

'Levelling up' from the centre

Six tests for a government serious about reducing regional inequalities



About this report

Successive governments have attempted to reduce regional inequality in the UK. The lack of progress has been a failure of political attention and policy with governments facing familiar problems, including excessive policy churn, a lack of clarity on aims and poor co-ordination. The context may differ but a government serious about tackling regional inequality should meet six tests, setting out deliberate plans to overcome the problems identified if it is to avoid the pitfalls of previous attempts.

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Contents

Summary	4
The problems with how regional policy has been made in the past	11
How to deliver regional policy better	17
Conclusion	43
Annex: Problems, tests and options for government	44
References	47
About the authors	52

Summary

Regional inequality in the UK is, on key measures like productivity and healthy life expectancy, as marked as it has ever been. This is despite successive attempts by UK governments since at least 1990 to reduce large economic and social inequalities between London and the South East and the rest of the UK – including Michael Heseltine’s ‘city challenge’ in the 1990s, various New Labour agendas such as ‘neighbourhood renewal’, George Osborne’s northern powerhouse and, most recently, levelling up as championed by Boris Johnson. However, none has managed to make a serious dent in regional inequality.

The failure is not due to a lack of political consensus. Both Labour and Conservative governments have recognised that growing regional inequalities between different parts of the UK is an unacceptable problem that requires attention. The lack of progress by successive governments has instead been a failure of political attention, and of policy. Governments have promised but they have not delivered.

Addressing regional inequalities will require every part, and level, of government to play its part. As past Institute for Government work has highlighted, successfully addressing regional inequality is heavily dependent on the devolved governments in Scotland, Wales and Northern Ireland, and local government within England.¹ Even as one of the most centralised advanced economies, some important policy levers sit with these subnational governments, whether housing and economic development in Scotland or local transport powers in the West Midlands. Further devolution of powers may help to overcome some of the problems we identify, such as a lack of co-ordination and excessive policy churn.

Central government should therefore not be under the illusion that it can tackle regional inequalities on its own. But to deliver the change that both the Conservatives and Labour have set out in their plans, the government at Westminster must fix the problems that have thwarted past attempts. Many of these problems have been caused by the way central government makes and delivers policy, including excessive policy churn, a lack of clarity on aims and poor co-ordination. A nationwide agenda, as will be needed, will require an engaged and effective central government. This report therefore focuses on what a government, current or future, needs to do to make such a plan work.

The levelling up agenda is the current government’s attempt to reduce regional gaps. To its credit, many of the problems we look to solve were explicitly acknowledged in the February 2022 *Levelling Up the United Kingdom* white paper, which set out

a series of “systems reforms” to “rewire Whitehall” that the Institute for Government commended at the time.² However, as the author of the white paper, Andy Haldane, noted recently, the agenda has not so far delivered as much as the public expected.³

While none of Labour’s five missions explicitly concerns regional inequalities, the missions to provide “growth in every part of the country” and “opportunity for all”⁴ will only be met if large gaps based on where people live are reduced.

The recommendations in this report therefore apply to both the main parties’ agendas, as well as to future prospective agendas tackling similar problems.

This report sets out the key barriers that have undermined past attempts to reduce regional inequalities, and what structures governments need to put in place if agendas like levelling up and its successors are to succeed. Governments have approached, and will continue to approach, the task of reducing regional inequalities in different ways. Some have focused on particular places or policies, others on more systemic change. In practice the structures necessary to support each government’s agenda will differ. We have not, therefore, prescribed a single set of structures that ‘work’ for all governments at all times. Instead we have set out the different options available in addressing the common mistakes of past attempts that can support a government to meet each test.

Levelling up faces familiar challenges in central government

The problems the current government faces in ‘levelling up’ the UK are the same as a Labour government seeking to ensure “opportunity for all” would; they are the same problems that limited the success of past attempts. Some are shared by other cross-cutting policies but they tend to be especially acute for regional policy.

- **Short-termism and policy churn:** frequent changes in policy direction and institutions caused by, among other things, excessive turnover of ministers – since 1990 there have been, for instance, 17 secretaries or ministers of state responsible for regional governance. Each new minister tends to seek new landmark policies and lose interest in the policies of their predecessor. Previous IfG work highlighted adult skills, industrial strategy and regional governance as three areas with the greatest churn in policy,⁵ all crucial for reducing regional economic inequalities.
- **A lack of clarity on the aims of policy:** An unclear definition and diagnosis of the problem leads to bad policy with unclear responsibilities. This makes it hard to co-ordinate across government, measure progress and understand whether initiatives are value for money. It also reduces opportunities for external scrutiny, which leads to a muddled and incoherent policy direction. The ubiquitous use of the phrase ‘levelling up’ to cover any and all policies, before the white paper was published, was an example of this.
- **A failure to co-ordinate across departments:** Co-ordination has historically been poor in the UK, with ministers and their departments focused on their own priorities, with insufficient incentives to collaborate with others. This applies

equally to other cross-cutting policies, such as net zero, but the sheer number of departments involved in an agenda as broad as levelling up means poor co-ordination across central government can be fatal.

- **A failure to work well with subnational governments:** There is a lack of trust that runs both ways between central and subnational government at all tiers – the devolved governments of Scotland, Wales and Northern Ireland and local level authorities. Insufficient communication structures have further strained central–local collaboration, making regional policies appear top-down rather than collaborative efforts.

In this paper we have developed six tests that a government that is serious about tackling regional inequalities should meet. We argue that to overcome the barriers identified, a government will need to have a clear plan, and develop organisational structures.

Six tests for the government

1. Priority: Is the prime minister’s political will translated into a willingness to prioritise tackling regional inequalities and provide sustained leadership?

It’s easy for any prime minister to support a reduction in regional inequality. But it’s far more difficult to turn that support into a long-term programme that delivers change. A prime minister has limited political capital, but an almost endless list of things they could prioritise. Some of those things deliver almost immediate tangible results. Others take longer, but still bear fruit within an election cycle. Many of the changes needed to reduce regional inequality are best measured in decades, not months.

Delivering long-term change like this requires a ruthless prioritisation. That is measured not just by what the government does, like continued funding for programmes at spending reviews, but also what government doesn’t do. Dropping or rejecting popular policies that work against the main priority, or pursuing less popular policies, will likely be required.

Without political clout it will not be possible to take such difficult decisions – and without the prime minister’s commitment in particular even satisfying the other tests would probably not be sufficient. But that is not to say only the first test needs to be met: the structures needed to meet the others will also be key.

2. Definition: Has the government made the scope and ambition of the agenda clear and unambiguous?

Given how broad the challenges of tackling regional inequalities are, aims and objectives need to be stated clearly. **This is done most effectively through a set of missions and targets.** Missions are long-term objectives that might require action from other governments, the private and third sectors as well as central government. Targets can be shorter term, or narrower, and set out what the government needs to do to play its part in achieving the mission.

Both present an opportunity for the prime minister and the government as a whole to set out their priorities. This sends an important signal across government; for example, as a guide for spending decisions to ensure key projects are adequately funded. They can also be used as an organising framework to co-ordinate cross-government working – for example, by giving specific targets to lead departments. They also help to maintain political focus as they allow for external judgment and accountability.

An effective mission is measurable, ambitious and timebound. Importantly, the timeframe must reflect the government's 'theory of change': if the policies needed to enact change will take a decade, there is little value in a two-year mission.

Targets should align with the government's theory of change, be accompanied by a set of granular and regularly published metrics and have cross-departmental structures responsible for their delivery. They can also demonstrate shorter-term progress towards the longer-term mission.

3. Structure: Has the government introduced the right structures to enable effective cross-Whitehall working?

The central government policy levers required to tackle regional inequality are spread across Whitehall. To overcome silos and deliver policies in a complementary way, the government needs to set up structures to exercise political leadership, facilitate decision making and enable co-ordinated policy implementation. Such structures broadly encompass organisations such as specialist units or cabinet committees, as well as the division of responsibility between the centre of government and line departments. The role these need to play changes across the life cycle of a policy programme, meaning they may need to change over time.

Early on, when the government needs to define the agenda and get buy-in from different departments, exercising the political authority of the prime minister is key: agendas have faltered without it as secretaries of state have been unable to corral other departments to design policy in support of the broader agenda, and this has been a weakness for levelling up. In the past, **specialist units sitting in the Cabinet Office have been effective** in making use of the prime minister's political capital to give a new agenda definition, impetus and to secure alignment between the various departments and agencies that are necessary to deliver it.

However, these units tend to be short-lived, and the centre of government tends to have a short-term focus, limited capacity and limited policy expertise. Once the centre of government has done its bit, and there is a clear definition of the problem, and roles and responsibilities for the relevant departments, it makes sense to **move substantive responsibility for the agenda into a policy department**, where policy expertise and relationships with local government will be better suited to implementing and updating policy over time.

From the start the government should set up co-ordination structures that both enhance the role and authority of the person driving the agenda and help to overcome practical problems that undermine agendas sitting across multiple departments.

A **carefully designed cabinet committee**, chaired by the prime minister and with the relevant secretary of state as deputy chair, would provide a formal structure to work out key trade-offs among relevant ministers. To be most effective, it should also have oversight of policy delivery and include key officials as well as ministers. **The government should look to make more use of cross-departmental funding**, perhaps linked to targets, to encourage more genuine joint working.

4. Collaboration: Does the government understand the role different governments across the UK will need to play and has it built effective partnerships to achieve its mission?

Too often, devolved and local governments are an afterthought. In practice, the delivery of most targets and policies will be done by those governments. For example, the governments in Scotland, Wales and Northern Ireland have responsibility for economic development, while some skills policies are devolved to combined authorities in England. The mission will be achieved effectively only if it is a shared one across tiers of government, with each instituting its own programmes to achieve it. In some instances, central government might need to devolve further or offer greater flexibility on funding to ensure devolved governments are equipped to play their role. To facilitate this, **central government should set out clearly, alongside its mission, where other governments fit in.**

Poor communication undermines much of central government's work with others, as local governments in particular struggle to navigate Whitehall, or officials do not understand the devolved or local governments. At an official level, **central government should formally set out designated contacts** for combined authorities and unitary and county councils to facilitate local–central liaisons and to be navigators of the Whitehall machine. In the white paper the government proposed 'levelling up directors' – externally hired, single points of contact for local leaders, based in the different regions – which have not been implemented. Instead these contacts should be within Whitehall with expertise in the internal structures.

At the political level, formal structures for co-ordination between mayors and ministers are lacking. **A standing committee, distinct from the cabinet committee, which includes ministers, senior officials and mayors would be one way to fill this gap.**

5. Stability: Has the government set up the right institutions to encourage a long-term focus?

Even though politicians recognise the need for long-term strategic planning for regional policy they are often swayed by short-term incentives. Targets and central government structures can help to maintain a consistent focus, but external accountability mechanisms are also important.

An independent body can more easily focus on the long-term picture, taking into account future opportunities as well as current policies. The presence of a scrutiny body, if effective, can make it awkward for government to miss its targets or sway from its objectives, helping to change political incentives and therefore maintain

a long-term focus. These bodies can also bring together experts in the field, and engage the public and external stakeholders, which central government often doesn't have the capacity to do.

To be effective scrutiny needs to be rigorous and attract attention. **An effective scrutiny body should have a tightly defined remit, a credible chair and be independent and on a statutory footing, reporting to parliament rather than government.**

6. Evidence: Does the government have plans to build up and use a strong evidence base?

Important gaps remain in understanding which policies are most effective in reducing regional inequalities, and data gaps often mean we have a limited understanding of the spatial footprint of central government policy, which encourages a place-blind approach. Better and more responsible policy making necessitates that these gaps are filled.

When setting objectives and targets the government should **specify the data needed to monitor progress and set out a plan for how to fill gaps and ensure publication is timely.** The government **should set up data-sharing agreements with combined and local authorities** so that they can access relevant data to design better policies and monitor progress.

One reason evidence gaps are so prevalent is a failure to adequately evaluate past interventions. **The government should set out a plan for good evaluation of regional policy, which should include central government taking the lead to evaluate local government.**

How do the government's and Labour's current approaches stand up to the tests?

The *Levelling Up the United Kingdom* white paper was a genuine attempt to create a plan of action to succeed where others have failed. Many of its systems reforms to "rewire Whitehall" reflect attempts to tackle the problems identified above. The missions clearly define the problem and are long term and measurable (albeit of mixed ambition). It has built a structure around the missions to enable better co-ordination across government. The Levelling Up Advisory Council (LUAC) is an independent body, although with little scrutiny role. And the government has made great strides to improve the quality of subnational data.

But some of the systems reforms have not gone far enough: despite a focus on further devolution, the government has not worked well enough with the governments outside England in particular; the LUAC lacks teeth; structures for cross-government co-ordination have been in some aspects lacking; and plans for evaluation should be more integrated with the agenda. While efforts to simplify funding and work better with local government are ongoing, this is still work in progress too. More importantly, however, progress on levelling up has been undermined by the reduced momentum and political drive from the centre since July 2022. By no longer apparently satisfying our first test, the agenda has stalled.

Labour's plans are understandably at a much earlier stage. Ambitious statements to expand devolution within England set out in the Brown Commission (endorsed by the party leadership) are welcome. As are plans set out by Lisa Nandy, until September 2023 the shadow levelling up secretary, to have an independent body made up of people from across the country to monitor Labour's progress on tackling regional inequalities against a set of defined metrics.

However, Labour will need to clarify its "opportunity for all" mission if it is to avoid becoming the next phrase attached to every policy. And it will need to develop a set of cross-government structures to manage and deliver each of its five missions, the breadth of which will stretch political attention and official capacity.

This paper sets out the problems with regional policy making before outlining, in turn, options for how this and future governments overcome these problems and meet the tests we set out.

The problems with how regional policy has been made in the past

This section sets out the shortfalls that have undermined past attempts to reduce regional inequalities, and continue to undermine the levelling up agenda. These are not unique to regional policy, and are shared to differing or lesser extents by other cross-cutting policy challenges, but they have been especially acute for agendas looking to reduce regional gaps.

Short-termism and policy churn

Regional inequalities in the UK (as in other countries) are long-standing and entrenched. In the UK, economic regional inequality grew in the 1980s in particular, and is now as high as it has been since at least 1900.¹ Economic inequalities in particular are the result of large structural economic forces that tend to be self-reinforcing. For example, areas that have more graduates and other highly skilled people will have the types of jobs to match – and so tend to attract even more of those people away from places that lack such opportunities.

For a policy to be successful it will need to be delivered consistently over many years. A common feature of past successful examples of 'levelling up' at either the national or regional level in other countries has been long-term policy. Regeneration in Barcelona happened over decades, with consistent leadership ensuring a common thread of policy throughout that time, for example.² At a national scale, the well documented programme to improve economic conditions in the former East Germany lasted over two decades after reunification, with the broad approach – and several policies – consistent throughout.

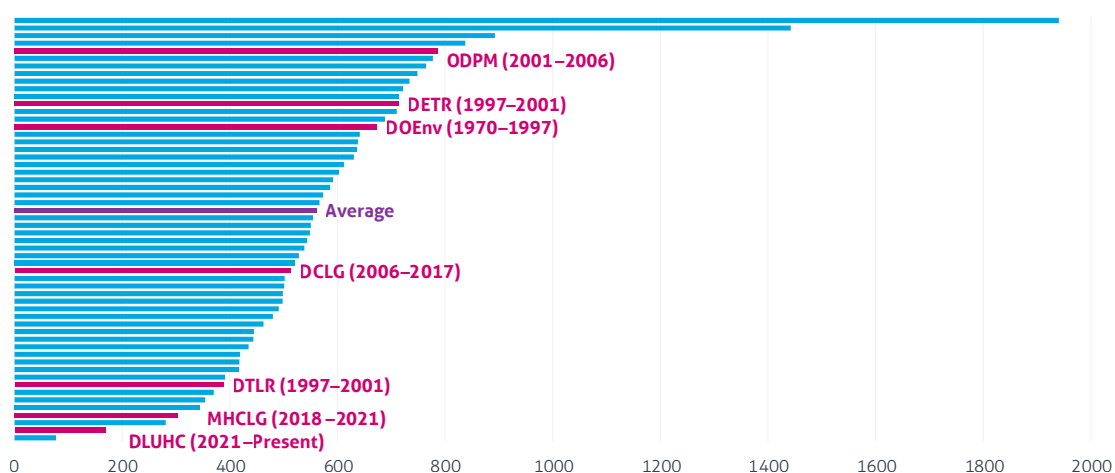
Despite the need for consistency, regional policy in the UK can best be characterised by excessive churn. When the Institute for Government explored the causes and consequences of rapid and regular policy change, the three areas of high churn it highlighted were regional governance, industrial strategy and adult skills.³ All three are key areas of policy that successive governments have tried to use to reduce regional inequalities, and all have been especially susceptible to destabilising churn over the past 40 years. Even since the research was first published in 2017, each area has been subject to more policy change: between 2017 and 2022, the government announced the levelling up agenda, scrapped the industrial strategy and introduced several new adult skills qualifications.⁴

Churn in regional policies has similarly hampered past attempts to tackle regional inequality. It creates an uncertain policy environment, which is unhelpful when big changes rely on the private sector making big long-term decisions – for example,

over where businesses should locate and invest – and also hampers local government or other public sector actors who have a role to play. Many policies simply have not been tried for long enough for them to take full effect, and so unsurprisingly no policies have been able to generate the impact politicians announcing them would have hoped.

There are several reasons for policy churn, which do not only apply to regional policy.⁵ Changes in political leadership is one of the main drivers. A new minister can make their mark with a flashy new announcement, and this is an easier and faster way to demonstrate progress in a policy area than waiting patiently for consistent policy to yield steadily improving outcomes. The 2021 decision to scrap the industrial strategy, only to replace it with a similar 'plan for growth', exhibited exactly this tendency.⁶ There have been 17 secretaries or ministers of state responsible for regional governance since 1990, a higher-than-average rate of churn. Churn has been relatively more frequent in the departments that have held regional governance in recent years – including the Ministry of Housing, Communities and Local Government (MHCLG) and the Department of Levelling Up, Housing and Communities (DLUHC). Frequent changes in prime minister and chancellor have also undermined levelling up in the last year.

Figure 1 **Average tenure of government ministers by ministerial office since 1990 (in days)**



Source: Institute for Government analysis of IfG ministers database, 1990–2023. Notes: The chart excludes current ministers, as of 17/8/23. List of departments leading regional policy in chronological order: Department of the Environment (DEnv), Department for the Environment, Transport and the Regions (DETR), Department for Transport, Local Government and the Regions (DTLR), Office of the Deputy Prime Minister (ODPM), Department of Communities and Local Government (DCLG), Ministry of Housing, Communities and Local Government (MHCLG) and Department for Levelling Up, Housing and Communities (DLUHC).

Even where there is consistency of leadership, politicians will be prone to short-termism: policies that will yield a political dividend before the next election are likely to be preferred over those that bear fruit over a longer period, even if the ultimate improvement in outcomes is higher for the slow-burning policy.⁷ The Levelling Up Fund, a flagship policy of the current agenda, exemplifies this: its terms of reference explicitly required policies in the first round to be deliverable before 2024 (the next general election). But this automatically restricts the type of projects that might be funded to those that can be delivered in the short timeframe, and rules out many more ambitious interventions that could have a greater impact in future.

Changes at official level also contribute to churn, as civil servants moving roles can often lead to poor institutional memory. Civil servants may not know how effective previous initiatives have been, a problem compounded by the lack of effective evaluation of policies, which makes it easier to stop and change policies even if they are successful as they lack an evidence base that might keep them in place when political interest shifts. Local growth initiatives stand out as having been especially poorly evaluated over the past couple of decades.⁸ A tendency to reinvent institutions – most recently exemplified by the decision to scrap local enterprise partnerships – further weakens institutional memory and capability by losing key delivery experience and expertise.

Lack of clarity on the aims of policy

One of the first stages of any policy or government agenda is a clear understanding of what policies are supposed to achieve. Yet attempts to reduce regional inequality have often been undermined by a failure to define what success looks like. Regional policy is especially prone to this problem as it has such a broad potential scope. While net zero has a tightly defined aim, reducing regional inequality could take many different guises. Institute for Government research in 2021, before the white paper, showed that the slogan 'levelling up' was invoked by ministers in many different contexts to justify many different types of policy, and so at least at that stage was more buzzword than policy.

This is not the first time regional policy has suffered from a lack of clarity. While on a smaller scale, coalition-era regeneration policies, which sought to improve living conditions and outcomes in the poorest neighbourhoods, lacked a definition of what constituted 'renewal'. Research has found that this undermined the policy relative to its predecessor, neighbourhood renewal schemes adopted under New Labour.⁹

A lack of clear aims can be fatal to the success of an agenda. It is much harder to maintain consistent policy if the objective is a moveable feast, and so this does itself contribute to policy churn. If aims are not stated clearly, it is difficult to focus attention within government on how to achieve success, to prioritise the right interventions and to ensure they are funded adequately. It also hampers effective scrutiny – either internal or external – of whether policy is consistent with what the government has promised to deliver. A particular risk with regional policy is that aims are defined too broadly, such that policy makers can argue almost any policy is consistent with it.

As we detail below, successful delivery of regional policy relies on co-ordination across Whitehall departments and with subnational governments. A clear, and ideally measurable, aim of policy is an important starting point as the basis for any joint action. Interviewees in local government complained that, especially before the white paper, it was difficult for local governments in particular to push forward the levelling up agenda as they did not know what that meant.

Failure to co-ordinate across departments

The problem of 'Whitehall silos' has been well documented by the IfG¹⁰ and others. Departments provide a useful organisational structure to deliver most policy in a coherent way. But some agendas – often the most urgent, tricky and long-standing challenges – require cross-cutting co-ordination, with different levers that sit in different departments needing to work together if the objective is to be achieved. This applies to policy priorities such as net zero and tackling obesity.¹¹ It also applies to efforts to reduce regional inequalities.

Previous IfG work has highlighted how different economic levers need to be co-ordinated to deliver stronger economies in less productive places.¹² For example, improving skills in a place will not achieve local economic growth if it is not matched with other policies that bring in businesses and jobs to use those skills, or transport links and housing to encourage the best matched people to those jobs. In the absence of these other interventions, skilled people will leave, or remain underemployed. Where central government has a role in this, the key policies needed to reduce economic inequalities sit across a range of departments, including the Department for Education and the Department for Transport.¹³ Addressing other regional inequalities, such as those in health outcomes, involves even more departments.

Overall, the UK government has a poor record of delivering cross-cutting policies. In net zero, both the climate change and business departments struggled to corral other departments to account for emissions reductions in their sectors and prioritise that agenda.¹⁴ Likewise, interviewees we spoke to suggested levelling up had been a difficult agenda to co-ordinate from the Department of Levelling Up, Housing and Communities (DLUHC) because most of the relevant levers sit outside that department and, especially since Rishi Sunak became prime minister, it has not been a priority for other departments. Previous attempts to deliver regional policy have also struggled to overcome departmental silos, as the levelling up white paper conceded.¹⁵

There are several reasons why co-ordination has been difficult. Departments are geared towards delivering to their own ministers on their priorities, and only have finite resources and budgets.¹⁶ There is little incentive to think about the priorities of other departments, and therefore deprioritise something else, if officials are not directed to do so by their ministers. If tackling regional inequalities is viewed as a priority by the secretary of state leading the department responsible for co-ordination – currently Michael Gove and DLUHC – but not a government-wide priority, other departments are much less likely to engage with it. Budgets are managed and tightly controlled by departments, leaving little resource or capacity for genuine cross-government working. The Shared Outcomes Fund, which was set up to fund pilots of cross-government working, totalled only £200 million across three years from 2021/22.¹⁷

Tackling these problems requires clear leadership and prioritisation: identifying the policies that will be most effective across different departments. This is a role for the centre of government – No.10, the Cabinet Office and the Treasury – but the centre has often failed to provide this organising framework.¹⁸

Failure to work well with subnational governments

The role of central government is to come up with a national strategy, set budgets and pass legislation to enable delivery, but most delivery, and some of the design, of policies required to address regional inequalities will be done by the devolved governments in Scotland, Wales and Northern Ireland and combined and local authorities in England (which we collectively refer to as 'subnational governments'). Subnational governments are often best placed to identify and address problems arising in their area, which will be different to those faced by others.¹⁹ The UK, and England in particular, is currently one of the most centralised advanced economies in the world, although both the main parties are committed to expanding devolution within England. Yet even in this highly centralised system, successful design and delivery of regional policy relies on effective working between central and local governments.

Successfully reducing regional inequalities relies directly on several policy levers that are devolved. For example, spatial planning regulations are devolved to local authorities, some skills funding to combined authorities and economic development to the devolved governments. Additionally, subnational governments are an important source of information and knowledge to help inform central government decision making: many centralised funds rely on local bids to identify the most promising projects, for example.²⁰

Past attempts to deliver regional policy, as well as other policies, have been undermined by poor central–local working, and IfG research has identified a lack of trust as a core problem. Historically, ministers and officials have preferred setting up new regional institutions – often public bodies – in England rather than working with existing local democratic institutions, such as local authorities.²¹ This lack of trust runs both ways, and many subnational governments are suspicious of central government's intentions and its ability to follow through on commitments. For example, the devolved governments see many central government regional policy initiatives as an attempt to undercut their devolved competence by delivering central policy in what should be devolved policy areas, which is often the effect even if not the explicit intention.²²

This has created an environment in which central and subnational governments have little inclination to work together, and subnational governments might not prioritise delivering a central government agenda on tackling regional inequality. It can also mean central government does not appreciate the value subnational governments can provide. During the pandemic, local authorities were not consulted when contact tracing plans were drawn up despite their experience in that area.²³ And in general, this means central government is not as plugged in to policy delivery as it should be when doing higher-level policy design.²⁴

These problems have been exacerbated by poor communication. It can be difficult for subnational governments to navigate the Whitehall machine, which is complex to outsiders; this is especially true for local authorities, which have stretched resources. This was again exposed during the pandemic.²⁵ There are more formal structures for interaction with the devolved governments, though political disagreements have

strained these relationships. Poor communication makes it difficult for subnational governments to align with central priorities, or assist in the most helpful ways, even when they are inclined to, meaning that attempts to deliver regional policy are often seen as top-down rather than genuinely collaborative.²⁶

Central government interactions with local government have notably hampered effective local decision making in England in particular. Funding for most local economic growth policies is awarded via competitive bidding processes. These are administratively costly to comply with and make funding uncertain, preventing multi-year ambitious projects and, because pots tend to sit within the relevant Whitehall department, they impel local governments to replicate Whitehall silos rather than join up locally.²⁷

In addition, interviewees complained that local authorities and combined authorities often do not have access to relevant nationally held data that could be used to better understand their local area and inform how they use policy levers they do have as effectively as possible. The levelling up white paper acknowledged both of these problems, but while some progress has been made (notably through the simpler funding arrangements proposed in the trailblazer devolution deals with Greater Manchester and the West Midlands), the local–central relationship still risks undermining government attempts to reduce regional inequalities.

How to deliver regional policy better

There are many different regional inequalities that a government might prioritise reducing. Historically, gaps have often been framed in economic terms, focusing primarily on differences in productivity and earnings. The levelling up agenda before the white paper, which mostly included initiatives such as the Towns Fund, expressed an unambitious aim. The white paper set out a broader definition, incorporating pride in place, wellbeing and public service outcomes such as healthy life expectancy and crime. The accompanying missions are towards the more ambitious end of the spectrum, targeting meaningful change by 2030.

Labour's own ambitions for reducing regional inequalities are best expressed through the "opportunity for all" mission, one of five Keir Starmer has set out.¹ Labour's mission is about improving opportunity throughout someone's life, but this has a clear regional component. In the speech launching the mission, Starmer emphasised how economic success has "cluster[ed] in fewer communities" and that "too many people have had to leave [their community] to find success".²

The scope and ambition of a government's agenda to reduce regional inequalities will determine the most appropriate approach. A narrower focus on economic inequalities would require the involvement of fewer departments, for example. However, any agenda of reasonable ambition will risk running up against the policy making failures identified at the start of this report. While the context may differ, without deliberate plans and approaches to overcome the problems we have identified, current and future agendas will face these same pitfalls. A government that is serious about tackling regional inequalities must meet the following six tests:

1. **Priority:** Is the prime minister's political will translated into a willingness to prioritise tackling regional inequalities and provide sustained leadership?
2. **Definition:** Has the government made the scope and ambition of the agenda clear and unambiguous?
3. **Structure:** Has the government introduced the right structures to enable effective cross-Whitehall working?
4. **Collaboration:** Does the government understand the role different governments across the UK will need to play, and has it built effective partnerships to achieve its goals?

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5. **Stability:** Has the government set up the right institutions to encourage a long-term focus?
 6. **Evidence:** Does the government have plans to build up and use a strong evidence base?

This section lays out the key features any central government agenda to reduce regional inequalities will need. It also provides specific examples of what form these could take, and assesses the structures put forward in the levelling up white paper and announcements Labour has made so far against these criteria.

Political leadership

Delivering a cross-cutting agenda is difficult. It inevitably means corraling multiple departments to prioritise the agenda – in this case regional inequalities – over other outcomes that might be more ‘core’ to the working of the department. At some point, this is likely to require compelling or encouraging ministers to pursue objectives that are not their personal priority, and to organise departments on that basis. In addition, regional inequalities are pervasive, deep rooted and sticky problems that require consistent and long-term focus.

Both prioritisation and a long-term focus must be set from the top. As previous IfG research has set out, the crucial first phase of the policy cycle – when the issue becomes politicised and has rising salience – is a key opportunity to establish political leadership for the policy agenda.³ This might be an incumbent government shifting focus or a prospective incoming government setting its priorities. For opposition parties, this political case can and should be made before entering government, building consensus among the top team about where priorities lie.⁴

Establishing regional inequalities as a political priority, from the top, is needed to drive action across government. Prime ministers have a limited set of priorities they can focus on, and limited political capital to expend. And a prime minister is only likely to risk short-term political gain for genuine priorities. As a result, if the prime minister does not see addressing regional inequalities as a priority, they are unlikely to expend the effort required to set up the types of structures we outline. Even if they did attempt to do so, they would lack clout without political impetus. To some extent, this is the experience of some of the white paper’s “systems reforms”: while structures were set up during the Johnson administration, such as boards of civil servants across relevant departments to deliver missions, interviewees suggested some of these had lost momentum since Johnson resigned in July 2022. So while they still exist, they may no longer be playing the ambitious role intended for them.

Political leadership throughout the life cycle of the policy agenda is also vital to keep it a consistent and sustained commitment. Pursuing long-term policy may also require forgoing some short-term political gain, or at least taking short-term political risks. Part of the reason why regional policy has been so difficult to deliver

is that many of the key policies take years to bear fruit, whereas other more near-term policies might present 'quick wins'. The Levelling Up Fund's 2024 deadline for project completion, highlighted above, is a case in point.

This first test is therefore the most important: without political leadership, a government would be unlikely to satisfy the next five tests, and even if it did, many of those structures – for example, those designed to aide collaboration between central and local government, to drive collective decision making across central government – would likely be ineffective. The faltering levelling up agenda over the past year, as new prime ministers have deprioritised tackling regional inequalities, has demonstrated this. However, as a previous IfG report highlighted, "raw political power is not enough to run a government".⁵ Structures of the kind we outline below are necessary to translate political leadership into the concerted long-term action required to overcome the problems we have outlined above. Setting these up correctly can re-engage political leadership at key moments, and help maintain momentum, when other priorities emerge and attention is drawn away.⁶ Otherwise, even a committed prime minister will struggle to achieve co-ordination across departments, genuinely change policy approaches and commit to long-term change.

Political leadership: The prime minister should establish tackling regional inequality as a priority for the government. Each secretary of state should understand their role in the wider agenda and be clear about their priorities in delivering the agenda. Policies should be prioritised through spending reviews by the prime minister and chancellor.

Addresses: Short-termism and policy churn.

Test for government: Priority – is the prime minister's political will translated into a willingness to prioritise tackling regional inequalities and provide sustained leadership?

Missions and targets

One of the main tools for governments looking to deliver a long-term policy agenda is to set out a clear mission or set of missions – the long-term changes the government wants to see – with an accompanying set of targets, which indicate what the government thinks it needs to do to achieve those, possibly over a shorter time period. For these to be effective, they need to be accompanied by clear, measurable metrics, which are available in a timely way.

There have been several examples of missions (longer term goals) and targets (shorter term goals that demonstrate progress towards the overarching mission) being used in recent decades. During the New Labour era, public service agreements (PSAs), target levels for different outputs and outcomes across departments, were adopted widely across government. More recently, the aim to reach net zero by 2050 has been

enshrined in law, which represents a long-term mission (with shorter-term interim targets). Most recently, the levelling up white paper set out 12 levelling up missions to be achieved by 2030, which are now being put on statute through the Levelling Up and Regeneration Bill, although in practice these include a mix of high-level 'missions' and delivery-level 'targets', as we discuss further below.

A clear mission provides clarity over objectives

The starting point for delivering an ambitious cross-government agenda is an understanding of what problems the agenda is trying to tackle and what success looks like. This is best set out through missions: a term that both parties use for a form of target setting out long-term goals to improve, or reduce inequality in, certain core outcomes. Typically, they are goals that cannot be achieved by central government alone, relying on joint action between central and subnational governments and the private sector.⁷

In the absence of this guiding statement, the agenda will lack focus and struggle to drive changes in government policy or private sector behaviour. When levelling up was just a slogan, any policy could be said to meet it, and as it provided no clarity over the government's intentions it also did not lead to changes in private sector behaviour, like committing to long-term investment in particular places. It will also be easier for the government to lose focus and move away from reaching the mission: stating a goal helps to hold the government to its commitment, providing accountability within and outside government.

An effective mission is one that is specific and measurable. While normally called a target, the objective to reach net zero carbon emissions by 2050 is a good example of a long-term mission. It is a clear statement of the government's overall intention, which provides certainty to other actors in the public, private and third sectors to plan and act accordingly.

In addition, it needs to be **ambitious and timebound**. For missions to influence policy making, calibrating them correctly is crucial. If it is too easy to meet and does not require policy to change it will fail to actually move the dial on the problem. But an obviously unachievable mission will similarly fail to motivate policy makers. Importantly, the timeframe set out should be calibrated correctly too: if actions needed to drive change will take more than five years to have full effect, there is little value in a two-year mission. A longer-term mission helps to shift politicians' attention away from short-term wins towards the policies that will most effectively drive long-term change.

While the white paper specified 12 missions, in practice several are more like targets (as discussed below), specific goals for government policy like increasing the number of people with adult skills qualifications and increasing public R&D spending outside London and the South East. Three stand out as high-level missions on our definition: those on productivity and living standards, wellbeing and healthy life expectancy. To its credit, the government has committed to putting these on a statutory basis and reporting on progress annually (although because the Levelling Up and Regeneration

Bill has made slow progress through parliament the first annual report will now not be published until after the next election). They are clearly specified, and 2030 is far enough away that changing policy and private sector behaviour could drive changes in the outcomes. However, the productivity mission in particular stands out as having limited ambition, only requiring that productivity grow in every area by 2030, which should happen without any policy change.

Understandably, Labour's mission in this area is at an earlier stage of development and currently more closely resembles 'levelling up' before the white paper: it would be easy to make the case for many policies under the vague badge. As Labour fleshes out this and its other missions, it should specify much more clearly what the key outcomes it wants to focus on are, the timeframe needed to achieve that and what would constitute success.

Targets set out how missions can be achieved and co-ordinate delivery

While a mission highlights the key objectives the government wants to achieve, on its own it does not specify how it will be reached. Furthermore, with missions often long-term aims, it can be hard to know if the government is on track to achieving those missions without shorter-term aims to monitor progress. Targets can be used to measure those aims. For example, the levelling up white paper specifies "medium-term missions", which are more like delivery level targets, on broadband, education, skills, transport, and research and development, all of which will contribute to the productivity high-level mission.⁸

Designing a good set of targets requires the government to work out its theory of change: what policy changes are needed to drive the desired outcome? This might include policy levers that sit with subnational governments, and so this process should include communication and collaboration with them, although responsibility for delivering targets will mostly sit within central government departments. Targets help to identify which departments are needed to deliver the overarching mission, and what role they are expected to play. While missions should always be outcome focused, some targets will likely focus on the government inputs and the outputs from public services.⁹ for example, the R&D levelling up mission focuses on where public R&D money is spent. And while the overall mission should not be changeable, governments should be willing to adjust targets if it is apparent they are not sufficient to achieve the mission.

As well as maintaining broad focus on the agenda within policy line departments, targets can act as an organising framework to co-ordinate cross-government working. Responsibility for targets can be given to relevant 'lead' departments, but with additional responsibility and involvement from other departments whose policies can have an influence. The government has set up boards to manage each of the 12 levelling up missions along these lines, with policy makers from across relevant departments, to co-ordinate their approach to delivery. Interviewees told us that, at least initially, these had worked well.

Importantly, concrete targets also direct spending. If the government is going to be judged on its progress, this motivates the chancellor and prime minister to ensure they are funded adequately. At spending reviews, this provides important leverage and clout for those areas that are deemed essential to achieving the overall mission.

Lessons from past experience of using targets to drive change in government provide insights into how to make their use more effective.

- **Targets should have clear metrics that align with the government's theory of change.** This means it should be clear how the target contributes to the overall mission, and targets should include a combination of government inputs, government outputs and outcomes. Where possible, the document setting out the targets should also articulate a broader theory of change: what actions from other governments or the private sector will lead to success of the mission?
- As with missions, targets should be **ambitious and timebound**, but the time period need not be the same as the overall mission and it would be useful to have shorter-term milestones, which five-year carbon budgets help to provide within the context of achieving net zero.
- There should **not be too many**. Their purpose should be to indicate the government's priorities and organise delivery around them. This effect is diluted if targets are too widespread. For example, during New Labour there was a proliferation of PSAs, such that each on its own was no longer as important. There is not a single 'right number' for how many targets are necessary: this will depend on the breadth of the agenda. But a government should bear in mind that targets should mean indicating genuine priorities rather than expressing a view that everything is important, because the purpose of the targets is to genuinely change government policy.
- **The government should build monitoring and delivery structures around targets.** On their own, targets can help to provide momentum and prioritise but are unlikely to break down silos or generate more effective long-term cross-cutting policy. However, they do provide a basis for cross-departmental working. They will be most effective if the government can clearly specify who is responsible for delivering the target: lead departments, other relevant departments, and the role of other governments. After identifying these people, a working group or similar body for each target should meet regularly to discuss the respective roles of different policy makers, which should also report into a central co-ordination function for the overall mission.
- The targets should **be integrated with wider performance management structures**. If reducing regional inequalities is a government priority, it should be reflected not only in specific targets for that agenda but also in wider departmental priorities, which are currently set out in outcome delivery plans (ODPs).¹⁰ They specify the priorities for the whole of government, and which are the responsibility of each department. A disconnect between regional inequality targets and ODPs

would sow confusion about what is a genuine priority, so the targets should be reflected in ODPs even if there are additional structures to enable better cross-departmental working on regional targets.

- Finally, they should **be reported on regularly**. This means the targets should be accompanied by appropriate metrics that are available in a timely fashion to provide an up-to-date picture of the government's progress. And the government should be transparent about their progress, preferably allowing an independent body to report each year on how things are going.

While the white paper does not separate out higher-level missions from policy area targets, the missions still fare relatively well against these criteria. There are 12 missions, but this is appropriate given the scope of the agenda. All have measurable metrics associated with them, and will be reported on annually (albeit the first annual report is now not expected until 2025). The government has set up boards of officials across relevant departments organised around the missions, and had integrated the missions with the ODP framework, which was due to be published last summer before changes in prime minister.

However, the missions framework would be more effective if it had more clearly linked related missions, and separated higher-level missions from those that resemble targets. And, as past Institute work has highlighted, several do not have appropriate ambition, either being too difficult to meet or too easy.¹¹

A bigger problem has been that changes in prime minister (and ministers) have undermined focus within government, giving less impetus to the structures set up to deliver the missions and meaning that in many instances progress has stalled. It is notable that two missions that appear to be making the most progress – R&D and devolution – are, respectively, a policy priority for the prime minister and a policy lever DLUHC itself controls.

Meanwhile, Lisa Nandy stated in a speech at the Institute for Government that a Labour government would scrap the levelling up missions,¹² indicating that these would be replaced by 'metrics', which would help to monitor progress on regional inequalities. It is important that Labour does set out measurable aims that flesh out how an "opportunity for all" mission would be achieved. While entirely legitimate to change the government's current approach as priorities will differ, a mission without a concrete set of targets is likely to flounder.

Missions and targets: The government should have a clear set of missions, targets and metrics that set out the plans and what success will look like.

Missions are long-term objectives that might require action from other governments, the private and third sectors as well as central government. Central government should set missions that are measurable, ambitious and timebound and which reflect the government's theory of change – how they expect change to be achieved.

Targets can be shorter term or narrower and set out what the government needs to do to play its part in achieving the mission. They can be used to demonstrate shorter term progress against the mission. Targets should be integrated with wider performance management structures and reported on regularly.

Targets should have clear **metrics** that align with the government's theory of change and be supported by cross-departmental structures responsible for their delivery.

Addresses: Lack of clarity on the aims of policy.

Test for government: Definition – has the government made the scope and ambition of the agenda clear and unambiguous?

Cross-Whitehall co-ordination

If long-standing regional inequalities are to be tackled, several departments – most of the domestic policy departments and the Treasury – need to be pulling in the same direction and delivering complementary policies throughout the life cycle of the policy agenda. The government must set itself up to convert political will into action by utilising the internal Whitehall architecture, which can drive co-ordination across departments. For example, the first Blair government set up the Rough Sleepers Unit in 1999 to tackle homelessness – a policy agenda that sat across different parts of government.¹³ During the pandemic Johnson created several ministerial committees to support the government's 'roadmap' planning to guide sectors of the UK economy out of lockdown.¹⁴ There is no single 'right' way to do this: it will depend on the regional inequality in question, the responsibilities of departments and the personalities in different roles. At various times in the past, for example, regional policy has sat near the centre of government with little momentum or co-ordination behind it, or sat in DLUHC and its predecessors with good cross-government buy-in.

These structures that support policy making can play different roles at different stages of the policy's life cycle. Early on, there is a need to capitalise on political focus to disrupt 'business as usual', siloed policy making. Throughout, the prime minister's political authority should be allowed to be exercised either by the premier themselves or another senior member of government and ensure policy is well co-ordinated. And as the agenda becomes more embedded, there is a need to ensure progress can be

made over the longer term. As these different priorities are more relevant at different stages, it is likely that some structures to support these tasks will need to change over time.

Clarifying and establishing an agenda

Specialist units can be used to capitalise on political focus and disrupt business as usual

Early on, especially at the start of a government's term, when political focus is at its highest, the challenge is developing the agenda and working out how the whole of government can co-ordinate to address it. A dedicated specialist policy unit is well suited to this. These are structures set up within government to solve a particular problem, and are often temporary, but not always, and have been used in the past to generate policy proposals and co-ordinate delivery between Whitehall departments, devolved, regional and local government and wider stakeholders. Successive prime ministers have used central units for "incubating and catalysing change".¹⁵ For example, the Rough Sleepers Unit was set up by Blair for a short period (1999–2002) to tackle rough sleeping, for which the policy levers sat across different government departments and was not a priority for any.¹⁶

Specialist units are most effective when an agenda is being established, and should be used to capitalise on political momentum early on. The Levelling Up Unit, later Taskforce, was jointly established in June 2021 by Boris Johnson as prime minister and Michael Gove as secretary of state for levelling up. This was almost two years after the election in which levelling up was a major slogan for the Conservatives, which meant valuable time lost, although much of this time was dominated by the pandemic. The taskforce reported directly to the prime minister and Gove, and was tasked with writing the levelling up white paper which it successfully delivered in five months. The white paper developed a more concrete understanding of the policy agenda, creating defined missions that linked to different departments.

Labour has not yet set out the internal structures it will be using to drive its missions. Keir Starmer and key members of the shadow cabinet should have a clear plan well in advance of the election for how they will set up central government so as not to waste valuable time and political buy-in at the early stage.

Special units are also most effective when they are **small and agile with just a core set of staff**. They are – bar perhaps the Vaccine Taskforce, which operated under very specific circumstances – also **best housed in the centre of government**. Not all taskforces sit at the centre of government: some sit within their own departments. But speaking at an IfG event Sajid Javid contrasted the limited impact of the Serious Violence Taskforce he set up as home secretary from the Home Office with the more successful rough sleeping inter-ministerial group that Theresa May, then prime minister, set up as a central unit that had more influence.¹⁷ Exemplifying the clout that being at the centre signals, staff in the Levelling Up Taskforce, which was originally in the Cabinet Office, kept their Cabinet Office email addresses for a while once they moved to DLUHC.

Some parts of central government have in-built clout: No.10, the Cabinet Office and in particular the Treasury, which sits above the rest given it holds the financial strings. Others do not, and historically DLUHC has certainly belonged in this category.¹⁸ Regional policy cannot sit at the centre in the long term and moving from the centre will reduce the political clout behind the agenda, which is required to drive co-ordination across the relevant departments. To best set up the policy agenda for the policy life cycle the prime minister must play an active role in overseeing the policy early on. This means that **the prime minister must be willing to support a small central unit at the start, and use their political capital to lean on other ministers where necessary.**

Co-ordinating policy and delivery

Once an agenda has been clarified and established, attention must turn to determining, co-ordinating and delivering the first tranche of new policies. There will still be key trade-offs and decisions to be made at this stage, which will rely on work across cabinet. For example, to what extent will R&D policy target resources only at the highest-value projects, or fund some lower-value projects in less productive places? Will transport and planning policies prioritise connections between cities, between cities and towns, or more locally? What will the balance be between quick wins that demonstrate progress and longer-term policies that might achieve transformational change?

These are decisions that need to be taken across government, with agreement reached between senior ministers with the relevant portfolios and work conducted and advice provided by senior officials in those departments. There also needs to be clear oversight of key decisions being made in different departments.

Cabinet committees can aid co-ordination and maintain focus but are not a silver bullet

A key model for cross-government co-ordination is the cabinet committee, a smaller group than full cabinet that retains collective decision making powers. Cabinet committees are set up by the prime minister, who sets the terms of reference and appoints the chair, effectively delegating power to that person to reach a collectively agreed position on their behalf. Unlike other forums, therefore, cabinet committees carry a high level of prestige and signal the prime minister's priorities across government.

Cabinet committees, which are run and supported by the Cabinet Office, allow a select group of relevant ministers to take collective decisions, resolving key trade-offs, that are binding across government. They are **a useful tool for decision making and dispute resolution on cross-cutting issues.** They can also be used to monitor and gather information on performance and delivery. They also have a policing role, ensuring that action is taken consistently across departments.¹⁹

Cabinet committees are often cited as a potential solution to a difficult cross-cutting policy area, including by the Institute for Government. But they are not a silver bullet, and some have proved ineffective in the past. For example, ministers have

complained that cabinet committees can be a “box ticking exercise” and a “waste of time”,²⁰ especially if they are not used as a forum for making decisions as decisions are prepared for sign-off elsewhere.

For these reasons **cabinet committees need to be constructed in the right way to achieve the desired result**. And a government needs to recognise what a cabinet committee can do, and importantly what it cannot do. A successful cabinet committee on regional inequalities requires several key features.

First, the committee **must have buy-in from the prime minister**. While all cabinet committees are set up by the prime minister, they have the delegated authority to take significant decisions – rather than simply just ground clearing on smaller issues.²¹

Second, **it needs the right chair**, which will depend on the focus of the regional policy agenda the government is pursuing. The prime minister generally chairs one on national security and one big domestic priority while delegating most others. The prime minister’s choice of chair could send a clear signal about the direction of the committee. The chancellor would indicate the importance of economic inequalities and the need to use government spending decisions to rectify it. The secretary of state leading the policy, for example from DLUHC, would bolster their position in corralling other departments to take decisions through a place-based lens, and indicate their delegated authority on the issue. In practice, the most effective set-up is likely to be **having the prime minister as chair – signalling its importance – but with the relevant secretary of state (currently DLUHC) as the deputy chair**. That would allow the relevant secretary of state to drive the work of the committee and the wider agenda – which is important given that DLUHC has the responsibility for co-ordination but does not hold all of the policy levers – but with the prime minister attending the most important meetings to send a clear signal of importance and commitment.

The composition of the committee is also important. Each meeting must **include all relevant ministers**. But it is important it does not become too large as to be unwieldy on specific, more targeted issues. Regional inequalities cover so many departments that the tendency might be to include most of the cabinet. A broader membership would give ministers the opportunity to feed in and co-design new policies across their departments. Yet the benefit of a cabinet committee is it takes the strain off the full cabinet; committees with a smaller number of the most relevant ministers will be more effective. A cabinet committee could instead have **a smaller invite list, made up of standing invites for key ministers** (for example, the chancellor, deputy prime minister, DLUHC secretary of state and chief secretary to the Treasury, perhaps including the secretary of state for education in the case of Labour’s “opportunity for all” mission) **and other ministers invited to attend depending on their relevance to the decisions being taken**. It will be important to have **representation from the Treasury**, given the central role it plays in financial decision making. The first iteration of the levelling up cabinet committee benefited from having Simon Clarke, then chief secretary to the Treasury, as deputy chair, which gave it some Treasury clout.

The levelling up white paper committed to setting up a levelling up cabinet committee,²² chaired by Michael Gove and with representation from the Treasury. But this has since been downgraded to an inter-ministerial group (IMG), which does not have collective decision making powers. This leaves a lot of the work to the reputation and power of Gove as an influential secretary of state, and the inter-government relationships of DLUHC officials. It also fails to send the signal that Gove has the firm backing of the prime minister to shape the policy agenda.

Cabinet committees can be extended to include co-ordination of delivery and implementation

Successive prime ministers have wrestled with how to get more out of the committee system. Oliver Letwin has suggested that while cabinet committees can be “great for resolving policy differences”, they are not so great at getting into the “nitty gritty detail” about the implementation of particular policies.²³ This sentiment was echoed by some of our interviewees. In 2015 David Cameron introduced “implementation taskforces”, which were similar to cabinet committees but which could not take collective decisions. These were set up to “monitor and drive delivery on the government’s most important cross-cutting priorities”.²⁴ Implementation taskforces reported directly to the prime minister and cabinet regularly and where matters required collective agreement they were dealt with by the cabinet and relevant committees.

These functions can be combined into one committee. Given the challenges of co-ordinating decision making across government and of co-ordinating delivery and implementation across government and between governments, **a cabinet committee for reducing regional inequalities should also take responsibility for ensuring delivery and implementation of policy is co-ordinated across central government.**

The IfG report *Centre Forward* cited the National Security Council (NSC) and the National Economic Council (NEC) as examples of committees that combined decision making and implementation and were “used more actively to drive the prime minister’s agenda and to ensure better quality engagement from departments”.²⁵ A key element that explains their effectiveness – which the implementation taskforces also had – is the participation of officials (the NSC includes security services and NEC senior economic officials). Other examples of similar set-ups are the XO committee and the roadmap taskforces that were active during the Covid-19 pandemic.²⁶ **A cabinet committee for reducing regional inequalities should bring together senior officials and ministers ‘at the table’** on a regular basis. Civil servants working on the relevant projects in different departments should be involved directly in meetings so ministers have the benefit of drawing on their analysis throughout the meetings.

Co-ordinated funding could help drive co-ordinated delivery

Another factor that contributes to siloed policy making is a rigid departmental approach to spending. Almost all spending is done on a department by department basis, with the pilot Shared Outcomes Fund at the last spending review the only exception.²⁷ This can prevent policy co-ordination. The recent report from the LUHC Select Committee found that there was “very limited evidence of any joint working

and co-ordination across government”.²⁸ The government is taking some steps to simplify funding streams for local government.²⁹ But for central government policy, department-specific budgets will continue to hamper joint decision making.

Joint funding across departments should be seen as a good way to encourage joint policy making. One option would be to increase the use of programmes and funds managed jointly across departments, especially where responsibility for meeting targets sits across multiple departments. The Treasury could incentivise this by increasing the size of the Shared Outcomes Fund. Or in special cases a spending review could allocate specific funding for meeting a particular target, to be shared across relevant departments, rather than all funding being allocated to only one department.

Structures for the long term

Once an agenda has been defined, key policies have been set, and departments are focused on delivery, the need for intensive prime minister and cabinet engagement should subside. At this point the government should be geared towards long-term mission delivery while maintaining co-ordination both inside and outside central government.

The benefits of policy expertise driving the agenda is greater in the long term

Once the focus shifts from setting a political agenda and ambition to delivery of policy, the benefits of continued Cabinet Office co-ordination begins to wane. A lead department, outside of the centre, will have the capability and capacity to drive the programme that does not exist in the more short-termist, less specialist Cabinet Office,³⁰ and the ministers in these departments will be able to devote more time to key issues.

Responsibility for the agenda should shift out of the centre of government over time

Specialist central units are meant to be disruptive to Whitehall’s business-as-usual approach, a benefit in the short term but not appropriate for long-term stewardship. Once a specialist unit is created the government should be planning for its long-term programme of delivery. To ensure the policy continues to develop **the responsibility for co-ordinating the programme should be moved into a policy department, with the overarching mission as its main priority**, with other departments clear on what is expected of them. Currently DLUHC has this responsibility for levelling up.

Moving primary responsibility for the agenda to a policy department does not mean no role for the centre of government. As a priority agenda, it **should be supported by dedicated central government capacity**. There are two models for doing this. First, a small dedicated team could be provided for within any No.10 Delivery or Strategy Unit. Second, the existence of a dedicated cabinet committee could mean a dedicated secretariat is established, which works solely on the issue. In both models, the team would be small, no more than 5–10 civil servants, whose role would be to support the lead department, and relevant other departments, in delivering the ambition and vision than had been set. The responsibility for the policy areas remains with the relevant secretaries of state, the role of the centre is to lend political authority to unblock issues.

Cross-Whitehall co-ordination: Whitehall structures need to be appropriate for the phase in the policy life cycle.

At the start the government should use a specialist unit at the centre to define the scope and ambition, capitalising on political momentum.

In the longer term the responsibility for co-ordinating the programme should be moved into a policy department. It should have clear responsibility for the mission and be supported by central government capacity.

Cabinet committees should be used throughout the life cycle to drive cross-Whitehall decision making and could be expanded to include co-ordination of delivery.

Addresses: Failure to co-ordinate across departments.

Test for government: Structure – has the government introduced the right structures to enable effective cross-Whitehall working?

Working with devolved governments

Reducing regional inequality cannot be achieved from central government alone. It also relies on strong input from subnational governments. Local governments in England and the devolved governments in Scotland, Wales and Northern Ireland hold some of the most important policy levers that drive the key outcomes a government is likely to care about. This means other governments across the UK have to be joint partners with central government if these agendas are to be successful. In addition, devolved governments will be able to feed in insight to help central government design its policies better.

Incorporating devolved governments into plans

Rather than seeing devolution as a constraint, central government should understand it is an asset. Devolved governments are better placed to deliver many policies by tailoring solutions to local problems and being better able to co-ordinate different policies in a place, overcoming departmental silos.³¹ The UK is one of the most centralised countries in the world, and this has been linked to bad policy outcomes. As a result, achieving success might mean devolving further powers, relinquishing control but with a better chance of policies achieving lasting change.

Central government's plans must build support from devolved governments

For good reason, not all policy levers sit within central government, and devolved governments are often best placed to design and deliver policies. For example, the government has acknowledged that combined authorities, sitting at the city region level, are better placed to understand which transport and skills policies will be best for their local economies. Other key policy levers sitting outside central government include a broad set of economic development powers that sit with the devolved administrations.

This poses a challenge for a government that is looking to achieve a particular policy outcome. It can set direction, but will be reliant on local government or the devolved administrations to deliver in a large swathe of policy areas. Often, these outcomes might be shared priorities, but not always. And devolved governments will be much less likely to play a full part supporting the agenda if it appears to be entirely dictated by central government. To make an agenda work successfully, it must be one that is shared with devolved governments, rather than imposed on it. **The government should therefore consult devolved governments when it is fleshing out its mission and defining key objectives.**

Central government's stated plans must clarify the role of different devolved governments

A lack of clarity for devolved governments has been a problem for progress on levelling up. The devolved governments in particular have complained that the white paper, and other levelling up plans, have not set out which policies to deliver levelling up are the responsibilities of the Westminster government and which are devolved.³² And while devolution within England is one of the 12 missions, interviewees suggested it has not always been clear what role combined and local authorities are expected to play, with many of the main initiatives thus far, such as the Levelling Up Fund, retaining a large degree of central control.³³ The lack of clarity over the different responsibilities that central and devolved governments hold has led to political tensions. For example, Vaughan Gething, the minister for the economy in the Welsh government, argues the UK government has bypassed the Welsh government's responsibilities over economic development with the introduction of the UK Shared Prosperity Fund.³⁴

Having already worked with and consulted devolved governments on the initial mission, **central government should set out alongside its targets a statement of the respective roles of different governments across the UK.** Clarity over roles will help to buy goodwill, and it will often be the case that it is in a local government's interest for the overall agenda to succeed. For example, interviewees in Labour-led local governments indicated a willingness to design policy that helped to achieve the aims of the levelling up agenda, which also aligned with local aims, but expressed frustration that it was often unclear what this would look like.

Central government should ensure devolved governments are equipped to play those roles

Having identified the roles devolved governments can play, the government must ensure they are equipped to play the role required of them. As previous Institute for Government research has highlighted, there are ways central government can help other governments deliver policy.³⁵ Doing this well will also build support from devolved governments for the agenda.

One way central government can support devolved governments is to ensure the right powers are devolved to different levels (which is a live and evolving question within England). Any plan for addressing regional inequalities should be **accompanied by a clear devolution framework, and a roadmap for getting to the government's preferred destination.**

Perhaps even more important is the funding of devolved governments – especially within England – as this determines how well they can perform their role. There are two aspects to this. First, central government must ensure the level of funding is sufficient. If local governments lack capacity to design and deliver good policy, they are unlikely to be successful. Second, the way funding is provided matters. The current funding environment is a mess: many separate, short-term funding streams which are bid for competitively prevent co-ordination and long-term planning at the local level and undermine many of the potential benefits of devolution. In contrast, the Barnett formula gives the devolved governments long-term certainty over funding that they can spend as they wish. **Funding simplification, to help devolved governments within England be more effective, should be a priority for any government that wants to reduce regional inequality.**

Both the current government and Labour have some plans for both of these. The white paper set out a devolution framework, which powers are up for grabs for areas pursuing different types of devolution deal.³⁶ And the Brown Commission, endorsed by Labour’s leadership, laid out plans to spread devolution across England.³⁷ Before the next election, Labour should clarify how the devolution principles laid out in the Brown Commission will be implemented in practice.

Progress on simplifying funding, which both documents also committed to, has been slower. The most concrete steps have been taken through two new trailblazer devolution deals for Greater Manchester and the West Midlands, which will receive a single settlement for spending on local economic growth that can be spent flexibly.³⁸ In July 2023 the government launched a three-phase plan to simplify funding for local authorities. This includes immediate steps to provide local authorities with more flexibility in adjusting costs and expected outputs from the three capital funds (Levelling Up Fund, Future High Streets Fund and Town Deals).³⁹ It also proposes establishing a “funding simplification doctrine” to reduce competitive pots. And in future the government aims to roll out the model of single settlement funds to all areas in England with a devolution deal and a directly elected leader “over time”.

These are sensible proposals, but remain vague and the timetable is not set. These reforms would also not help to co-ordinate funding better within central government. Labour’s commitments on this front remain similarly vague to date.

Better communication between central and devolved governments

Beyond co-ordination on high-level strategy, in practical terms central government will work better with devolved governments if communication operates more smoothly than it has in recent years.

Central government should make better use of regional offices to improve communication and information flow

In recent years, the government has made a concerted effort to relocate more civil servants, including policy civil servants, outside London. The Darlington Economic Campus,⁴⁰ hosting the Treasury and other economics-focused departments and teams, is the most high-profile example, but there is now a substantial central government

footprint in several cities and towns across the country. This presents an opportunity: civil servants based in these places are likely to have a better understanding of local problems and find it easier to build relationships with officials in subnational governments while retaining their place within the Whitehall machine. This is a complement, rather than substitute, for devolution.

Interviewees highlighted that the Government Offices (GOs) for the Regions in the 1990s and 2000s had been effective at ensuring central government policy, which needed to be translated and delivered locally, was more sensitive to local contexts and built on more expert local knowledge.⁴¹ Those offices were specifically for people working on the regions, unlike the new offices, which include civil servants whose work is not region-specific. A recent report by the Institute for Government on the Darlington Economic Campus noted how the change of location changed who civil servants engaged with, and has generated local-specific knowledge as well as allowing different perspectives to influence policy.⁴²

It is also important that local governments have a trusted central government contact who could help connect them to the relevant part of Whitehall depending on their query or concern. The white paper proposed levelling up directors as new roles,⁴³ with one covering each region. Many interviewees we spoke to were sceptical of these. They highlighted the risk that these individuals, hired externally, would operate quite separately from DLUHC and therefore create an extra layer of bureaucracy between local and central government, rather than as a useful link-person within central government.*

Instead, they suggested the current model, where area teams sitting in the Cities and Local Growth Unit (CLGU), a joint unit of DLUHC and the business department, often located in the region they cover, was better. Some interviewees, however, raised concerns that the model is currently too informal, meaning that while it works well in some places it is unclear in others. **The government should therefore formalise structures that allow local insight and knowledge to feed into regional policy across departments and link local government to the centre.** There should be a designated, relatively senior, point person for each area to connect local officials to relevant people across government. This could be achieved by growing the CLGU's existing capacity to fulfil these functions, although the government should also look to address ongoing problems of staff turnover in that unit,⁴⁴ which makes relationship-building more difficult.

Central government officials will work better with subnational governments if they understand them

Previous Institute for Government work has highlighted that one barrier to effective working between central and devolved governments is a lack of understanding of subnational government.⁴⁵ This has been a long-standing problem with the devolved administrations. A 2019 Scottish Affairs Committee report found that only around a third of civil servants across all four administrations felt they had a good level of

* In practice, the government has hired only one levelling up director, covering the whole of the north of England and therefore performing a slightly different role originally envisaged in the white paper.

knowledge about the subject of devolution, according to a 2018 government survey.⁴⁶ But there is also a specific problem understanding the lower-level tiers such as in English local government, which is increasingly important with devolution in England gathers pace.

There are several ways this knowledge could be enhanced and improved. The government already has a “devolution and you” training programme to inform participants about the devolved administrations. **This should be extended with, or supplemented by, training on the role of different devolved authorities within England.** More thorough understanding of different governments would come from experience working in them. **Central government should explore options to increase interchange of staff between central and subnational government, such as allowing more fast streamers to complete a posting in local government as one of their rotations.**⁴⁷ This would have the additional benefit of developing the understanding and expertise of officials working in subnational government. The relocation of civil servants outside London and the widespread use of online video communication since the pandemic also makes this a more viable option: combined or local authority and central government roles performed during the programme could all be in the same region.

Political-level co-ordination and communication is also important

Political-level co-ordination is also important if policy is to be delivered consistently in pursuit of regional inequality objectives, and to build trust between local and national leaders. There are formal mechanisms for political interaction between the Westminster government and the devolved governments through the Prime Minister and Heads of Devolved Governments Council (known as the IGR Council) and inter-ministerial standing committees.⁴⁸ This new structure emerged from the intergovernmental relations (IGR) review, acknowledging the shortcomings of the previous joint ministerial committee. **A new standing committee, focused specifically on policies to reduce regional inequalities, would be a useful place to discuss and co-ordinate relevant policies across the devolved governments.**

In contrast, no such structures exist for institutions in England. Mayors have expressed their desire to engage more with government ministers. Dan Jarvis, the former mayor of South Yorkshire, has complained that political favouritism impacts mayoral relations with the centre.⁴⁹ To provide mayors with a guaranteed means of contacting central officials, the West Midlands mayor, Andy Street suggested at an IfG event that formal structures between mayors and central government could be a solution.⁵⁰

Formal structures to allow for more systematic political engagement between mayors and ministers is appropriate given the steady devolution of powers, and would help to co-ordinate policy approaches. Previous Institute for Government research suggested creating a committee comprising of all the mayors and ministers from key departments like DLUHC, DfT, DfE and DWP.⁵¹ Alternatively, if the mayors were to become more organised through the M10 mayoral network (which will expand with new devolution deals), different committees could include a subset of the mayors to negotiate on their behalf.

Buy-in from mayors could also help tackle policy churn by increasing the political cost of policy change. Engaging with leaders in places without a mayor would be more difficult, although an enhanced CLGU would help. Plans for political-level engagement should be built into any future plans to expand devolution.

Working with devolved governments: Reducing regional inequality cannot be achieved from central government alone. Central government must consult devolved governments and incorporate them into plans to best understand which relevant levers and delivery mechanisms are controlled centrally, and which at other tiers of government.

Central government should set out a statement clarifying the respective roles of the different governments in the UK alongside the targets.

Central government should ensure devolved governments are equipped for the role by accompanying plans with a clear devolution framework and prioritising funding simplification.

To improve communication central government should make better use of regional offices and contacts to improve information flow. Other options include creating Whitehall contacts for local governments, creating secondments for officials or a standing committee with representation from different governments focused on policies to reduce regional inequalities.

Addresses: Failure to work well with subnational governments.

Test for government: Collaboration – does the government understand the role different governments across the UK will need to play and has it built effective partnerships to achieve its mission?

Institutions to maintain long-term focus

For a government to take a long-term view on policy making it must learn from its successes and failures, evaluate progress and stick to the chosen course even when short-term political expediency might suggest otherwise. For a cross-cutting policy agenda – which is trying to solve an endemic and long-term problem – to be successful the government also needs to be held accountable. In addition, tackling regional inequalities requires solving difficult policy problems, and it is hard to access all of the required deep expertise to achieve that within government.⁵²

Cross-cutting and long-term policies benefit from independent institutions

Independent institutions – examples of which include the National Audit Office and the Climate Change Committee – are well placed to encourage long-term thinking and provide expertise. Both short-termism and a lack of expertise can be ameliorated through the use of independent bodies, appointed by but separate to government.

First, they can provide external accountability by acting as a monitoring function. IfG research has previously pointed to the weakness of accountability mechanisms in Whitehall, including the failure of successive administrations to keep pace with the complexity of modern government, which has resulted in inconsistent arrangements for oversight, inspection, regulation and scrutiny across government.⁵³ Being accountable to an external body shifts government incentives, applying external pressure on the government to stick to the course and maintain focus on the objectives it has set out. It can also give the public valuable insight into government performance in priority areas.

Second, independent bodies can provide an important information support role for the government. They can assist with capacity by providing specialised expertise that may not be readily available within government, which can be used to independently evaluate and provide guidance on regional policy. With their platform they can engage the public and other stakeholders to inform their work.

With both these roles independent bodies can more easily focus on the long-term picture than government can. They can also provide external scrutiny, unbiased advice and recommendations to the government, which provides a useful counterbalance to short-term political considerations. Those that last beyond one government can also help to provide a degree of policy continuity in the face of changing political administrations, keeping focus even when political leadership changes. While such a body might occasionally be uncomfortable for politicians, this is exactly why they are effective: they provide a counterbalance to short-termism that might be politically convenient but is ultimately harmful to achieving the government's objectives.

The scrutiny role is especially important

A government needs to be open to external challenge and transparent about how well it is meeting its promises. When it is, past work has shown that 'watchdog' bodies, which provide external challenge by monitoring and publicising government progress in meeting its long-term objectives, can support the government in those objectives.⁵⁴ This would be particularly valuable to regional policy given its cross-cutting nature. Our previous work has found that opening up policy making to effective external scrutiny creates incentives for a government to stay focused and has often been an important factor in the most successful policy interventions.⁵⁵

The Levelling Up Advisory Council (LUAC) was set up in the white paper to provide "independent expert advice on matters relating to the design and delivery of levelling up".⁵⁶ As the name suggests, it is an advisory body but has no scrutiny role. It was set up by the secretary of state for DLUHC and, although classed as an independent body, it is formed from and reports into DLUHC, with a secretariat of DLUHC staff. The advice from the LUAC is currently commissioned by the levelling up inter-ministerial group and it is invited to IMG meetings at the discretion of the secretary of state.

Interviewees have suggested that the LUAC has played a useful role, and some of the research it is conducting should help to guide future government policy. But it is not a scrutiny body, and this has left it mostly powerless as the government has

deprioritised the agenda. It is not responsible for reporting on progress against the government's missions, and relies on the secretary of state for it to exist, which limits how outspoken it can be. Interviewees also noted that the influence of the LUAC depended on the secretary of state's inclinations, and the body played a smaller role when Michael Gove was not in post for a few months last year.

This episode demonstrates the importance of a scrutiny function, which will be more influential than an advisory role. In some cases, these two functions are performed by the same body. For example, the Climate Change Committee (CCC) does both. If the government views the roles as too distinct, or would want to give the roles to different personnel, it could set up two institutions.

Independent scrutiny bodies need teeth and security, and should be carefully designed

Not all independent scrutiny bodies are equally effective. A well-designed body must do what has been set out above but in a measured way, criticising the government on its own terms rather than becoming a provider of alternative objectives or policies. The CCC is effective because it is independent, well resourced and well respected – it is “exactly the kind of thing that the Civil Service hates because it holds it to account and it's got the clout and the access and authority to make its life very difficult”.⁵⁷ The experience of the CCC and other bodies provides several key factors that make for a successful scrutiny body.

The body should have a **clear and narrowly defined remit**. A central risk to a scrutiny body is that it becomes politically inconvenient and disbanded, or brought in-house and sidelined.⁵⁸ Previous IfG research has said that key to mitigating this risk is to have a narrowly defined remit, which means the body cannot be accused of “overstepping the mark”.⁵⁹ This would mean, for example, only commenting on how far the government is achieving its publicly stated objectives.

To provide effective scrutiny the advisory body needs **a transparent plan for the process of engagement with government**. A comparison of climate change councils across the world found successful councils had an official and if appropriate a legal mandate to provide advice and or scrutiny.⁶⁰ The roles and responsibilities of such a body as well as the procedures for their engagement need to be clearly and transparently outlined by government.

A body should also be **independent from government and accountable to parliament**. While the CCC members and chair are appointed by the Department for Energy Security and Net Zero (DESNZ) and it receives its budget from the department, importantly it reports directly to parliament, not the government. This distinction in who the CCC reports to gives it political cover from the department it might be criticising and, as one interviewee in a previous report said, is “the thing that keeps it alive”.⁶¹

But the relationship between the body and government needs to be maintained in order for the government to take on board recommendations and for an open dialogue between the two. Chairs appointed by ministers should be able to **command the confidence of ministers and manage relationships**. To encourage long-term relationships and to bolster the chair's independence they should have single terms that span several years and have protections regarding appointment and dismissal – similar to the Office for Budget Responsibility.

Both parties should consider how to improve scrutiny of their agendas

We have already highlighted the various ways the LUAC is insufficient in its current form to scrutinise the government and hold it to account effectively. This is not its aim – it has explicitly been set up as an advisory body – but the absence of a scrutiny body has made it easier for levelling up to be quietly deprioritised.

Labour has not yet laid out detailed plans for how its missions will be scrutinised, although Lisa Nandy stated it would set out an independent body to help monitor progress, with membership drawn from across the UK.⁶² The effectiveness of such a body will depend on the factors outlined above. In particular, Labour should be willing to propose strong independent scrutiny bodies where it is genuinely committed to achieving its long-term agendas.

Institutions to maintain long-term focus: A cross-cutting policy agenda to reduce regional inequality should be supported by independent bodies that can provide advice and scrutiny functions (either separate bodies or combined). A body delivering a scrutiny function must be carefully designed – it should have a clear and narrow remit, a transparent plan for engagement with government, be accountable to parliament and command the confidence of ministers. An independent body should be responsible for producing an annual report on targets and be empowered to conduct its own research.

Addresses: Short-termism and policy churn.

Test for government: Stability – has the government set up the right institutions to encourage a long-term focus?

Better use of data and evidence

There remain major evidence gaps around the types of policies that will be most effective at reducing regional inequalities. Better data, and better use of it, can also strengthen other structures designed to promote consistent policy making and improve the information policy makers are using. But historically, data has not been granular enough, or been used as well as it could be in the policy making process. These all hamper attempts to deliver good policy and maintain a consistent policy approach.

As part of a plan to reduce regional inequalities, there are three aspects of data and evidence that a government should look to improve.

The government should prioritise more granular and timely data

To understand the effects of government policy on regional inequalities, an important first step is good data on where the government is spending money, the outputs of those programmes and the outcomes experienced by citizens. The regional inequalities the government is looking to address may include relatively small geographic units: for example, individual towns, or even neighbourhoods. Even if the government's headline objectives are at a higher level, more granular data (for example, at the local authority level rather than the regional level) will provide a fuller picture of the impact of government policies.

More granular data can also help to design more nuanced and useful targets, with relevant and up-to-date metrics capturing different inputs, outputs and outcomes at each stage of the theory of change we recommend the government sets out. Worse data risks leading to worse outcomes. For example, only capturing inequalities at the region level could risk policies being gamed to meet the target. And if relevant data is only available with a big lag (perhaps being published a year or more in arrears), policy will naturally be less responsive to the target.

The white paper recognises these problems with some sources of spatial data. For example, data on government spending across the country is only disaggregated to the region level and is generally published more than a year in arrears.⁶³ This has promoted a place-blind approach in some policy areas, such as R&D, where a lack of spatial data and analysis has made it easy to make policy decisions without regard for their spatial impact. And many of the metrics the government wanted to use to track progress against the missions had similar problems, or in some cases were not collected or published at all.

The data of most interest will depend on what the government is trying to achieve: whether it is focused on regional or hyper-local inequalities and which types of inequality it is most concerned about. In setting out its objectives and targets for reducing regional inequality, **the government should specify the data needed to monitor progress**. It should then ask the Office for National Statistics (ONS) to work with relevant departments, the new Office for Local Government (Oflog) and the Treasury to **ensure data on government spending, relevant outputs and key outcomes can be compiled at granular geographies in a timely and regionally standardised manner**.

This is something the current government has begun to make progress on. The white paper set up the Spatial Data Unit in DLUHC, which has worked closely with the ONS on implementing its subnational data strategy. There are three main aims of the strategy: "produce more timely, granular and harmonised subnational statistics; build capability and capacity for subnational statistics and analysis; and improve the dissemination of subnational statistics".⁶⁴ Those teams' priorities have been informed

by the levelling up agenda. One focus has been on improving data on subnational spending.⁶⁵ While progress is being made, and this should be applauded, it takes time to collect, process and publish data and it should be a process of continual improvement: **future governments should capitalise on progress made already on subnational data and maintain momentum.**

Central government should ensure local governments have access to relevant local data

The second role for data is as an input into policy. Data on the educational and health outcomes of residents, for example, might help local authorities to better deliver other services (such as housing) to neighbourhoods and individuals. However, lots of this data is collected by central government agencies and is not always shared with local government. This also applies to other data; for example, near real-time updates to various economic indicators. Central government is understandably cautious about sharing data, and must abide by appropriate protocols. But it hampers policy making at a local level, which in turn undermines the government's broader objectives.

As a result, **central government should enter data-sharing agreements with combined and local authorities to allow relevant data about their areas to be shared.**

Central government should also provide a sufficiently resourced and timely process for local government data access requests. Resourcing of this function will determine the speed of delivery. Previous Institute for Government work has proposed that Oflog, which will itself collect data on local authorities, could usefully play this role.⁶⁶ The government has agreed a new data partnership with Greater Manchester and the West Midlands as part of their new trailblazer deals, which will establish principles for sharing data between central government and local government bodies. This aims to streamline each authority's negotiation process to access specific datasets with individual government departments.⁶⁷

Central government should take steps to fill in key evidence gaps

One of the biggest weaknesses of regional policy making has been large and persistent evidence gaps.⁶⁸ In most policy spheres, and when looking to reduce most regional inequalities, there is not a clear answer to the question of what interventions will be most effective. To some extent, this is inevitable: economies and societies are complex, so there are many factors contributing to a given outcome. And they are by nature varied: there is no guarantee that a policy that is effective in one context would – or would not – work in another. However, the evidence base is much weaker than it should be. The National Audit Office has highlighted a persistent failure to adequately evaluate past local growth policies, for example.⁶⁹

A weak evidence base makes it difficult for central and subnational governments to deliver good policies. It is difficult to be evidence-based if the evidence is not there. This also means it is easier for programmes and policies to be changed. A policy with a solid evidence base will be harder to drop when a new minister wants their own shiny programme.

There are two main routes a government can and should take to improve the evidence base. First, it should facilitate external researchers to answer policy-relevant questions. One way to do this is to **publish an areas of research interest (ARI) document covering the full set of key questions officials want answered to better deliver the regional policy agenda**. Most government departments have an ARI covering the key questions they would like to see research answering in their policy area. They are of varying quality, but at their most useful they can prompt researchers, many of whom want to have policy impact and will find it easier to fund work if they can demonstrate this, to prioritise answering questions that will help the government.

There is a risk that a cross-cutting agenda will fall through inter-departmental cracks, so it is important the key questions for reducing regional inequalities are collated in one place. While DLUHC only holds some of the policy levers, its ARI covers questions relevant to levelling up that span departments. This is a good model future governments could adopt.⁷⁰ For time-sensitive or very high priority questions, the government should also consider funding some research directly.

The second route is to generate evidence directly through a more robust evaluation process. Within the last 10 years the government has taken steps to increase evaluation, but the National Audit Office has stated there is still no systematic arrangement centrally to check whether departments are complying with requirements on evaluation.⁷¹

One of the more recent efforts to improve consistent evaluation government-wide is the creation of the Evaluation Task Force in 2021. It is a small joint unit across the Cabinet Office and the Treasury aiming “to ensure evidence and evaluation sits at the heart of spending decisions”.⁷² It champions ‘best practice’ evaluation, with work underpinned by a theory of change.⁷³ During the 2021 spending review the task force worked with the Treasury to ask each department “to provide evaluation evidence for each line of capital budget spend, and for each new line of resource budget spend”.⁷⁴ However, this is a small team, and to date it has not been directly involved in levelling up policies.

At the next spending review, **the government should ensure the Evaluation Task Force can play the same role again, while also committing to publishing regional policy evaluations in an easy-to-access public database, such as the upcoming Evaluation Task Force registry**. Publishing evaluations both maintains the government’s commitment to evaluation in the first place and helps to preserve knowledge of work that might otherwise be lost with high personnel churn.⁷⁵

Evaluation of policies to reduce regional inequalities is especially complicated because many of the projects are local. For example, the Levelling Up Fund is delivering different projects, tailored to local circumstances, across the country. As governments devolve more powers, there will be even more opportunities for different policy approaches to be taken across England, as well as in Scotland, Wales and Northern Ireland. This should generate a stronger evidence base over which policies are effective as subnational governments innovate.⁷⁶ But this will only happen if evaluation is good enough.

Local governments are often responsible for evaluating their policies, but they are rarely best placed to do so, with many lacking the necessary capacity and skills. For example, good evaluation practices regarding transport infrastructure investment are carried out centrally by Highways England, but the same cannot be said for local government, which faces an extremely tight funding environment.⁷⁷ The competitive funding environment also lessens local authorities' incentives to evaluate their own policies too closely: finding a policy has been ineffective could lead to funds being lost and undermine future bids.

Evaluations are likely to be more robust, and more useful, if they assess a set of similar interventions in different places across the country rather than looking at each local institution in isolation. Evaluation of local interventions will be most effective if performed by central government, assessing a range of similar policies. Therefore, **the government should set up a dedicated specialist team to conduct evaluations of local initiatives designed to reduce the regional inequalities it is focused on reducing**, and ensure it is adequately resourced and supported. As noted above, these should be published so as not to lose institutional memory and to encourage governments of all levels to take them into account when planning future projects.

Better use of data and evidence: The government should specify the data needed to monitor progress, including at what level. Central government should enter data-sharing agreements with subnational governments.

Central government should take steps to fill key evidence gaps, for example by: facilitating external researchers to improve the evidence base by publishing an areas of research interest (ARI) document covering the full set of key questions; generating its own evidence through a more robust evaluation process by ensuring the Evaluation Task Force can play its role.

Addresses: Short-termism and policy churn.

Test for government: Evidence – does the government have plans to build up and use a strong evidence base?

Conclusion

Policy agendas addressing regional inequalities are not unique in facing the problems set out in this report. But the potential breadth of the objective (or objectives), the policies' long-term nature, the number of relevant Whitehall departments and the important role for devolved and subnational governments all mean that regional inequality policy is more adversely affected than many other areas. So great is the challenge that even genuine political prioritisation will struggle to meet it without the various structural changes put forward here.

Some of the recommendations we make should be implemented whether or not the government is embarking on an agenda to reduce regional inequalities. Improving communication channels between central and devolved governments, designing a properly resourced plan to improve evaluation and improving the quality of subnational data will all contribute to better policy making across the piece.

However, other recommendations depend on a government being genuinely committed to reducing regional inequalities. Setting ambitious missions and championing the role of a strong independent scrutiny body can be politically inconvenient but must not be shied away from. A mission off track is a stick to beat the government with, and the scrutiny body can make that criticism all the more powerful. Government must be honest with itself about prioritisation: cross-Whitehall co-ordination through a cabinet committee, a small set of priority targets and setting out clear roles for devolved governments to deliver the agenda will use up political bandwidth – the prime minister must recognise and embrace this. Addressing regional inequalities will need to be one of the top one or two domestic priorities if a government is to make serious headway.

While these recommendations would not be cost-free for a government to implement, however, they are worth it for one that wants to tackle a long-standing problem that many before them have struggled to fix. Missions and scrutiny bodies can ultimately help politicians achieve their goals by committing them to a longer-term approach that will make policy more effective and provide certainty to others, including the private sector.

The levelling up agenda has made some promising steps, and despite being undermined by inconsistent political attention it has still ensured regional inequalities will be high up the agenda at the next election and over the next few years. The six tests we have outlined here will be a useful barometer of whether any party is willing to match lofty rhetoric with practical steps and political commitment that might finally move the dial.

Annex: Problems, tests and options for government

Problem	Tests	Options
Short-termism and policy churn	Priority: Is the prime minister's political will translated into a willingness to prioritise tackling regional inequalities and provide sustained leadership?	Political leadership The prime minister should establish tackling regional inequality as a priority for the government. Each secretary of state should understand their role in the wider agenda and be clear about their priorities in delivering the agenda. Policies should be prioritised through spending reviews by the prime minister and chancellor.
	Stability: Has the government set up the right institutions to encourage a long-term focus?	Institutions to maintain long-term focus A cross-cutting policy agenda to reduce regional inequality should be supported by independent bodies that can provide advice and scrutiny functions (either separate bodies or combined). A body delivering a scrutiny function must be carefully designed – it should have a clear and narrow remit, a transparent plan for engagement with government, be accountable to parliament and command the confidence of ministers. An independent body should be responsible for producing an annual report on targets and be empowered to conduct its own research.

Problem	Tests	Options
Short-termism and policy churn (continued)	Evidence: Does the government have plans to build up and use a strong evidence base?	<p>Better use of data and evidence</p> <p>The government should specify the data needed to monitor progress, including at what level.</p> <p>Central government should enter data-sharing agreements with subnational governments.</p> <p>Central government should take steps to fill key evidence gaps, for example by: facilitating external researchers to improve the evidence base by publishing an areas of research interest (ARI) document covering the full set of key questions; generating its own evidence through a more robust evaluation process by ensuring the Evaluation Task Force can play its role.</p>
Lack of clarity on the aims of policy	Definition: Has the government made the scope and ambition of the agenda clear and unambiguous?	<p>Missions and targets</p> <p>The government should have a clear set of missions, targets and metrics that set out the plans and what success will look like.</p> <p>Missions are long-term objectives that might require action from other governments, the private and third sectors as well as central government. Central government should set missions that are measurable, ambitious and timebound and which reflect the government’s theory of change – how they expect change to be achieved.</p> <p>Targets can be shorter term or narrower and set out what the government needs to do to play its part in achieving the mission. They can be used to demonstrate shorter term progress against the mission. Targets should be integrated with wider performance management structures and reported on regularly. Targets should have clear metrics that align with the government’s theory of change and be supported by cross-departmental structures responsible for their delivery.</p>

Problem	Tests	Options
<p>Failure to co-ordinate across departments</p>	<p>Structure: Has the government introduced the right structures to enable effective cross-Whitehall working?</p>	<p>Cross-Whitehall co-ordination</p> <p>Whitehall structures need to be appropriate for the phase in the policy life cycle.</p> <p>At the start the government should use a specialist unit at the centre to define the scope and ambition, capitalising on political momentum.</p> <p>In the longer term the responsibility for co-ordinating the programme should be moved into a policy department. It should have clear responsibility for the mission and be supported by central government capacity.</p> <p>Cabinet committees should be used throughout the life cycle to drive cross-Whitehall decision making and could be expanded to include co-ordination of delivery.</p>
<p>Failure to work well with subnational governments</p>	<p>Collaboration: Does the government understand the role different governments across the UK will need to play and has it built effective partnerships to achieve its mission?</p>	<p>Working with devolved governments</p> <p>Reducing regional inequality cannot be achieved from central government alone. Central government must consult devolved governments and incorporate them into plans to best understand which relevant levers and delivery mechanisms are controlled centrally, and which at other tiers of government.</p> <p>Central government should set out a statement clarifying the respective roles of the different governments in the UK alongside the targets.</p> <p>Central government should ensure devolved governments are equipped for the role by accompanying plans with a clear devolution framework and prioritising funding simplification.</p> <p>To improve communication central government should make better use of regional offices and contacts to improve information flow. Other options include creating Whitehall contacts for local governments, creating secondments for officials or a standing committee with representation from different governments focused on policies to reduce regional inequalities.</p>

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