

Levelling up

Five questions about what the government means by the phrase



About this report

Levelling up was a central Conservative manifesto promise in 2019, given new impetus following the rebranding in September 2021 of the Ministry of Housing, Communities and Local Government as the Department for Levelling Up, Housing and Communities, with Michael Gove as its new secretary of state. However, the meaning of this slogan is not always clear, and ministers have mentioned many different – and sometimes conflicting – objectives in the levelling up agenda. This Analysis paper sets out five questions that the government must answer in its forthcoming white paper to address gaps and contradictions in its statements on levelling up.

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Summary

In a press release announcing the rebranding of the Ministry of Housing, Communities and Local Government as the Department for Levelling Up, Housing and Communities (LUHC), Michael Gove – the department’s new secretary of state – called the levelling up agenda “the defining mission of this government”.¹ Gove, who while at his previous role at the Cabinet Office oversaw important policy areas including Brexit preparations and the Covid response, is joined by Neil O’Brien as a junior minister, appointed as the government’s ‘levelling up adviser’ earlier in the summer.² An adviser to former chancellor George Osborne on the Northern Powerhouse initiative, O’Brien also advised Theresa May on industrial strategy.

The rebranding of the department, as well as the appointment of some of Johnson’s most capable ministers, suggests that the prime minister is keen to advance the levelling up agenda as the UK emerges from the pandemic. The government has already set out some of its thinking on how it will achieve this ambitious, cross-government project, including in *Build Back Better: Our plan for growth*,³ published by the Treasury alongside the March 2021 budget,⁴ and in Johnson’s levelling up speech in July 2021.⁵ However, gaps and tensions remain that the promised autumn white paper on levelling up must address.

Concern about inequality between different regions of the UK is not new. As early as the 1960s, Harold Macmillan was writing to his cabinet about addressing “the imbalance between south and north – between ‘rich’ areas and the ‘poor’ regions”.⁶ Since then, successive governments have implemented policies to try to address these divides – such as the creation of regional development agencies by the Blair government in 1998 and the Northern Powerhouse initiative introduced by the coalition government in 2014.

However, differences in productivity between the different regions of the UK remain large, and the gap between the most and least productive areas is much higher than in other European countries such as France, Germany and Spain.⁷ These persistent inequalities are ones the Johnson government is seeking to address with its promise to help ‘left-behind’ areas of the UK. But the levelling up agenda also extends beyond purely economic outcomes to addressing, for example, differences in life expectancy between areas.

Ahead of the white paper, this report looks at what we know so far about the government’s priorities for levelling up. Based on the *Plan for Growth*, Johnson’s levelling up speech in July, and the main policies announced so far, it is clear that levelling up is about more than just improving people’s incomes. Health outcomes, educational opportunities and whether somewhere feels like a nice and safe place to live are all things the government hopes to address. It is also clear that the government is committed to improving infrastructure, from public transport to broadband, to make places more connected.

However, there are still parts of the levelling up agenda that are not as well defined. It is not always clear whether the government wants to target inequalities between **people or places**, what role **regional cities** have to play in helping areas to level up, and whether the government wants to **decentralise power** as part of its plan.

These gaps are all the more concerning given levelling up will involve so many different parts of government. As well as the newly named department, there is a levelling up taskforce based in the Cabinet Office, with former Bank of England chief economist Andy Haldane as permanent secretary. Policies drawn up by the Treasury and business department to support regional development and local jobs will also play a part, as will spending on infrastructure, education and health.

This Analysis paper raises five questions for the white paper to answer if it is to give weight to what the government hopes will be its flagship post-Covid policy:

1. How (if at all) do the people-based and place-based elements of the levelling up agenda interact?
2. What is the role of regional cities in driving improved outcomes for 'left-behind' places?
3. What measures will the government be looking at to assess its progress?
4. What is the role of subnational governments?
5. How will the government work with the devolved administrations, especially in policy areas that are devolved, to level up the UK?

Major statements on levelling up

So far the government has set out its thinking on levelling up in three main ways: in its **plan for growth**, published in March; in **Boris Johnson's speech** on levelling up in July; and in the **main policies** already announced as part of the levelling up agenda.

The plan for growth (March 2021)

The Treasury published *Build Back Better: Our plan for growth* in March 2021 alongside the spring budget. The document defines levelling up as “improving everyday life for people in those [‘left-behind’] places”.⁸ It advocates a new economic approach to tackling regional inequality, based on:

- improving the productivity of cities across the UK
- investing in public services to make sure they are high quality in every area
- investing in towns to connect them to high-quality jobs, to encourage private investment and to create places where people feel secure and proud to live.

Boris Johnson's speech (July 2021)

The prime minister's speech on levelling up included lots of ambitions and some policy proposals to tackle regional inequality in the UK. These included:

- investing in public services, including public transport and education
- making places nice to live in, by tackling crime, creating good-quality jobs and improving high streets
- investing in infrastructure, including road, rail, housing and broadband
- investing in innovation and research and development (R&D) to create jobs across the UK
- addressing geographic inequalities in skills and post-16 education
- closing the gap in productivity between London and the other cities of the UK
- encouraging local leadership and devolving more powers to local areas.

The speech also emphasised that levelling up some areas need not mean ‘levelling down’ others by taking away from the successes of more productive regions of the UK. Instead, Johnson claimed that continuing to invest mainly in these areas would only further increase their costs of living.

Main policies

The government has already announced some policies as part of the levelling up agenda, as shown in Table 1. These flagship policies give a useful signal as to the government's priorities, although many other areas of existing government policy will also affect the sorts of objectives identified as part of levelling up.

Table 1 **Main levelling up policies**

| Policy | Description |
|---------------------------------|--|
| Levelling Up Fund* | A £4.8 billion fund for 'shovel-ready' infrastructure projects across the UK. This money will be spent up to 2024/25. Bids for the first round of funding were submitted between March and June 2021, and final decisions will be made in autumn 2021. |
| Towns Fund* | A £3.6 billion fund for towns in England, including money for the regeneration of high streets. A total of 101 towns were eligible to bid for up to £25 million each for Town Deals, with the allocation of funding announced in July 2021. ⁹ Funding will predominantly be for investment, focusing on: <ul style="list-style-type: none"> • Urban regeneration, planning and land use • Skills and enterprise infrastructure • Connectivity. |
| Community Renewal Fund* | A £220 million fund for the whole of the UK in 2021/22, which aims to provide a bridge between EU structural funds and the planned new UK Shared Prosperity Fund (UKSPF). The majority of the funding is revenue funding, with a small amount of capital funding. Projects must align with at least one of the following priorities: <ul style="list-style-type: none"> • Skills • Supporting people into employment • Local business • Communities and place. |
| Skills Fund | A £2.5 billion fund for adult skills, including a guarantee of free access to level 3 qualifications and funding for skills boot-camps. |
| Freeports* | Low-tax and low-tariff business zones. Locations bid to become freeports and eight were selected and announced at the March 2021 budget. |
| UK Infrastructure Bank | A new government-owned bank that will be able to finance infrastructure projects. The bank will have £12 billion of capital for lending and investment, and the authority to issue up to £10 billion of guarantees. |
| Civil service relocation | Movement of civil service jobs away from London and the south-east of England, with a target to move 22,000 jobs by 2030. |

* Denotes centrally managed funds or projects where places bid for selection.

What is clear

From the above statements on levelling up, two things are clear about the government's objectives.

1. **Levelling up is about more than just economic outcomes.** Addressing inequalities in productivity and economic growth are highlighted as important objectives in both the plan for growth and the Johnson speech. However, the government has been clear that it wants levelling up to be about more than just economic metrics. In the Johnson speech, for example, differences in life expectancy, in educational opportunities and in levels of crime all feature as examples of problems the government wants to tackle as part of the levelling up agenda.
2. **Infrastructure is an important part of levelling up.** Investment in infrastructure is mentioned in both the Johnson speech and the plan for growth and forms a large part of most of the main levelling up policies that have been announced so far. The Levelling Up Fund and the Towns Fund will both provide additional funding to improve local infrastructure, and the new UK Infrastructure Bank will be another source of funding for projects to improve connectivity across the UK.

But there continue to be some important gaps and tensions in the government's stated objectives. It is not always clear whether levelling up is about **people or places**; what the role is for **cities**; and how important it is to **devolve powers** and **decentralise decision making**. The rest of this report looks in more detail at these three issues, and then sets out some questions that the forthcoming white paper on levelling up must address.

People or places?

In the UK, there is significant inequality within as well as between places. For example, while London is the most productive region in the UK, it also has some of the highest rates of poverty.* In its early usage, the term 'levelling up' was mainly oriented to this inequality between people. The first minister to use the term was the former education secretary, Justine Greening, under Theresa May's premiership, who talked about 'levelling up' opportunities for children in education. Although Greening did focus on geography as one of the factors of disadvantage,¹⁰ her use of the term fits more within the tradition of equality of opportunity – helping the neediest people, “no matter where they are or what their background”, as Greening put it.¹¹

The government sometimes continues to use 'levelling up' in terms of people rather than places. This is particularly the case in education and skills policy. The National Skills Fund, for example, creates opportunities for adults to get extra qualifications regardless of where they live. Adults in London will benefit as much as adults in less productive parts of the country. And in his July speech, the prime minister seemed to suggest that levelling up was – at least in part – about helping the poorest *people* rather than the least productive *places*. Referring to his time as London mayor, when life expectancy increased across the capital, Johnson said that “the gains had been greatest among the poorest groups and that is what I mean by levelling up”.¹²

However, at other times the government has clearly prioritised helping particular places to level up, rather than people. For example, the Levelling Up Fund, Towns Fund and Community Renewal Fund all use various metrics to rank places according to need. But some people in those areas ranked as most in need have a high income, and some people in areas deemed least in need have a low income.

In addition, the way the government has chosen to rank places in these funds reflects its choice to prioritise places over people. Each of the funds uses a set of metrics and applies some weights to those metrics to rank all areas according to their 'need' for levelling up. The government has published details of these formulae.¹³ Although the funds use slightly different sets of metrics and weight these somewhat differently, all of them use a measure of the economic output of an area – gross value added (GVA) – to determine whether it is most in need of funding, as opposed to just focusing on the economic circumstances of people living in the area (by, for example, using household income or poverty rates). GVA is the most heavily weighted component of the Levelling Up Fund and Community Renewal Fund rankings, even though the jobs in an area are not necessarily done by local people. As a result, areas with high-value employment but also high rates of income deprivation (for example, Milton Keynes and Solihull)

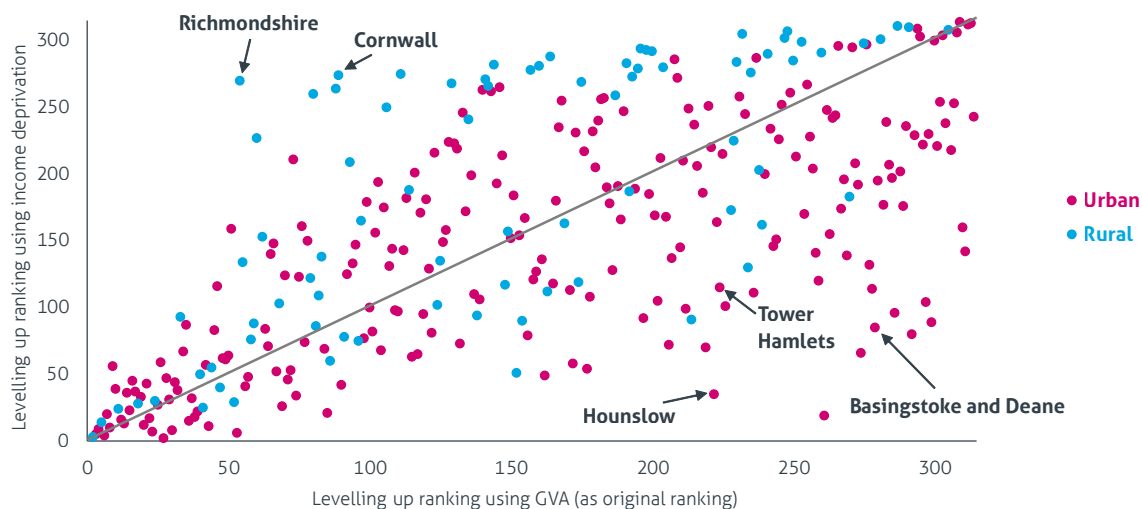
* Data from the Department for Work and Pensions for 2019/20 suggests that after housing costs are taken into account, London has the highest percentage of people with relative low income in the UK (27%). See Francis-Devine B, *Poverty in the UK: Statistics*, Briefing Paper No. 7096, House of Commons Library, 2021, p. 37.

are given relatively low ranks in these formulae. In contrast, areas with relatively low economic output but relatively affluent households (such as rural areas like Newark and Sherwood, and Wealden) are given relatively high ranks. These areas might be higher income but low productivity either because people commute out of the area to work or because there are large numbers of relatively wealthy pensioners.

Figure 1 shows this by comparing the ranking of areas using the Levelling Up Fund formula (on the horizontal axis) against the rank that areas would be given using the same formula but replacing GVA with the percentage of the population out of work or on low earnings (on the vertical axis).

The two measurements reach broadly the same conclusion about which are the 40 local authorities most in need of levelling up, including places such as Hartlepool and Bradford. But significant disparities arise lower down the rankings, as rural areas – such as Cornwall and Richmondshire – receive higher rankings based on GVA than rankings based on income deprivation (in other words, they have relatively low economic output but nonetheless have low rates of income deprivation), while urban areas – such as Basingstoke and Deane, Hounslow and Tower Hamlets – receive lower rankings using GVA rather than income deprivation (in other words, businesses and jobs in these areas produce relatively valuable output but the people living there have relatively high rates of income deprivation).

Figure 1 **Comparison of using GVA and the income deprivation rate within the Levelling Up Fund formula**



Source: Institute for Government analysis of the Levelling Up Fund formula, incorporating data from Office for National Statistics, 'Mapping income deprivation at a local authority level: 2019', 2021, on rates of income deprivation and urban/rural classification of the local authority. Ranking: 1 = most in need, 300 = least in need.

Prioritising GVA over income deprivation in these rankings therefore has the effect of prioritising one vision of levelling up – targeting the least productive places – in favour of the other – helping the most deprived people, wherever they might live. With the government, elsewhere, using 'levelling up' interchangeably to refer to improving outcomes for the neediest places and improving outcomes for the neediest people, there is not a clear justification for prioritising one vision of levelling up over the other in this way. The white paper needs to clarify whether the government is deliberately choosing to place more emphasis on productivity, and if so, what the trade-offs will be in terms of helping the most deprived areas.

The role of cities

The plan for growth highlights the importance of cities as engines of productivity growth, and it sets the long-term objective for every region and nation of the UK to have at least one globally competitive city. The Johnson speech also touches on the role of cities, pointing out that other G7 economies such as France have more comparable levels of productivity across their big cities. The Johnson speech expresses a desire to “[close] the gap between London and the rest of the UK’s great cities”.¹⁴

However, at other points, the government’s statements seem to downplay the role of cities in the levelling up agenda, focusing instead on the regeneration of ‘left-behind’ towns. The Towns Fund prospectus, for example, suggests a shift in emphasis: where “successive governments have ... focused on cities as engines of economic growth”, the Towns Fund will instead support growth in towns.¹⁵ At times, the government has even suggested that further growth of cities would be a bad outcome. For example, the prime minister is reported to have expressed a desire to create more jobs outside cities to avoid a ‘brain drain’ from towns across the north of England into cities.¹⁶ In a recent select committee hearing the transport secretary, Grant Shapps, echoed this view, saying:

“If you happen to live in [a smaller town], and literally the only option for you to have a bright future is to leave and go to a bigger city ... [that] is very much at the heart of what we mean by levelling up the country. We think that people should not necessarily have to leave and come to the big city.”¹⁷

There is a possible bridge between these two visions of levelling up – improving both city productivity and the economies of towns – in the government’s focus on infrastructure. Better connections between towns and regional cities would be one way to improve the employment opportunities of those who live in towns. But the Towns Fund prospectus suggests that the government does not think this is enough: “While some towns prospered through their links to growing cities, generally residential towns – including commuter towns – have seen declining populations. For those still living in shrinking towns, social mobility often falters, even when compared to the most deprived communities in cities.”¹⁸

Different types of policies will be needed if the main objective is to boost employment opportunities in towns rather than to ensure people in a particular area can access high-quality jobs, wherever they may be. To give a concrete example, the best set of policies will be different if the government’s objective is to boost the number of jobs in Wakefield and Barnsley than if the focus is instead on ensuring that people who live in Wakefield and Barnsley can access good jobs, even if those jobs are located in cities like Bradford or Leeds.

Decentralising decision making

The government's rhetoric around the role of devolution and local government in the levelling up agenda is mixed. The plan for growth says that the government "[wants] to devolve and decentralise to give more power to local communities"¹⁹ and, as part of the programme of moving civil servants out of London, many ministers have extolled the benefits of giving people from outside London more of a say in policy making.²⁰

But other government statements on decentralisation have been more equivocal. In his July speech, Boris Johnson talked about encouraging local leadership, and the possibility of giving counties equivalent powers to those devolved to metro mayors. However, the speech also warned of the risks of the 'loony left' taking over local areas.²¹ The rebranding of the Ministry of Housing, Communities and Local Government to the Department for Levelling Up, Housing and Communities (LUHC) could be seen as reaffirming the government's commitment to decentralisation, by putting the secretary of state in charge of levelling up within the department that works most closely with local government. However, some have criticised the name change for dropping 'local government' from the department's title, taking it as a sign that the government is less – rather than more – interested in working with local government to deliver levelling up.²²

Most of the government's flagship policies, including the Towns Fund and the Levelling Up Fund, allocate funding based on bids that local areas submit. This gives central government a lot of power over funding decisions and the types of projects that are eligible, rather than giving local areas more autonomy to decide how best to spend money to boost local growth. There is therefore a gap between some of the government's stronger rhetoric on the need for more devolution, and the reality that central government continues to control where most of the money goes.

The proposal to move more civil servants out of London also will not necessarily lead to greater decentralisation of policy making.²³ If ministers and the majority of senior policy makers remain in London – as is likely to be the case without more radical proposals for change, given the advantages of proximity to Westminster – then having more officials based in the regions will not change the fact that they are still answerable to people in London. The department has said that there will be a ministerial presence in its new headquarters in Wolverhampton,²⁴ which represents a positive step in terms of backing up civil service relocation with a change in where policy is actually made. But with an official reportedly claiming that staff may be able to be based in London but work remotely or commute to Wolverhampton a couple of times a week, this relocation may not end up being as radical as billed.²⁵

Questions also remain about the role of the devolved administrations in levelling up. Many of the policy areas involved in levelling up – including education, skills and economic development – are devolved to the Scottish, Welsh and Northern Irish governments. However, the UK government clearly sees levelling up as an agenda that extends "throughout the UK".²⁶ As part of the Levelling Up Fund and the UK Shared

Prosperity Fund (UKSPF), the UK government has committed to spending money in policy areas that have so far been the devolved responsibility of the Scottish, Welsh and Northern Irish governments. The UK government has yet to provide details on how the devolved governments will be involved in the governance of the UKSPF.²⁷ A recent Institute for Government paper highlighted the risks of this, including that service provision in the devolved territories would be duplicated or fragmented; and that it will increase political tensions if it is seen to undermine the devolution settlement.²⁸

Michael Gove, the new secretary of state at LUHC, is also responsible for maintaining the union. The effect of levelling up on devolution, and the question of whether and how to devolve further powers to subnational government, will therefore be important issues that Gove will have to address in his new role.

Five questions for the white paper

Successive statements from the government on levelling up have attempted to clarify this sometimes nebulous term. The March 2021 *Build Back Better: Our plan for growth*, Boris Johnson's July speech and the announcements of major policies such as the Levelling Up Fund have all set out objectives that the government intends to pursue. However, this report has identified gaps and tensions in the levelling up agenda. Deciding on the most appropriate policies in the future, as well as how best to target them, will depend on resolving these issues, though the appointments of Gove and O'Brien to the new levelling up department signal that the government is serious about the initiative.

The forthcoming white paper will be a chance to refine the government's thinking on levelling up. The paper was due to be led by the prime minister and supported by a new joint Cabinet Office and No.10 unit, with input from O'Brien as levelling up adviser.²⁹ The movement of Gove and O'Brien to LUHC – with the levelling up taskforce remaining in the Cabinet Office – makes it unclear what input their department will now have into the white paper.

There are five questions the white paper must answer if it is to give weight to what the government hopes will be its flagship post-Covid policy:

- 1. How (if at all) do the people-based and place-based elements of the levelling up agenda interact?** The government must be clear about the difference between helping the poorest people in the UK (wherever they may live) and targeting support at particular areas. These two approaches are not mutually exclusive, as some areas of levelling up – such as education and skills – might be better suited to a people-based approach rather than a place-based one. But the appropriate mix of policies will be different and success will be measured in very different terms. It is important to know whether the government expects to be judged on how individuals are faring or how much 'left-behind' areas have improved.
- 2. What is the role of regional cities in driving improved outcomes for 'left-behind' places?** A vision of levelling up that is mainly about improving the productivity of regional cities is very different from one that is mainly about making sure people do not have to move or travel out of their towns to find work. The white paper will need to be clear about what role the government envisages for regional cities in supporting the levelling up agenda.
- 3. What measures will the government be looking at to assess its progress?** As part of clarifying its priorities around the main aims of levelling up, the government should set out how it intends to measure its progress. This is important not just as a matter of political accountability – parliament and voters should be able to judge governments on whether they keep their promises – but also as a matter of effective delivery. If levelling up is to be a success, ministers will need a way of knowing whether they are on track to meet their objectives, rather than guessing

at the best way to tackle regional inequality. The choice of GVA, household incomes, transport times, population sizes of towns and any other relevant metrics may well all give a slightly different picture of progress. The government should be explicit about which of these it sees as most important, and why.

4. **What is the role of subnational governments?** Despite the rhetoric about giving more power to local areas, the government has so far favoured policies that give control over funding to the centre of government. Moving civil servants out of London is often cited as the way the government will decentralise decision making, but this alone will not be enough to empower local areas. As the levelling up white paper is meant to cover issues of English devolution that were due to be part of a separate devolution and local recovery white paper (now no longer being published), it will be a good opportunity for the government to clarify its intentions on the role of subnational tiers of government in the levelling up agenda.
5. **How will the government work with the devolved administrations, especially in policy areas that are devolved, to level up the UK?** Currently, tensions between the UK and devolved governments are high, with the latter accusing the UK government of undermining the devolution settlement by spending on areas of devolved competence through the Levelling Up Fund and the UKSPF.³⁰ With Gove responsible for levelling up and protecting the union, these tensions fall squarely on him. The white paper needs to set out a clearer vision of how the UK government will work with the governments in Scotland, Wales and Northern Ireland to achieve levelling up, given how many of the policy areas involved are devolved and thus the need to co-ordinate action between the UK and devolved governments.

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