

Evidence briefing: Levelling Up Fund interventions and impacts

1. Purpose

The Government's Levelling Up Fund [prospectus](#) states that the first round of funding will focus on:

- Transport investments
- Regeneration and town centre investment
- Cultural investment

This briefing is designed to help places understand the likely local economic effects of these types of projects. This will help them to design bids that are better placed to deliver economic growth in addition to specific project outputs such as improved transport links or renewed public spaces.

1.1 Evidence sources and further support

The briefing summarises the available evidence on the economic impacts of: transport interventions; physical regeneration projects (upgrading buildings, investing in community infrastructure, etc.); and sport and culture investments. It draws on existing analysis and reviews done by What Works Growth on: transport; estate renewals; public realm interventions; and culture and sport.

Many of these investments will also have non-economic objectives, for example improving mental and physical health. We think that these outcomes are important, but this note is focused on the evidence on economic outcomes.

Find out more online about evidence on [what works to support local economic growth](#) and the [support we can offer](#) to local partners.

2. Summary

Of the intervention types supported by the Levelling Up Fund, **transport projects are the ones for which the evidence on economic outcomes is most positive**. However, even for transport projects, impacts are highly context dependent. In already successful places, investment may be needed if the costs of growing demand, such as congestion, have become a barrier to further growth. In struggling places, transport investment might attract new employment and improve productivity, but effects will be limited if other factors, such as education and skills, matter more than transport in explaining poor local performance.

Major physical regeneration such as the London Docklands redevelopment can improve local economic outcomes by fundamentally changing the nature and composition of firms and residents in an area. However, there is little evidence that such transformation significantly improves outcomes for existing residents. Complementary **investment to improve local skills and education may help existing residents** if they are then able to access newly created local jobs.

More **limited investments in the built environment or cultural assets are unlikely to deliver significant economic improvements** in struggling areas. It is difficult for these 'supply side' interventions to generate lasting impact on demand for locally supplied goods and services, which is necessary if they are to deliver economic growth. Even major projects in these areas may simply displace activity from one area to another.

However, **physical regeneration of public spaces and buildings, and new cultural assets might have important quality-of-life impacts for residents** by, for example, improving accessibility, encouraging outdoor activity, or reducing social isolation. If these are policy objectives, it is important to consider the evidence on whether they will be achieved. As an example, a review of estate renewal interventions found that studies that considered health or wellbeing impacts found mixed results – some positive, some zero.

If funding is ringfenced and must be spent on physical regeneration, resident outcomes and value for money may be better served by funding well-evidenced interventions designed to improve quality of life, rather than by funding interventions that have unrealistic goals for economic growth.

Transport interventions, estate renewal, and other 'public realm' interventions are likely to increase property values, although the evidence suggests these effects will be limited geographically, rather than benefiting a whole town. Property owners will benefit from these price increases, while renters will lose. Unless employment and wages improve to offset any increases in housing rents, some existing residents may be worse off or may be forced to move away.

3. Transport interventions

This section is based on our review of transport interventions, which covers evidence on roads, rail (including light rail and subways), trams, buses, cycling and walking.

3.1 Investing in transport for economic growth

From a local economic growth perspective, transport spending usually has one of two aims:

1. to respond to growing demand, so that things like increased congestion, longer travel times and higher costs, do not constrain growth;
2. to stimulate local economies, for example by connecting people, firms and places more closely to reduce transport costs and generate “agglomeration economies”.

Interventions that *respond to demand* are suitable for places already experiencing growth. They are unlikely to be appropriate for places that are struggling economically.

Interventions to *stimulate growth* are more appropriate for weaker economies. However, the evidence for this type of intervention is mixed. First, impacts will be limited if transport is not the major barrier to growth. Second, the available evidence suggests that agglomeration economies may reduce quite quickly with distance, making benefits more likely for places with a strong economic centre nearby.¹ Third, lowering transport costs has effects both ways. There are ‘threats’ from greater competition as well as benefits from access to a new market: firms may choose to move into the richer market and serve customers from there. Transport interventions to stimulate growth should consider these issues.

In many places, education and skills will play a more important role than transport in explaining poor economic performance (differences in the ‘skills composition’ of different areas are estimated to explain between 50 and 90 per cent of the wage disparities).² In these cases, the effects of transport interventions are likely to be limited unless they significantly change the skills composition of an area.

3.2 Evidence of impact: economic growth

Overall, the empirical evidence on employment effects of road investment is mixed: some studies find positive effects, some zero. There is very little available evidence for rail, bus, tram, and cycling investment. Many of the findings below depend on a small number of studies. They are, however, consistent with other research on the economic impact of transport improvements:

- Road projects can positively impact local employment, but effects are not always positive and a majority of evaluations show no (or mixed) effects. The studies that found positive effects suggest that some of the effect may be due to reductions in employment in neighbouring areas.
- Road projects can also increase firm entry, although this does not necessarily increase the overall number of businesses, since new arrivals may displace existing firms.
- Road and rail projects tend to have a positive effect on property prices, although effects depend on distance to the project, and can vary over time. Two studies found that houses near, but not immediately adjacent to, the project were the most positively affected
- There is some evidence that road projects have positive effects on wages, incomes and productivity.

These findings are from the What Works Growth systematic review of [transport evidence](#). A table that breaks down the studies reviewed by outcome can be found [here](#).

1 Combes P and Gobillon L (2014), The Empirics of Agglomeration Economies in The Handbook of Urban and Regional Economics, vol. 5 Eds. Duranton G et al. Elsevier. (http://real-faculty.wharton.upenn.edu/wp-content/uploads/~duranton/Duranton_Papers/Handbook/The_empirics_of_agglomeration_economics.pdf)

2 Gibbons, S, Overman, H G, and Pelkonen P (2010) Wage Disparities in Britain: People or Place? SERC Discussion Papers 0060. Spatial Economics Research Centre, LSE. (<https://ideas.repec.org/p/cep/sercdp/0060.html>)

4. Regeneration and town centre investment (physical regeneration)

This section is based on our reviews of regeneration interventions, which cover:

- estate renewal such as refurbishment, demolition, and building and rebuilding of properties, including public housing estates;
- area-based interventions that include an element of physical regeneration;
- individual public realm projects to improve the appearance and functionality of a public space;
- larger-scale public realm interventions that form part of wider redevelopment or regeneration projects, such as redeveloping a central shopping square.

4.1 Investing in physical regeneration for economic growth

Physical regeneration improvements can vary hugely in scale, but in general they aim to contribute to local economic growth by:

1. Attracting new residents with higher incomes and rates of employment;
2. Increasing incomes or employment for existing residents;
3. Increasing productivity or turnover of existing businesses, for example by increasing footfall in commercial areas;
4. **Attracting new, more productive businesses.**

Some of these effects may occur indirectly; for example, green spaces improving health outcomes, which then improve employment outcomes.

Improving economic outcomes by attracting new residents may be an attractive approach for individual places, but the effect on existing residents needs to be considered carefully. Whether attracting new residents will reduce spatial disparities at the national level will depend on where new residents are coming from, and whether another place is left more disadvantaged as a result.

In principle, **directly improving outcomes for existing residents** is a more promising approach if the objective is to improve outcomes for disadvantaged households. However, there is limited evidence on which physical regeneration interventions (if any) are successful in this, because studies do not tend to follow individuals and because causal pathways from physical regeneration to improved individual outcomes are complex. For example, the evidence on the impact on existing residents of increasing the ‘social mix’ of a place is unclear as to whether there are benefits for poorer residents. Interventions such as training and employment support may deliver benefits for existing residents if they are then able to access newly created local jobs.³

For **interventions designed to increase footfall for existing businesses or attract new businesses**, the evidence suggests they need to address demand as well as supply. Improvements to public spaces and town centre buildings are ‘supply side’ interventions. It is sometimes assumed that they will deliver improvements by ‘creating’ or ‘unlocking’ new demand (for retail, services, office space etc.) but this will be difficult to achieve for most declining places. In general, interventions that strengthen the local economy directly (and in particular, increase the number of local, high-skilled jobs) are needed to create sufficient demand for a thriving town centre.

Physical improvements to housing stock or public spaces are likely to raise property values, although the evidence suggests these effects will be limited geographically, rather than benefiting a whole town.

3 <https://whatworksgrowth.org/policy-reviews/employment-training/evidence-review/>

Property owners will benefit from these price increases, while renters will lose. Unless employment and wages improve to offset any increases in housing rents, some existing residents may be displaced.

Major physical regeneration, such as the London Docklands redevelopment, can improve local economic outcomes by fundamentally changing the nature and composition of firms and residents in an area. More limited investments in the built environment or cultural assets are unlikely to deliver significant economic improvements in already struggling areas. Even major projects in these areas may simply displace activity from one area to another.

However, physical regeneration of public spaces and buildings, and new cultural assets might have important quality-of-life impacts for residents by, for example, improving accessibility, encouraging outdoor activity, or reducing social isolation. If these are policy objectives, it is important to consider the evidence on whether they will be achieved. As an example, the What Works Growth review of estate renewal interventions found that studies that considered health or wellbeing impacts found mixed results – some positive, some zero.

If funding is ringfenced and must be spent on physical regeneration, resident outcomes and value for money may be better served by funding well-evidenced interventions designed to improve quality of life, rather than by funding interventions that have unrealistic goals for economic growth.

4.2 Evidence of impact: economic growth

- Estate renewal programmes (including but not limited to public housing estates) tend to have a limited impact on the local economy in terms of improving incomes, deprivation or employment.
- Estate renewal programmes (including but not limited to public housing estates) lead to increases in property and land prices and rents, although not necessarily for nearby properties that do not directly benefit from improvements.
- A search for evaluations of the economic impact of other public realm improvements yielded relatively few results. Where impact evaluations were found, they were not sufficiently robust to support any firm conclusions.

These findings are from the What Works Growth systematic [review of estate renewal evidence](#). A table that breaks down the estate renewal studies reviewed by outcome can be found [here](#) on page 32.

5. Cultural investment

This section is based on our review of sports and culture interventions.

From an economic point of view, local areas may invest in hosting cultural events or facilities to:

- Directly create new jobs at the event or facility.
- Attract visitors to increase local economic activity.

5.1 Evidence of impact: economic growth

While there is a direct effect of sporting or cultural events or facilities on jobs, there is little evidence of wider economic impacts. Total employment effects tend not to be large and are more often indistinguishable from zero.

There is more evidence available on major events and facilities than small interventions, and more evidence for sporting than cultural projects. Evidence on small cultural interventions is limited, but the following conclusions from the What Works Growth review of the evidence are relevant here:

- Permanent facilities may be more likely to produce economic benefits than events, particularly in terms of increased house prices, but the benefits are usually highly localised.
- When assessing potential impacts on employment, the focus should be on the direct employment effects of an event or facility (for example, number of jobs in a new gallery). Indirect employment effects are unlikely to be large. Interventions should not be relied upon as the major component of a job creation strategy.
- As the benefits of new facilities tend to be very localised and related to property prices and regeneration, they should be part of a broader strategy rather than standalone projects.

These findings are from the What Works Growth [systematic review of sport and culture interventions](#). A table that breaks down the studies reviewed by outcome can be found [here](#).

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