

Delivering Levelling Up: Don't turn on the taps without fixing the pipes

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Since 2019, the notion of 'levelling up' has become common parlance in government and civil society. In Autumn 2021, the UK government is expected to publish a White Paper outlining its levelling up agenda. Existing government outputs indicate that **levelling up is about reducing inequality between places**, while maintaining outcomes in all places. It is therefore necessarily *place-based*. Because of its focus on different geographical scales and different forms of inequality, it is also necessarily *multi-level* and *cross-sector*.

The UK's existing system of subnational governance makes what is already a difficult task – levelling up – even more difficult. This is because levelling up is a multi-level and cross-sector agenda that requires long-term and strategic interventions at the local level, and close coordination and partnership with government agencies and the private and third sectors. However, the UK's subnational system is geared towards short-term and fragmented interventions, with much of it controlled by central departments, often themselves poorly coordinated. In addition, there is a disjointed and unsettled system of spatial governance.

Much of the current debate about levelling up revolves around the distracting question of whether Whitehall or local people know how best to transform local economies. But the crucial challenge remains the capacity of the UK's political institutions at all levels to implement major economic transformations effectively. For this challenge to be met, the systems and processes that link the central, regional, and local levels need to work smoothly and efficiently. Currently, they do not.

This Policy Briefing Note and [our Nov 2020 & Sept 2021 Levelling Up Reports](#) are intended to contribute towards the UK government's ambitions and future debates on how levelling up could be best achieved.

The problems with the current institutional structures

The implementation of levelling up will depend on a coherent and efficient system of local and regional authorities that can each improve economic, social, and environmental outcomes in their area. In order to build this system, the UK government must support their levelling up agenda by solving the problems with subnational governance in the UK. These problems can be divided into four clusters.

First, there are problems with the way in which funding is distributed from the centre. Most existing investments in levelling up, such as the 'Levelling Up Fund' or the 'Towns Fund', are allocated according to a competitive bidding process. However, this approach creates major problems at the local and regional level. It means that place-based strategies develop according to the bids local and regional institutions manage to win, rather than the needs, specialisms, and ambitions of the local economy. The funding system also leads to short-term rather than long-term planning, competitive rather than collaborative relations, and fragmented rather than cross-sector policymaking.

Second, there are problems with the organisation, interaction, and separation of the various tiers of government in the UK. At both the local and regional level, there are a range of different institutional forms, all operating with different powers and processes, and working towards various uncoordinated goals. The borders between places, especially in England, are unsettled, making long-term planning and collaboration particularly difficult. This complexity and instability enable political game-playing and undermines effective communication. The communication problem is further exacerbated by day-to-day misunderstandings and confusion over roles and remit.

Third, within this governance system, there are problems with the institutions themselves. While there are many capable and hard-working people in local and regional institutions, these institutions do not attract enough talented or competent individuals. Much of the work is done by overstretched and understaffed teams who lack the expertise and analytical capacity to deliver impactful policy. Much of this has to do with organisational structure. 'Local economic partnerships' (LEPs) in England and some of the Growth Deals in Wales lack resources, workforce, expertise, analytical capacity, public recognition, and inspirational leadership.

Fourth, there are also problems with how subnational institutions interact with local stakeholders. Unstable funding and unstable governance undermine partnerships between businesses, educational institutions, local authorities, and regional bodies. These collaborations are uneven across places and sectors, and often ineffective in meeting major long-term policy challenges. Relations with the public are also troubled. There is a democratic deficit in LEPs, and the public are widely disengaged with the activities of local and regional politics. Engagement and accountability are much stronger where there is an elected mayor.

The levelling up agenda, with its aim to tackle place-based inequality, is long overdue. Regional inequalities, such as the productivity gap between the best- and worst-performing regions, have been widening since the early 1980s despite numerous initiatives. **If the UK government is to intervene in economic disparities between regions and between places within regions, it will need significant investment of resources and highly efficient implementation mechanisms.** So far, it has signalled a commitment to at least some investment, but without any plans to create the implementation mechanisms. If the UK government attempts to deliver levelling up without creating the implementation mechanisms, it would be analogous **to turning on the taps without fixing the pipes, and watching vast resources leak away in a highly inefficient system of place-based governance.**

Fixing the system

There is no time to create a perfect system of local and regional governance before getting on with the business of improving people's lives. The critical challenge is to identify those reforms that will make a difference and that can be implemented quickly and make those a priority. More far-reaching reforms may follow later. We have attempted to set out some such priorities, based on our in-depth analysis of the problems with subnational governance in England and Wales.

Fixing the funding system

- Create a rolling 5-year funding formula for local and regional bodies
- Funding should be allocated in order to target place-based inequalities, rather than on the basis of institutional performance
- Accountability of funding should be based on strategic negotiations to ensure that local and regional objectives align with national objectives

Repairing multi-level governance

- Rationalise the existing multi-tier system of subnational governance, making as few changes to existing borders as possible
- The regional level should consist of a complete map of cities and counties, governed by mayoral combined authorities or county councils, or Corporate Joint Committees in Wales
- Create a clear separation of the roles of local and regional bodies, with economic strategy led by the regional tier

Developing subnational institutions

- Local and regional institutions with long-term stability, sufficient budgets and enhanced powers will attract talented and capable people, creating a virtuous circle
- Capabilities could be further improved by two-way secondments and a requirement for senior civil servants to have served at the local and/or regional level

- All English regions should be governed by a mayoral combined authority or a county council, or in Wales a Corporate Joint Committee; and all English regions should have a referendum on installing a mayor

Building stakeholder relations

- Stable, well-organised, and well-funded subnational governance will enable stronger and more effective partnerships with businesses and educational institutions
- Accountability can be strengthened with elected mayors and London-style assemblies, and with the creation of place-based scrutiny committees at regional and national levels
- Linking these reforms together under the Levelling Up brand will engage the public, while the creation of place-based performance indicators will retain engagement

The LIPSIT Project

This briefing is based on research produced by the Local Institutions, Productivity, Sustainability, and Inclusivity Trade-offs (LIPSIT) project.

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The aim of the project was to identify institutional and organisational arrangements at the regional level that tend to lead to the 'good' management of policy trade-offs associated with increasing productivity, and to make recommendations based on this. It has investigated a range of sub-national institutions in terms of their capacity to deliver improvements in jobs, skills, and productivity. This has included analyses of LEPs, Combined Authorities, and City Deal regions in England and Wales.

Over the course of the project, the notion of 'levelling up' has emerged and taken hold as a central policy agenda in British politics. This policy briefing note mobilises the findings of the LIPSIT project as a contribution to the levelling up agenda, ahead of the expected White Paper in Autumn 2021.

For further details, see LIPSIT project reports: *Achieving Levelling Up: The structure and processes needed* (November 2020) and *Delivering Levelling Up* (September 2021). Further information about the LIPSIT project can be found at <https://lipsit.ac.uk> and by following our twitter channel @LIPSIT_Project.

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