The Pork Barrel Politics of the Towns Fund

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Abstract
The article reviews the selection of towns in England under the Town Deals scheme, a funding scheme set up in the summer of 2019. Under the scheme, 101 towns in England were selected from a long-list of 541 towns to bid for funding to improve local infrastructure. The findings show that Conservative-held areas (and in particular marginal Conservative-held areas) were much more likely to be selected for the scheme, and that this association remains—even when controlling for the ranks that civil servants awarded towns on the basis of qualitative and quantitative criteria. The findings call into question ministers’ commitment, under to the Nolan principle, to take decisions ‘impartially, fairly and on merit, using the best evidence and without discrimination or bias’. 

Keywords: pork barrel politics, Towns Fund, Ministry of Housing, Communities and Local Government, Nolan principles

Introduction
On 27 July 2019 Prime Minister Boris Johnson announced, in a speech at the Manchester Science and Industry Museum, the creation of the Towns Fund, a funding scheme worth £3.6 billion, designed to improve transport and communications infrastructure in English towns. The Towns Fund brings together several different funding schemes, some of which (such as the Future High Streets Fund) already existed. One important new scheme is the Town Deals scheme. Under this scheme, selected towns are invited to bid for up to £25 million in funding. On 6 September, the responsible ministry, the Ministry for Housing, Communities and Local Government (MHCLG) published a list of 100 towns which had been invited to apply. Journalists and opposition politicians were quick to realise that the towns invited to apply were disproportionately drawn from marginal Conservative-held constituencies, and that the scheme might therefore benefit the Conservatives in any future election. The Permanent Secretary at the MHCLG confirmed that, in deciding which towns to invite to apply for funding, ministers had not followed the rank ordering of towns supplied by civil servants, but had instead applied ‘their own qualitative assessment of those towns and their eligibility for funding’. Under the most anodyne description, the Towns Fund is an example of ‘geographically-targeted particularistic spending’, but it is my argument that the Towns Fund is also an example of pork barrel politics, or the use of public money for electoral advantage. Pork barrel politics exists in all democracies but varies in its scope and its acceptability. Parliamentary systems have sometimes been argued to be less at risk of pork barrel politics ‘given their foundation on party government, caucus discipline, limited individual resources, and voter loyalties directed to parties, not candidates’, but whilst this guards against the kinds of legislative pork barrel politics common in the United States, it does not guard against ministerial discretion in public spending to benefit co-partisans. Although the Towns Fund is not the first scheme to be criticised for its resemblance to pork barrel politics, the Towns Fund, thanks to the existence of qualitative and quantitative criteria developed by civil servants and broadly ignored by ministers, allows an extraordinarily clear test of the extent and effects of pork barrel politics in Britain.

Studying pork
When politicians spend public money for electoral gain, they seldom describe the spending in this way. Instead, they point to other
objectives that the spending can promote. Often, these objectives are inchoate or impossible to measure. This makes sense: the clearer the criteria used for allocation, the clearer it is when those criteria are suborned for partisan advantage. This makes life difficult for researchers, who must often reconstruct the kinds of criteria which might underpin the broad objectives of a scheme. Take, as an example, the painstaking study carried out by Dahlberg and Johansson into central government grants to Swedish municipalities, which found that central government gave more money to ‘marginal’ municipalities.7 The scheme analysed by the authors was designed to support ecologically sustainable development, but what makes a municipality more deserving of ecologically sustainable development? The authors used a battery of control variables, including some variables which related to the environment (the municipality’s environmental rating and the vote share of the local Green Party), and some relating to the economy more generally (labour force vacancy rates and the size of the tax base), variables which the authors described as ‘typically used’ when deciding on grant allocations. The authors’ choices seem reasonable, and so to the extent that the authors’ conclusion depends on the choice of these control variables, the findings are probably safe. But this problem is so widespread in the analysis of discretionary government grants, in the UK and abroad, that it is a rare advantage to have access to decisions from a scheme with clear published criteria.

Past analyses of discretionary government grants in the UK have faced problems in assessing ‘need’ or ‘suitability’, but they have also faced certain problems of analysis which arise when schemes are subject to competitive bidding. One excellent recent article examined ‘English bacon’ and looked at ‘Specific Grants’ to English local authorities in the period 1992 to 2012.8 The authors found that ‘partisan-aligned councils appear to get somewhere between 0.02 and 0.1 log points, or approximately 2–10 per cent, more money compared to councils controlled by other parties’, but they note that this finding does not say whether the extra money is the result of decisions taken by central government, or decisions taken by local councils when deciding whether or not to apply for funds. ‘Local governments [may be] more likely to apply for Specific Grants when their party is in government’, either because they are more aware of the scheme thanks to their co-partisans or (less benignly) because opposition politicians impute bias to central government, even when that bias is a matter of conjecture.

The Towns Fund offers a way around these problems. Thanks to a report into scheme decisions undertaken by the National Audit Office (NAO), we have access to seven detailed criteria used by civil servants to rank towns, together with summary scores and the rank of each town within its region. This data allows a test of whether politically aligned towns were more likely to receive funding, controlling for the criteria considered by civil servants. The structure of the scheme also makes analysis easier: because the scheme was designed in the recognition that ‘the towns most in need of investment may be least ready to prepare a competitive bid’, there was no bidding stage, and indeed no local involvement in the selection process at all.9 As a result, local areas could not lose out by failing to bid.

The Towns Fund
It is worth setting out the structure and criteria used in the Towns Fund in detail. I draw extensively on a report published by the NAO, which covered ‘the criteria, process and sources of evidence used by the Department to assess and rank towns’, and ‘the results of the assessments and ranking of towns, which towns were selected and the rationales given for selection’, but which was resolutely factual and did not ‘evaluate the selection process or its outcomes’.10 Unless otherwise noted, all of the data used in this article comes from the NAO’s report.

Although the Towns Fund deals with ‘towns’, towns are not a common unit of analysis or administrative geography. Towns cut across local authority and Westminster boundaries. Their official existence, such as it is, depends on decisions made by census authorities which draw up lists of built-up areas, and subdivisions of built-up areas. The NAO described towns as ‘built-up areas with a minimum area of 20 hectares (200,000 m2), with individual settlements separated by at least 200 metres, and with a population between 5,000 and 225,000’. In practice, these are areas
identified by a 2019 Office for National Statistics (ONS) report, Understanding Towns in England and Wales: an Introduction.

On this definition, there are 1,082 towns in England. These towns are found in eight regions in England (East Midlands, East of England, North East, North West, South East, South West, West Midlands, Yorkshire and the Humber) but not in London. In order to produce a long-list of eligible towns, civil servants restricted eligibility to towns with above-median levels of income deprivation, according to income deprivation figures published by the ONS. This long-list therefore contained information on 541 towns. The criteria used to rank these 541 towns are described well in section 2.2 of the NAO report:

Officials scored and ranked the 541 eligible towns across England using a weighted formula across multiple criteria. In each region of England, officials scored and ranked towns based on a formula that combined scores against seven criteria chosen to reflect local need and growth potential: income deprivation, skills deprivation, productivity, EU Exit exposure, exposure to economic shocks, investment opportunity and alignment to wider government intervention. The first four criteria were drawn from official statistics and the remaining three were based on officials’ assessments.11 These criteria do not all point in the same direction. Although there is a moderate positive correlation between income deprivation and skills deprivation \(r = 0.54\), both of these variables are negatively related to Brexit exposure, and many correlations between the criteria are small in absolute magnitude. Had these weighted summary scores uniquely determined the scheme outcome, then most of the selected towns would have been from the North West (32) or from Yorkshire and the Humber (22), with only one town from the East of England being invited to apply, and seven from the West Midlands. Instead, civil servants recommended that ministers choose a specified number of towns from each region, and produced a ranking based on towns’ performance within their region. This regional element was important, because it formed the basis for three ‘priority groupings’:12

- ‘high priority’ [forty towns]: towns whose rank within the region was equal to or less than 40 per cent of the number of recommended towns for that region;
- ‘low priority’ [181 towns]: towns which had low populations (ordinarily less than 15,000 inhabitants, except that allowances were made for the South West and for towns forming part of a cluster), or towns which scored in the bottom 15 per cent of their region;
- ‘medium priority’ [380 towns]: all towns not in the high or low priority groupings.

Ministers agreed to fund all high priority towns but exercised discretion when deciding which sixty further towns to invite to apply for funding under the scheme. In exercising discretion, civil servants also provided ministers with a list of other factors not formally included in the ranking of towns but which might form part of their overall judgement. These were:

- Disqualifying the largest towns, or towns with a City Deal;
- Clustering towns;
- Aiming to spread Town Deals across and within local enterprise partnerships;
- Consulting with mayors on town selection.

However, the first and second criteria were not applied, and according to the NAO ‘it is not clear whether ministers consulted with mayors when making their selection’. According to the NAO report, ‘Officials reviewed ministers’ overall selection of towns, concluding it met the tests for HM Treasury’s Managing public money … Officials concluded that the overall selection was acceptable because ministers had selected all 40 high-priority towns and provided a rationale for each of the towns selected from the medium- and low-priority groups.’13 An example of a town-level rationale is the rationale for choosing Cheadle:

Cheadle is strategically located between Stockport and Manchester Airport, with strong motorway links to relevant job opportunities and a new link dual carriageway. The area is part of Stockport Borough Council, which is looking to set up a Mayoral Development Corporation. Transport improvements in nearby Cheadle Hulme have primed the area for investment. The town ranks in the top half of the 541 towns for the Index of Multiple Deprivation [IMD].14
All of the statements in this rationale are true, and many of the statements refer to criteria used by civil servants in rank ordering towns, but the rationale as a whole is unconvincing. ‘Priming for investment’ was already accounted for by civil servants’ qualitative judgement on forthcoming private investment, and whilst it is true that Cheadle ranks in the top half of towns on the IMD, this is only just true (Cheadle ranks 255th out of 541 areas), and there are many more towns in the region which are more deserving on this measure.

Analysing the decisions

Although the NAO report provides most of the data I use here, it does not (for good and obvious reasons) give details on whether each town was in a Conservative seat, or was in a Conservative marginal. Because towns are not a standard geography, mapping between towns and Westminster seats is difficult. Towns can straddle multiple Westminster constituencies, and so a town may be partly in a seat held by one party, and partly in a seat held by a different party. In my analysis, I match each town with the main Westminster constituency for that town. By the main Westminster constituency, I mean the constituency with the greatest areal overlap with the town. All towns can be linked in this way.

An initial analysis of the effects of political complexion upon invitation to bid for funding starts with Figure 1, which plots the success rates of towns according to different political characteristics, for those towns which were in the low and medium priority groups and which were not therefore awarded funding automatically. The top panel in the figure shows the number of towns funded by whether they were in a Conservative-held seat. The proportion of towns in Conservative-held seats which secured funding was much higher than the proportion for towns in all other seats (14 per cent compared to 9 per cent).

Figure 1: Success rates for towns according to different characteristics

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The middle panel (B) goes beyond this to consider the size of the gap between the Conservative Party in the relevant seat and its nearest rival. Were successful towns more likely to come from Conservative seats tout court, or was there a difference between Conservative marginals and safe Conservative seats? The data strongly suggests that marginal seats were targeted. The highest success rates are for seats where the Conservatives are very slightly behind, but the rates for Conservative-held marginals are very much higher than the rates for safe Conservative seats, which in turn are much higher than the rates for safe seats held by other parties. It is possible that the same patterns might have been obtained if civil servants had made the decisions. Perhaps towns in marginal seats deserved to be invited to bid for funding at higher rates. The final panel in the figure, panel (C), shows that this is unlikely to be the case. When we split towns into medium and low priority groups, the success rate for Conservative towns in the medium priority group is very much higher than the rate for all other towns, and this pattern is repeated for the low priority group. Of course, it might be possible that Conservative towns enjoy other advantages not seen in this comparison within priority groupings. Conservative towns might have had higher ranks, or scored higher on criteria which were prized by ministers but given shorter shrift by civil servants. In order to test these possibilities, I estimate different logistic regression models, predicting the odds of towns being selected.

I report the results of four models in Table 1. Models 1 and 2 show the effect of being in a Conservative-held seat; models 3 and 4 show the effect of the gap between the Conservatives and the nearest rival. Models 1 and 3 include controls for region, and models 2 and 4 include all of the scores compiled by civil servants (the ‘MCHLG criteria’) and the log of town population in the thousands. The values in the table give the change in the log odds of a town being chosen, given a one unit change in the variable listed to the left. For example: if the rank of a town changes from 10th to 20th, then (according to model 1) the log odds of selection go down by 20x-0.021, and the odds change by $e^{-0.42} = 0.66$. Starred values are values which

|                                | Model 1        | Model 2        | Model 3        | Model 4        |
|--------------------------------|----------------|----------------|----------------|----------------|
| Rank within region             | −0.021**       | −0.011         | −0.031**       | −0.041*        |
|                                | (0.007)        | (0.012)        | (0.009)        | (0.017)        |
| In Conservative seat           | 0.898*         | 1.480**        | 0.009**        | 0.401*         |
|                                | (0.371)        | (0.431)        | (0.391)        | (0.498)        |
| Gap to nearest rival: -10 to -5%| 3.929**        | 4.917**        | 3.421**        | 4.634**        |
|                                | (1.175)        | (1.332)        | (1.142)        | (1.274)        |
| Gap to nearest rival: -5 to 0% | 5.795**        | 6.469**        | 5.262**        | 6.799**        |
|                                | (1.123)        | (1.274)        | (1.085)        | (1.268)        |
| Gap to nearest rival: 0 to 5%  | 5.422**        | 6.600**        | 5.135**        | 6.388**        |
|                                | (1.133)        | (1.284)        | (1.113)        | (1.278)        |
| Gap to nearest rival: 5 to 10%| 5.422**        | 6.600**        | 5.135**        | 6.388**        |
|                                | (1.133)        | (1.284)        | (1.113)        | (1.278)        |
| Gap to nearest rival: greater than 10%| 2.544*        | 3.388**        | 2.544*         | 3.388**        |
|                                | (1.070)        | (1.227)        | (1.070)        | (1.227)        |
| Controls for region            | Yes            | Yes            | Yes            | Yes            |
| Controls for other MCHLG criteria| No            | Yes            | No             | Yes            |
| Num.Obs.                       | 501            | 501            | 501            | 501            |
| AIC                            | 370.7          | 327.9          | 264.6          | 226.8          |
| BIC                            | 412.8          | 403.8          | 323.6          | 319.6          |
| Log.Lik.                       | −175.340       | −145.940       | −118.284       | −91.403        |

Note:
*p < 0.05,  **p < 0.01
are (statistically speaking) significantly different from zero.

The table shows that these political variables are always significantly different from zero, whether or not we control for the other criteria formulated by civil servants. These effects are not just statistically significant, they are substantially significant. Consider the effect, in model 4, of being in a Conservative ultra-marginal (gap of 0 to 5 per cent). Compared to the reference category, and averaging across all the towns in the data, the effect of being in a Conservative ultra-marginal is to increase the chances of being selected by 45 percentage points (95 per cent confidence interval: 31 to 58 percentage points).

I have talked about the ‘effects’ of a town being located in a Conservative seat. This kind of language is causal language, and causality is hard to establish using observational data. It is almost always possible for there to be a ‘lurking variable’ which would, if included in the model, change our conclusions. One way of dealing with this possibility is to conduct sensitivity analysis, and ask how strongly this lurking variable would have to be tied up with the outcome in order to change our conclusions. Since measures of association between variables are not always intuitive, it is common to use as a benchmark the strength of association with a variable already included in the analysis, like rank. In a supplementary sensitivity analysis (not shown here), I find that, in order to change our conclusions about the (positive) effects of being in a Conservative seat, the strength of the association between any lurking variable and the outcome would have to be thirty times the strength of the association between rank and success. If ministers were not selecting on the basis of politics, they would have to be selecting on the basis of an incredibly potent factor which inexplicably did not occur to civil servants.

Conclusion

In 1995, the Committee on Standards in Public Life set out a list of seven principles intended to govern behaviour in public office. This list included a requirement for holders of public office to ‘act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias’. Some have argued that breaches of the Nolan principles are now ignored in a way they were not before 2015. The evidence I have set out here suggests that two ministers (Robert Jenrick and Jake Berry, at all relevant times ministers in the Ministry of Housing, Communities and Local Government) took decisions that were biased in favour of Conservative marginals, decisions that the civil service accepted when given rationales for selection that now seem to be entirely adventitious. If we are not living in a post-Nolan world, it would be right for the Prime Minister to ask the Cabinet Office to investigate the matter formally.

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Notes

1 Ministry of Housing, Communities and Local Government, ‘100 places to benefit from new Towns Fund’, press release, 6 September 2019; https://www.gov.uk/government/news/100-places-to-benefit-from-new-towns-fund (accessed 16 February 2021).

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3 J. Dunton, ‘Perm sec defends MHCLG’s handling of £3.6bn “struggling towns” fund picks’, Civil Service World, 23 September 2020; https://www.civilserviceworld.com/news/article/mhclg-perm-sec-defends-departments-handling-of-36bn-struggling-towns-fund-picks (accessed 16 February 2021).

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8 Fouirnaies and Mutlu-Eren, ‘English bacon’.

9 Jeremy Pocklington, speaking to the Public Accounts Committee, as reported in J. Dunton, ‘Perm sec defends MHCLG’.

10 National Audit Office, *Review of the Town Deals selection process*, 21 July 2020, HC 576/2019-21; https://www.nao.org.uk/report/review-of-the-town-deals-selection-process/ (accessed 16 February 2021), p. 6.

11 Ibid., p. 7.

12 Ibid., p. 10.

13 Ibid., p. 16.

14 Ibid., p. 27.

15 L. Andrews, ‘Brexit, cabinet norms and the ministerial code: are we living in a post-Nolan era?’, *The Political Quarterly*, vol. 91, no. 1, 2020, pp. 125–133.