklessness in the less prosperous parts of Britain hasn’t gone away. Rather, it has taken on new forms.

Figure 3: Overall out-of-work benefit claimant rate, selected Welsh Valley towns, 2023



Sources: DWP, ONS

³ See in particular C Beatty and S Fothergill (2023) ‘The persistence of hidden unemployment among incapacity claimants in large parts of Britain’, *Local Economy*, vol. 38, pp. 42-60.

⁴ Data taken from S Fothergill, T Gore, M Thomas and C Whitwood (2025) *Next Steps for the Valleys*, Industrial Communities Alliance (Wales).

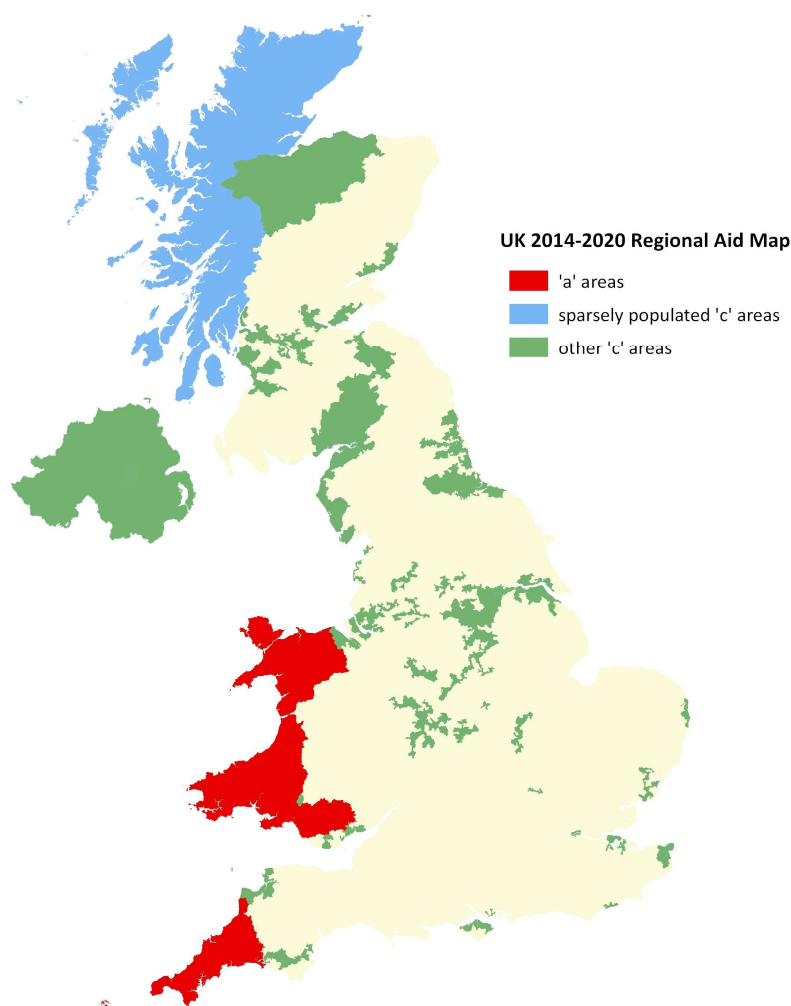
Demolition: The abolition of Assisted Area status

Let's now move on to the demolition of regional policy, beginning with the abolition of Assisted Area status.

'Assisted Areas' are the places where until recently higher rates of financial support were available to businesses to help promote investment and to create or protect jobs. Assisted Area status in the UK can be traced right back to the creation of Special Areas in 1934 and by the 1970s Development Areas, as they were then called, covered most of the North of England, Scotland, Wales and Northern Ireland.

When the UK became an EU member, Assisted Area status then became enshrined in EU State Aid rules. In many respects this was a case of the EU adopting UK practice rather than the other way round. In all the remaining EU member states, an updated Assisted Area map still remains in place under the State Aid rules, so it is the UK that's now the odd one out.

Figure 4: UK Assisted Area map, 2014-20



Source: HM Government

The UK Assisted Area map under the 2014-20 EU rules is shown in Figure 4⁵.

- In Category A areas, large firms (250+ employees worldwide) were eligible for grants up to 30% of the capital cost of investment. SMEs were eligible for 40-50%.
- In Category C areas, large firms were eligible for grants up to 10%, and SMEs for 20-30%
- In non-assisted areas, no investment aid to large firms was allowed, and only 10-20% to SMEs

The Assisted Area map provided a powerful incentive for firms to invest in the Category A and C areas – the less prosperous parts of the country. That said, public funding was not automatic. Firms had to demonstrate that the investment would not otherwise have gone ahead in the same place or on the same scale, and the UK and devolved governments had well-honed procedures in place to undertake the necessary assessments.

On the 2014-20 map, Assisted Area status covered around 25% of the UK population, the majority in the green Category C areas in Figure 4 which despite their small size covered several important urban areas.

The first blow to Assisted Area status was the Conservative government's decision in 2015 not to renew the Regional Growth Fund. This removed the principal budget line used to support investment in the English Assisted Areas, though the devolved administrations carried on with their own funding programmes.

The more serious – indeed terminal – blow followed Brexit in 2021. Brexit meant that EU State Aid rules no longer applied except in Northern Ireland (which has a special status within the EU Single Market). The Conservative government could have replaced the 2014-20 Assisted Area map, rooted in EU rules, with its own UK map but it chose not to do so. Instead, as a replacement it introduced UK Subsidy Control rules that treat all part of Britain equally. There is therefore no longer any discrimination in favour of business investment in the less prosperous parts of the country. Despite Labour's role in opposing the abolition of Assisted Area status, in government Labour has so far made no move towards restoration.

The abolition of Assisted Area status is a body-blow to regional development. Its consequence is a loss of competitive edge in attracting investment to less prosperous parts of Britain because there is no longer a signal to businesses that they are likely to be offered more generous financial support than in other parts of the country. The loss has been compounded by developments in the labour market. The less prosperous parts of the country can also no longer offer a greater supply of labour now that so much of their worklessness takes the form of 'economic inactivity' rather than job-seeking, whilst in more prosperous parts of Britain international migration has eased previous constraints.

⁵ This is actually the map that applied until 2017, when a mid-term review upgraded Tees Valley & Durham to Category A status.

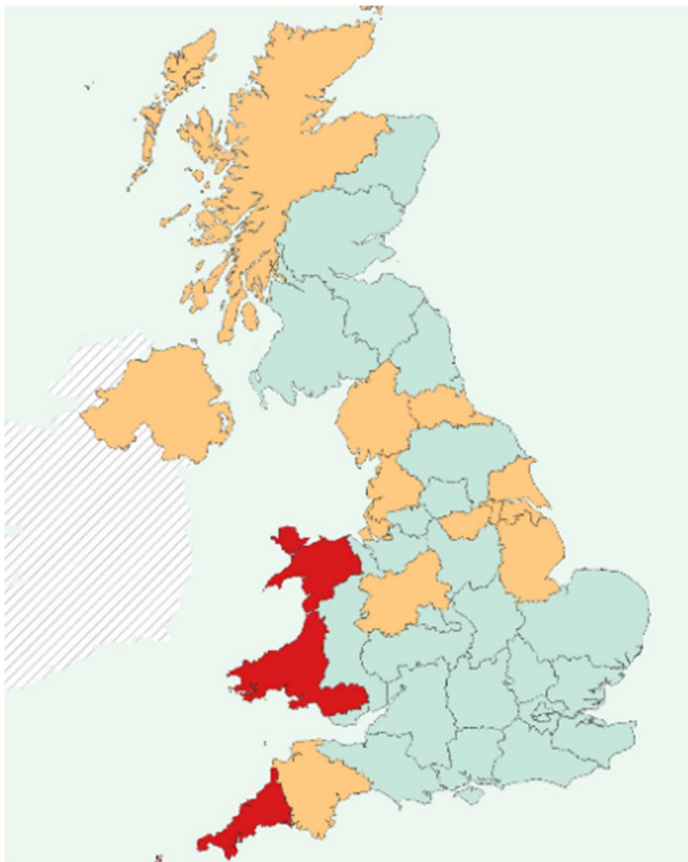
Demolition: The end of EU funding

The European Union was until recently a major funder of UK regional development. In its 2014-20 spending round, the EU made €10.8bn (rather more than £9bn) available to the UK regions through its Structural Funds, principally the European Regional Development Fund and the European Social Fund. This funding co-financed a wide range of activities:

- Investment in infrastructure
- Business support (advice, marketing etc.)
- Innovation and R&D
- Training
- Employability schemes
- Environmental improvements
- Low-carbon projects

The EU operated a hierarchy of areas based on NUTS 2 (sub-regional) boundaries. The funding map for the UK for 2014-20 – not to be confused with the Assisted Area map discussed earlier⁶ – is shown in Figure 5.

Figure 5: Designation for EU funding 2014-20



Source: European Commission

⁶ Under EU rules, 'less developed regions' were however the same as Category A 'Assisted Areas'.

The EU funding map differentiated between:

- ‘Less developed regions’ (in red in Figure 5) where GDP per head was below 75% of the EU average
- ‘Transition regions’ (in orange) with 75-90% of the EU average GDP per head
- ‘More developed regions’ (the rest of the UK) with more than 90% of the EU average GDP per head

EU funding was strongly skewed to ‘less developed regions’ (Cornwall and West Wales & the Valleys in the UK context) and to a lesser extent to ‘transition regions’. Within England, the government used its discretion to distribute the available funding to Local Enterprise Partnership (LEP) areas via a complex formula. The result was still a strong skew to less prosperous places, as the examples in Table 1 illustrate. On a per capita basis, Cornwall (and indeed West Wales & the Valleys) received more than twenty times as much EU funding as parts of South East England.

Table1: EU funding 2014-20, selected LEP areas

	£ per head		£ per head
Cornwall	1027	Bucks Thames Valley	25
Tees Valley	298	Solent	36
Greater Manchester	145	London	83
North East	268	Hertfordshire	58
Humber	169	SE Midlands	51

Source: HM Government

Following Brexit all this EU funding dried up, though because overruns were sensibly built into the system the last monies weren’t actually spent until 2023.

The Conservative government promised to replace EU funding and, up to a point, it kept its word. The UK Shared Prosperity Fund (UKSPF) replaced EU funding, ramping up as EU-funded spending wound down so that by 2024-25, when EU funding finally dropped out of the picture, it was worth £1.5bn a year, which was roughly the same in real terms as the EU funding it replaced. The Conservative government also largely replicated the EU’s allocation of funding across the country. Significantly though, UKSPF funding was only made available for three years through to March 2025 whereas EU funding had been allocated in seven-year blocks.

The Labour government then began to dismantle the UKSPF. In its Autumn Budget in 2024 UKSPF funding for 2025-26 was cut by 40%, from £1.5bn to £900m. The justification given was the need to plug a £20bn ‘back hole’ in public finances inherited from the previous administration. The UKSPF funding was also only renewed for a year.

In Labour’s Spending Review in 2025 the UKSPF budget lines for Scotland, Wales and Northern Ireland were then frozen in cash terms for three years (a reduction in real terms) and required to fund the government’s new Pride in Place neighbourhood initiative. The residual UKSPF moneys have also been rebranded as ‘Local Growth Funds’.

A broadly similar approach was followed in England, though not until the 2025 Budget, to determine the size of the new Local Growth Fund for mayoral city regions in the North and Midlands⁷. Given that it’s known how much will be taken by the Pride in Place initiative in England, it’s also possible to calculate the overall spending envelope.

Table 2: Local Growth Fund budgets for 2026-29

	England	Scotland	Wales
Spending Review envelope	£1,655m	£228m	£630m
<i>less</i> Pride in Place initiative	£ 980m	£ 88m	£ 83m
<i>equals</i> new Local Growth Fund budgets	£ 675m	£140m	£547m
Reductions in annual Local Growth Fund budgets compared to UKSPF:			
In 2024-25	76%	63%	49%
In 2025-26	60%	39%	13%

Source: Based on HM Treasury

These figures are shown in Table 2⁸. The important point is that compared to the UKSPF funding for 2024-25, annual funding for the new Local Growth Funds is being cut by around three-quarters in England, two-thirds in Scotland and around half in Wales. Compared to the reduced UKSPF budget for 2025-26, the funding in England is still being cut by more than half. Wales isn’t hit quite as hard because it previously received very substantial UKSPF funding (reflecting the earlier EU monies for West Wales & the Valleys) so it’s a little easier to absorb the diversion of funding to Pride in Place.

In England, the focus of the new Local Growth Fund on eleven mayoral city regions in the North and Midlands lessens their loss but the flip-side is that other parts of England (including Cornwall, Cumbria, Lancashire and Staffordshire for example) are set to lose all the money they previously received.

Step by step the once substantial volume of regional development activity previously funded by the EU is therefore slated to shrink, and in some places to disappear entirely.

⁷ The overall budget for England’s new Local Growth Fund has been set at £902m over four years, of which £675m is to be spent in the first three years (2026-29).

⁸ The Spending Review envelope for Northern Ireland is £136m but the allocation to Pride in Place has not yet been announced.

Demolition: The demise of ‘levelling up’

‘Levelling Up’ was one of the flagship initiatives of the Conservative government led by Boris Johnson. In practice, it comprised a hotch-potch of imperfect spending programmes that were criticised as overlapping in purpose, short-term in duration and in several cases as allocated on the basis of competitive bidding rather than need.

Table 3: Levelling Up funding allocations, 2021-22 to 2025-26

Levelling Up Fund (three rounds)	£4,756m
UK Shared Prosperity Fund	£3,412m
Towns Fund	£2,350m
Long-Term Plan for Towns	£1,500m
Future High Streets Fund	£ 831m
Levelling Up Partnerships	£ 400m
Community Renewal Fund	£ 203m

<i>Sub-total</i>	<i>£13,452m</i>
<i>plus EU funding rolled forward</i>	<i>c. £ 1,900m</i>
<i>plus Barnett consequentials</i>	<i>c. £ 600m</i>

<i>All Levelling Up funding</i>	<i>c. £16bn</i>

Source: HM Government

Table 4: Regional allocation of Levelling Up funding, 2021-26

	<i>£ per head</i>	<i>GVA per head, 2022 (UK=100)</i>
Wales	635	72.1
North East	422	71.3
North West	305	88.6
Yorkshire & the Humber	301	82.8
East Midlands	287	79.1
Northern Ireland	286	79.2
Scotland	265	92.2
West Midlands	264	80.7
South West	221	90.6
East	151	89.7
South East	108	108.6
London	78	177.5

Sources: HM Government and ONS

Table 3 shows that the overall financial allocation over the four years to March 2026 was substantial. This list includes EU spending rolled forward into this period, the UK Shared Prosperity Fund and the ‘Barnett consequential’ payments to the devolved governments arising from England-only initiatives. In total, all levelling up funding over this period comes to around £16bn⁹.

Table 4 shows that although levelling up monies were quite widely spread across the UK they were skewed to less prosperous regions. Wales and the North East, with the lowest GVA per head, received the largest per capita allocations. London and the South East, with the highest GVA per head, received the least. Levelling up was therefore an important component of regional policy over these years even though quite a lot of the spending (for example on high street improvement) was only tangential to economic development.

All the levelling up programmes did however have time-limited budgets. Beyond March 2026 most of the spending is therefore coming to an end, with only limited provision (for example in the UKSPF) for expenditure on delayed projects to roll on beyond this deadline.

Wound up or winding down

- Levelling Up Fund
- Towns Fund
- Future High Streets Fund
- Levelling Up Partnerships
- Community Renewal Fund

Reduced budget and renamed *Local Growth Fund*

- UK Shared Prosperity Fund

Rebranded as part of *Pride in Place*

- Long-Term Plan for Towns

Partially offsetting the reduction in funding, the Labour government has established a new Mayoral Revolving Growth Fund worth £500m, intended to co-finance private sector development projects. This is being made available to six mayoral authorities in England¹⁰.

The resulting net reduction in spending over the 2026-29 spending round is around £1.8bn a year.

Labour’s Spending Review didn’t spell out exactly how this money is being reallocated but it’s possible to track down where it’s ended up. Most of the levelling up spending was the responsibility of the Ministry of Housing, Communities and Local Government (MHCLG), which is now set to fund a large increase in the financial settlement for English local authorities – an increase building up to £3.4bn in 2028-29. The arithmetic therefore suggests that the reduction in levelling up spending is being diverted to help fund this

⁹ Because some of the commitments, notably on the Long-Term Plan for Towns (now rolled into the Pride in Place initiative), spill over beyond March 2026 the actual spending over the four financial years is probably nearer £14bn or £3.5bn a year.

¹⁰ Greater Manchester, Liverpool City Region, North East, South Yorkshire, West Midlands, West Yorkshire.

increase in the mainstream budget for local councils. Via the Barnett formula, this also results in additional funding for the devolved governments in Scotland, Wales and Northern Ireland.

Treasury officials don't dispute this assessment, though they do point out that Spending Reviews set multiple budgets simultaneously. They also point out that in England a new formula for local authority funding is diverting more money to the North and Midlands so that the parts of the country that lose levelling up funding should gain through improved funding for local councils. This may indeed be the case, but the losses and gains for individual authorities won't necessarily be the same.

More importantly in the context of regional development, the money won't be spent on the same things. The financial pressures on local authorities are such that an increase in mainstream funding will almost certainly end up being spent on statutory services such as adult social care and children's services. In Scotland, Wales and Northern Ireland the additional money via the Barnett formula could also end up being spent on many different things.

The net effect is that the wind-down of levelling up spending will mean a wind-down of regional development.

What's left of regional policy?

It's not fair to say that British regional policy has been entirely demolished, but what's left is not especially impressive.

Industrial Strategy Zones

'Industrial Strategy Zones' is the new name for the Investment Zones and Freeports introduced by the Conservative government and reaffirmed and rebranded by its Labour successor.

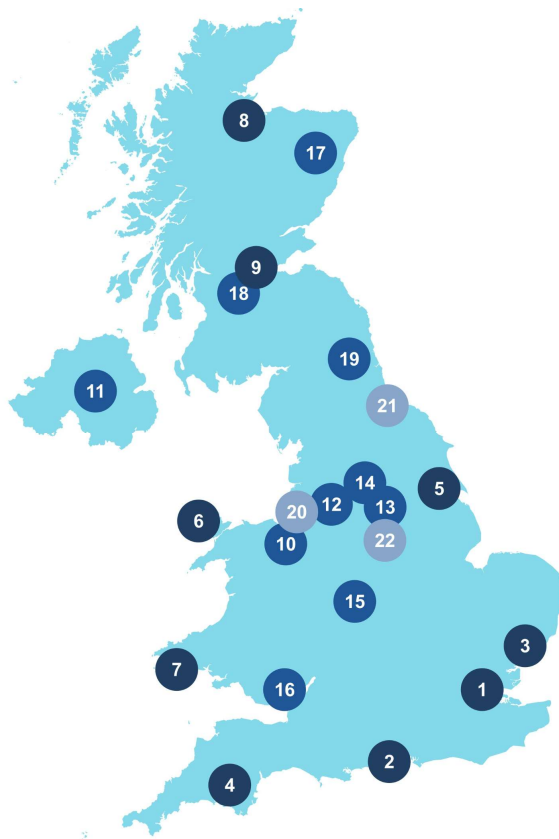
In many respects these are a welcome return to the Enterprise Zone initiatives of the 1980s and 90s, targeting specific incentives (capital allowances, rate-free holidays, stamp duty relief, NI reductions) at key development sites. The current incentives are more powerful than those available to the Enterprise Zones designated in the Cameron/Osborne era and the evidence from the earlier Zones¹¹ is that they should have a positive effect on investment and jobs. Their impact is likely to be enhanced by funding from a newly established £600m Strategic Sites Accelerator, though the selection of sites to be supported among the Industrial Strategy Zones and elsewhere is yet to be made.

¹¹ PA Cambridge Economic Consultants (1995) *Final Evaluation of the Enterprise Zone Experiment*, HMSO, London.

The downside is that Industrial Strategy Zones are very tightly defined sites comprising no more than a few hundred acres each – fine perhaps for an area that has one, but not of obvious value to other places in need of development.

The Zones are also scattered widely across the country, as Figure 6 shows. Indeed, some of the Zones – on the Thames estuary and Solent for example – can hardly be described as being in less prosperous parts of the country, which suggests the initiative is more about promoting national economic growth. There is also no indication from initial documentation that the new Strategic Sites Accelerator will be any more focussed on less prosperous places.

Figure 6: Industrial Strategy Zones



Source: HM Government

There are other problems with the Zones too. Each of them has a cash-limited budget and they are each required to target a narrow range of specific sectors. None of these requirements were imposed on the more successful Enterprise Zones of old.

It's also worth bearing in mind that in the heyday of the more successful Enterprise Zones they operated alongside other measures such as Assisted Area status and EU funding. It's simply too much to expect the new Industrial Strategy Zones on their own to fill the gap.

Pride in Place

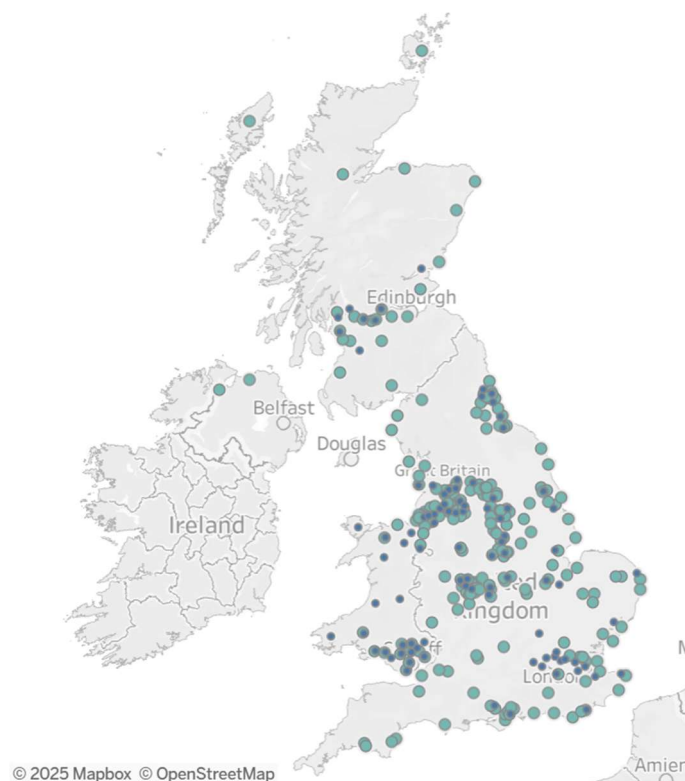
As mentioned earlier, this is the branding for the Labour government's new neighbourhood initiatives. Pride in Place comprises:

- £20m each over ten years for:
 - 75 towns carried over from the previous government's *Long-Term Plan for Towns*
 - 209 additional neighbourhoods across England, Scotland and Wales
- £1.5m each over two years for:
 - 95 named local authorities

The funding is intended to “build stronger communities, create thriving places and empower people to take back control”.

Rather like the Industrial Strategy Zones, the Pride in Place neighbourhoods are scattered across the whole country, as Figure 7 shows¹², though there are clusters in the older industrial areas of the Midlands, North, Scotland and Wales.

Figure 7: Pride in Place funding allocations



Source: CLES based on HM Government

¹² This map excludes the 40 additional Pride in Place neighbourhoods announced in February 2026 for which locations have not yet been identified.

However, again like the Industrial Strategy Zones, spending on Pride in Place neighbourhoods can't be expected to plug the gap left by the demolition of other tools of regional development. Local economies and labour markets operate across far wider areas than just neighbourhoods – which in the new initiative are places of only c.10,000 people - and it's therefore unlikely that interventions at this scale will make much difference to growth and jobs.

It's all been tried before, in the previous Labour government's New Deal for Communities initiative. The final evaluation of New Deal for Communities¹³ identified improvements in the built environment and in public safety but concluded that “when assessed against what happened in comparator areas, there is no evidence for statistically significant net positive change in relation to worklessness” – which is a fancy way of saying that addressing economic and labour market problems at the neighbourhood scale doesn't work.

Devolution

Finally, there's the devolution of responsibilities from Whitehall and Westminster, particularly to elected Mayors, which Labour ministers and the Mayors themselves expect to result in stronger growth in the regions.

In truth, there's probably an element of wishful thinking in this claim. More local decision-making should in theory result in decisions that are more in tune with local circumstances and needs. Public money should therefore be better spent and there might be more jobs and more growth as a result. But quite how much difference local decision-making alone will make to outcomes is unclear, especially as this is about where decisions are taken rather than how much is spent. What's been happening so far is mainly a shift from Whitehall to the regions in decision-making on things such as transport and skills, not an increase in budget lines.

There are other problems too with a reliance on devolution. If it applies everywhere – which is the government's aspiration in England – then it doesn't necessarily advantage less prosperous areas that need to catch up. That would require some form of positive discrimination. Also, modern constitutional arrangements mean that the UK Government's decisions on devolution only apply to England – the powers and responsibilities of local authorities are a 'reserved matter' in Scotland, Wales and Northern Ireland.

In all, it's probably too much to expect the devolution of power from Whitehall and Westminster to the (English) regions to offset the loss of other aspects of UK regional policy.

¹³ Department for Communities and Local Government (2010) *The New Deal for Communities Experience: a final assessment*, CLG, London.

So what's to be done?

The remarkable thing about the demolition of regional policy is that it has never been a deliberate political decision. Rather, it is an outcome that has developed incrementally over a decade, involving decisions by both Conservative and Labour governments that for reasons at the time probably seemed pragmatic. It's the cumulative effect of these decisions that's now so worrying for the less prosperous parts of Britain.

The first step in addressing the problem is therefore to raise awareness. It's unlikely that ministers grasped the cumulative impact of their decisions and it's probably not at all what they intended. It's also unlikely to be what the MPs representing the less prosperous parts of the country – most of them Labour – would have wanted. In theory there ought therefore to be a strong voice for a revival of regional policy if an awareness of the present shortcomings can be established.

That still leaves a question of priorities. Exactly which elements of regional policy urgently need to be restored? This is a doubly difficult question because the assumption must be that at the present time there is no new money that can be made available. The way forward, in so far as a revival of regional policy involves public spending, must therefore be to bend existing spending programmes.

Perhaps the prime candidate is the restoration of Assisted Area status, to provide a clear signal to business that if they invest in the less prosperous parts of the country they are more likely to receive financial support. There are plenty of existing budget lines, such as those held by the Departments for Business and Energy, that could in theory be passed through the filter of Assisted Area status. If the investment is in an Assisted Area, it should be more likely to receive support than if it were outside.

The Assisted Areas themselves could also be defined more generously than was the case under the EU rules, which imposed a tight population ceiling. It would not be unreasonable perhaps to include most of the North, Scotland, Wales and Northern Ireland – as was the case in the 1970s – as well as smaller areas in the Midlands and South. To do so would be a positive use of post-Brexit freedoms.

In parallel, there needs to be a renewed focus on local economies. This became somewhat lost in the era of levelling up spending, when 'plant pots and pavements' seemed to take priority over jobs and growth. The new focus on neighbourhoods doesn't help because it's hard to address economic issues at this very local scale. The problems of Britain's less prosperous areas have always been rooted in not enough jobs, and not enough good jobs in particular, and until this is sorted it's hard to see many of the downstream problems of decaying high streets, social dislocation and benefit dependency being resolved.

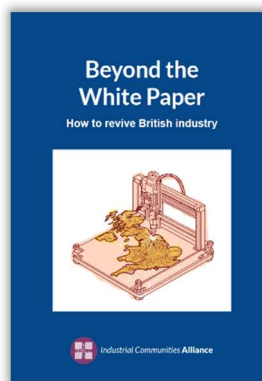
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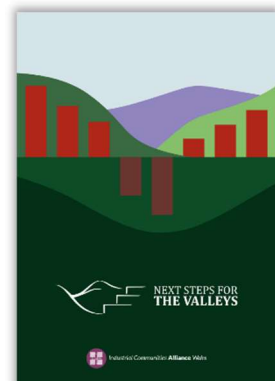
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Industrial Communities Alliance

The Industrial Communities Alliance is the all-party association of local authorities in the industrial areas of England, Scotland and Wales.

The aim of the Alliance is to promote the economic, social and environmental renewal of the areas covered by its member authorities.

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