UNIVERSITY OF BIRMINGHAM

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03

REDI-UPDATES

// GETTING BEHIND THE DATA \\

Levelling up - The challenge of implementing, understanding and measuring levelling up

INTERNATIONAL SUCCESS STORIES

Dr Abigail Taylor discusses recent research on how countries have successfully levelled up former 'left behind' places.

LESS IS MORE?

Carolin Ioramashvili and others look at whether the levelling up white paper will rebalance regional distribution of R&D spending.

MOBILISING UNIVERSITIES

Professor John Goddard asks how Universities can become a positive force in shaping the visions of the white paper.

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Director's Note

Maintaining our commitment to regional partners whilst contributing to the national debate

Professor Simon Collinson

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Levelling up

The two years since our last edition of REDI Updates have been unusually challenging. The pandemic has had a significant impact on the economy and our society, but also on the way we work, meet, and interact. Because of this, we have refocused much of our research and analysis on these challenges. Adapting to support our stakeholders, we have been tracking how this drawn-out shock has affected firms, households, and communities in our city-region and elsewhere, across the UK and globally. Our long-term, consistent dedication to building an in-depth understanding about how regional economies work, has given us a clear advantage in evaluating the effects of this and other shocks to the system.

Because of this we have been able to contribute significantly to the national debate, providing direct inputs into Treasury, BEIS, the Select Committee on Science and Technology, and directly with Ministers. An Industrial Strategy Council report on what it takes to level up places with a WMREDI lead author was cited, alongside other outputs, in the Levelling Up report itself. But we have also maintained our commitment to supporting our regional partners with the kinds of analysis you will find here and on our websites. The WMREDI consortium, with our new hub in the University's wonderful new city-centre building, The Exchange, has fed intelligence into policy discussions across the West Midlands and the wider Midlands Engine region. Our West Midlands Economic Impact Monitor (over 70 editions now), presented to the WMCA Mayor's Economic Impact Group every fortnight, helps shape the region's response to the shifting economic environment.

Throughout this period, we have stayed focused on our original mission, to support inclusive regional growth. Through the co-production of analytical tools, insights, intelligence, and policy support, we help city-regions grow better, not just faster. This mission is now even more central to the wider political agenda in the UK and beyond. The long-awaited Levelling Up White Paper has been launched and we are uniquely positioned to contribute to help regions leverage the opportunities it presents.

A small sub-set of our research is showcased in this edition of REDI Updates, and much of it focuses on the above White Paper but linked to a broader and longer-term set of challenges and opportunities for city-regions. We ask to what extent 'devolving-down to level-up' is the cure for persistent low-growth and low-productivity in many UK regions. Also, given the various challenges of Levelling Up, is there sufficient funding (or actually any new funding) in the White Paper? Sub-themes, including skills and employment support, the role of universities and how public R&D flows to regions outside of the South-East might give a boost to regional innovation systems (or not), are also explored.

Finally, a large part of this edition is dedicated to measures, indicators, and impact evaluation which REDI offers. These kinds of frameworks and analytical tools can help us work out where "the Level" is in "Levelling Up".

WMREDI's research has been made possible by a major award from the Research England Development (RED) Fund, together with matched funding from the University of Birmingham and regional stakeholders.

Editor's Welcome

Ben Brittain

"As we leave the pandemic and enter a recovery phase the prominence of inter and intra-regional inequalities is once again a dominant issue that needs addressing."

REDI-Updates is a bi-annual publication which will get behind the data and translate it into understandable terms. WMREDI staff and guest contributors will discuss various topics, with this third edition focusing on the challenge of implementing, understanding and measuring levelling up.

In the last issue of REDI-Updates, WMREDI demonstrated how our research and skills have been used to respond to the Covid-19 pandemic.

Through our analysis, we supported the West Midlands Combined Authority, LEPs and others, to better understand the impact of the pandemic on our city-region's economy.

As we leave the pandemic and enter a recovery phase the prominence of inter- and intra-regional inequalities is once again a dominant issue that needs addressing.

The recent levelling up white paper has firmly established the government's intention to address this.

Whilst the white paper is a large document (332 pages) we have analysed the scope, funding and ambition within the document.

We investigate what new funding is attached to the white paper? What and when will powers be devolved? How will the region benefit from a greater share of R&D funding?

Our analysis, provided in this edition of REDI-Updates, demonstrates that we are effective in responding to moving agendas, but crucially that we have a depth of research readily available to add depth to any analysis.

Through previous research conducted by Dr Abigail Taylor and Professor Anne Green, we emphasise the need for successful partnership working in driving better outcomes in regional growth.

Additional research shows other countries have great examples of levelling up, transforming city economies from post-industrial 'left behind' cities, into vibrant and dynamic and growing economies.

We have also risen to the challenge of how we measure levelling up. The white paper mentions the important need to evaluate outcomes and measure trends.

There is difficulty in that, such as finding the right data can go the granular and local level to give effective insight in to the 12 missions outlined in the white paper.

In this edition we discuss all this and more.

At its core, our research and analysis discussed in-depth in this edition, demonstrates that WMREDI is using its innovative hybrid mix of academic expertise in sustainable regional economic development and our applied research co-created with regional partners to robustly meet the emerging challenges in growing our city-regions.

WMREDI will meet the challenge of levelling up our regions with the same vigour that has defined our approach to other issues.

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SIGN UP

WMREDI has been tasked with providing an up to date monitor of the current COVID-19 economic impacts to help regional partners to shape responses and interventions to ensure the region continues to thrive. Sign-up to WMREDI's West Midlands impact monitor, collated by staff across the institute.

Sign-up by emailing: **cityredi@contacts.bham.ac.uk**

"The competitive funding model allows larger and better resourced governance structures to prepare and submit bids to central government, often meaning rural and smaller urban local authorities are at a disadvantage."

- Ben Brittain and Rebecca Riley

The morbid symptoms of low-growth and low-productivity

Is devolving-down to level-up the cure?

REBECCA RILEY AND BEN BRITTAIN

local governance is often geographically uneven and unnecessarily complex

GROWTH HAS BEEN SLOWING

Michael Gove gave the Ditchley Annual Lecture in July 2020, before he was reshuffled from the Cabinet Office to the newly titled 'Department for Levelling Up, Housing & Communities'. In the lecture he identified the current malaise of UK growth, distrust in democracy, and lack of faith in capitalism as an age of 'morbid symptoms'.

WAGES HAVE BEEN UNDERCUT IN AN AGE OF GLOBALISATION AND MASS-MIGRATION.

Growth, he argues, has been slowing in the UK, and its benefits have been concentrated in the hands of the 'already fortunate'. High-skilled workers have often seen a return on their labour, but those workers in low-skilled manufacturing roles have seen little return with many jobs offshored and wages undercut in an age of globalisation and mass-migration.

The medicine for this age of morbid symptoms is, Gove argues, to reform capitalism, reinvigorate support for democracy and 'get Government working better for all while building more inclusive societies.'

The Levelling Up White Paper reflects this view; the paper presents a step change in the approach to economic geography and structures. The first 2 chapters draw out both strong evidence but also a different approach to the country and its place assets. However, to achieve this the machinery of government must change. Real change requires real reform, and it requires structural reform of government. The government's levelling-up agenda is a prescription to help cure the UK's current low-growth, low-productivity malaise, but the ingredients must be right. There has been considerable response to the paper, and much of it is centred on whether the vision in the paper will flow through to organisational and operational delivery.

Firstly, reform of local institutions will face the challenge of ensuring they are invested in to deliver programmes that are more tailored to local needs. To achieve that appropriate and real devolution is going to be crucial.

We can draw on our research at City-REDI to reveal the embedded structural problems within the current structure of sub-national governance. In her research, Professor Anne Green looked at the spatial economic architecture of the Midlands, conducting an audit of local and sub-regional economic development strategies and plans. The audit revealed that some regional 'strategies' are in fact just 'visions.' Not all have numerical and tangible targets that would be needed for evaluation, not all identify the funding required for intervention and often targets relate to closing a gap, which suggest even a minimal closure of identified gaps could be seen as a 'win'.

This is also a feature of the mismatch between funding that is devolved and the needs of a local place. Lack of devolved funding and capacity can lead to a place knowing exactly what they need to do to level up, but a misalignment

with the funding they win, or which government devolves.

As Gove identified in his lecture, government needs to be rigorous and fearless in its evaluation of policy and projects, alongside the need to evaluate data more rigorously. This should not be reserved for central government capital projects but also for local authority and combined authority projects. However, the capacity and capability at this level has been hollowed out and needs rebuilding. Government itself also has to heed Treasury's guidance on place-based assessments and ensure projects and programmes are assessed across the board for place impacts and ultimately the impact on levelling up.

Alongside this, local governance is often geographically uneven and unnecessarily complex, with a mix of statutory and non-statutory organisations and responsibilities that have developed in an ad hoc manner, usually in response to government policy. This poses difficulties for gaining a clear line of sight between sub-national and national polices.

Additionally, the government's use of ad hoc funding pots, which local authorities must bid for, compound co-ordination problems. There is also variation by department on how they handle delivery at a local level, which adds to the confusion. The White Paper goes some way to suggesting changes to this structure, but the language used is still couched in advisory terms.

The competitive funding model allows larger and better resourced governance structures to prepare and submit bids to central government, often meaning rural and smaller urban local authorities are at a disadvantage, unable to prepare bids without being resource intensive or outsourcing to expensive consultants, with no guarantee of success.

Reviewing one recent fund that exemplifies the competitive approach, on 3 November 2021 the UK government announced a list of 477 successful bids (from 1,073 submitted) for its Community Renewal Fund (CRF). The fund supports investment in skills, local businesses, communities and place. The winners across England, Scotland, Wales and Northern Ireland will share a total of £203m, all to be spent by the end of June 2022. In public expenditure terms the CRF is modest, but it is supposed to prepare the way for the new UK Shared Prosperity Fund (UK SPF), intended to replace EU funding and be worth on average £1.5bn a year. Underpinning the CRF and SPF should be local needs and it should be guided by the overarching agenda to 'level-up'.

The WMCA submitted 23 bids and was awarded 8; of those 8 many were not the highest scored of the 23. The successful bids were heavily focused on skills/employment, but no universities won bids and there was nothing on business support. This is a worrying signal if it is replacing EU funding which is a major funder of business support and university assets nationally. EU funding is also a source of match funding to leverage other public and private sector funding and its loss would lead to an overall reduction in wider funding as a result.

The successful CRF bids allocate money to projects submitted by county councils, combined authorities, Local Enterprise Partnerships and (elsewhere) unitary authorities. Adding up the awards to the regional level, and comparing the figures with the regional distribution of EU funding, show that the South East, East and South West see a substantial increase in their share (see figure 1).

The share of CRF awards going to the three northern regions – North East, North West and Yorkshire & the Humber – is just 27 per cent, down from 41 per cent of EU funding.

If this distribution of CRF funding were to be repeated in the allocation of UK SPF funding it would represent a major shift in resources to southern England and away from many of the places most in need of levelling up.

In addition to this there were a total of 1,073 bids submitted to Government for consideration. This figure also does not account for those that were sifted through and rejected.

Figure 1: CRF Funding by region percentage share against EU funding

	% share of English pot	
	EU funding 2014-20	CRF awards
North West	17.4	9.7
West Midlands	14.0	13.5
South West	13.9	17.5
Yorkshire & Humber	12.2	11.2
London	11.4	3.0
North East	11.3	6.2

Cont. on next page...

The competitive bidding process is resource and labour intensive, requiring substantial effort from local authority (LA) officers and wider policy and business development managers to collate, write and align bids with Government's criteria. Often LAs do not have the internal capacity to commit staff time, and many LAs do not have the expertise and skills within the organisation so the responsibility is contracted out.

The business case cost, which would account for the writing, approvals and reviewing costs of staff for salary and on costs at the local, regional and national level, could equate to a conservative estimate of just under £30,000 (without any use of consultants). This would mean the average bid can be estimated to cost £30,000. Across the West Midlands there were 110 bids, totalling £3.3million. The average successful bid is however, only worth around £500k. The West Midlands CA won 8 bids.

The £3.3million is a wasted resource which could be utilised to address and deliver prioritised projects, whether that be skills-focused, regeneration, housing or climate change initiatives. Of the 1,073 bids submitted to government, 596 were unsuccessful. If we use the baseline average of £30,000 per bid it equates to nearly £33m in wasted human capital that could be used elsewhere. The total amount of the CRF fund is £203m but deducting £33m on bid preparation is unnecessary waste. This cost is also hidden, it is in the operating costs of local organisations that do not have the flex to account for this cost; this means that even simply applying for funding the precious resources are taken away from other vital services and activities.

It shows that the competitive bidding process is a potent example of wasteful government. This also came out in research conducted in partnership with WMREDI / City-REDI and the now disbanded Industrial Strategy Council (ISC) on subnational government. We found that funding uncertainty creates over-reliance on consultants, who are often more costly and have a limited positive impact on building institutional knowledge. Down the line this can also lead to failures in operational delivery as these aspects are not built into the business case as effectively as they could be.

Internal capacity, particularly in analytical functions, was considered insufficient and held institutions back in terms of developing coherent evidence-based, long-term strategies and securing funds from central pots. Insufficient skills and capacity also limit their ability to conduct evaluation and learning.
To rectify this the ISC and WMREDI recommended greater fiscal devolution, particularly in terms of more devolved spending powers.

This would enable funding to be spent on targeted, long-term interventions that address place-specific issues - issues can still be aligned with the centre but should be funded through a single pot programme rather than piecemeal.

Multi-year, single-pot funding settlements are needed to create more certainty and enable longer-term strategic planning and implementation.

More long-term investment from the public sector is needed to unlock local economic growth and ensure private investment follows.

> The ISC and WMREDI recommended greater fiscal devolution, particularly in terms of more devolved spending powers.

The benefits would be:

• Cutting down on waste at a local level where effort can be put into developing strong business cases, solid project delivery and evaluation capacity, improving outputs and keeping activity close to need;

• Increasing partnership working at a regional level where efforts are put into strategic investment decision making and alignment of project and programmes, as well as specialised research, intelligence and technical capacity for the benefit of local partners;

• Reducing the reviewing and assessment burden nationally so that effort can be put into strategic portfolio management and evaluation;

• Across the board it would be more transparent process, with funding and accountability hand in hand.

To cure the morbid symptoms of sub-national governance in the UK and achieve the ambitions Michael Gove outlined in the Ditchley Annual Lecture, we need to devolve down to level up.

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Challenges of levelling up

PROFESSOR ANNE GREEN AND ALICE PUGH

What is levelling up?

At the time of writing, the Government has failed to provide a clear explanation of what levelling up is; there are only vague definitions available of what it means (Garling, 2021). Levelling up could mean numerous different things. In the absence of a government vision, confusion has been created. However, the wait could soon be over: The White Paper on levelling up is set to be released in January 2022.

In general, though, levelling up is seen as a commitment to redressing regional (Holmes, 2021) and sub-regional inequalities (Hoole, 2021), so resulting in material improvements to people's lives. There is a focus on place and tackling the inequalities of 'left-behind' areas of the UK (Davenport and Zaranko, 2020). These are characterised by broad economic underperformance, which manifests itself in low levels of pay and employment, leading to lower living standards. There is a need to level up without compromising growth in already successful places (Hoole, 2021). However, the outcome measures for levelling up are expected to go further than productivity to include measures related to education (Department of Education, 2021), health (Department for Health and Social Care, 2021) and crime (Home Office, 2021). So far, the Government has hinted at possible measures (Prime Minister's Office, 2021). Without clarity on how success of levelling will be measured, local authorities will likely struggle to align national outcomes with local priorities, resulting in a policy disconnect (Matsu and Pitt, 2021).

> Regional and sub-regional inequalities are, highly entrenched

Regional inequalities and sub-regional inequalities

There are massive geographical inequalities which have plagued that UK for decades. Since the 1980s, inequalities in productivity, income, employment, education, and health have been widening between the best and worst performing regions (Seaford et.al, 2021). Figure 2, shows the regional inequalities that exist within the UK. It compares Gross Disposable Household Income (GDHI) (ONS, 2021), GVA per hour worked (ONS, 2021), Healthy Life Expectancy (ONS, 2021) and the percentage of the working age population (16-64) with NVQ3+ (Nomis, 2021). The graphs show, that London and the South East outperform every other region, on almost all of the indicators. endinequalities as 'left-behind' places suffer more from Brexit, compared to more prosperous areas of the UK.

However, this is not simply a London and South East vs the North issue. Inequalities are stark within regions as well as between them (Holmes, 2021). London may perform well, but there are massive disparities between areas within London. For instance, the average GVA per worker in Wandsworth is £35.15, compared to £60.46 for Tower Hamlets.

Additionally, in 2019, 67% of London's working population was educated to NVQ3+, compared with other areas, such as the North East, which has 52% of its working age population educated to this level. However, again disparities are prevalent within regions. For example, in the North West (in 2019) whilst Ribble Valley had 76.6% of its working population educated to NVQ3+, in Burnley this rate

was 41.2%. Areas in need of levelling up are often stuck in a 'low skills equilibrium' (Seaford et.al, 2021), where local employers offer low skill jobs and operate in low-cost markets, meaning there is little incentive for an unskilled population to upskill. As a result, these areas are also less likely to attract or retain higher skilled workers too, as they are likely to migrate to where higher skilled jobs and higher wages are on offer.

The Centre for Cities found that big cities across the UK were considerably below their 'productivity potential' (Swinney, 2021). The research found that, for the eight largest cities outside the productivity gap is £47bn. Of course, there are non-urban areas that are underperforming too. But improving the productivity gap in these areas would have a very small impact on the wider or regional economy. Centre for Cities estimates that improving the performance of the 76 lagging non-urban authorities across the country would add an estimated £16bn to the national economy, which would be just slightly less than closing the output gap of Manchester alone (Swinney, 2021).

The above regional and sub-regional inequalities are, highly entrenched, and even well-designed policies will likely take many years to produce meaningful impacts (Davenport and Zaranko, 2020). Research by the University of Sheffield found that the UK has one of highest levels of regional inequality of any OECD country (Armour, 2019). The research found that one of the most significant reasons for the enormous imbalances within the UK likely stemmed from an over-centralised national governance system (Armour, 2019). Highly centralised government systems have been found to struggle to tackle place-based inequalities (Lessmann, 2012). To tackle place-based inequalities effectively it is recommended that the UK should decentralise greater powers to local government - an approach already undertaken in many other developed nations - or face failing to level up (Connect, 2021). Decentralisation should be made a key part of the government's levelling up agenda.

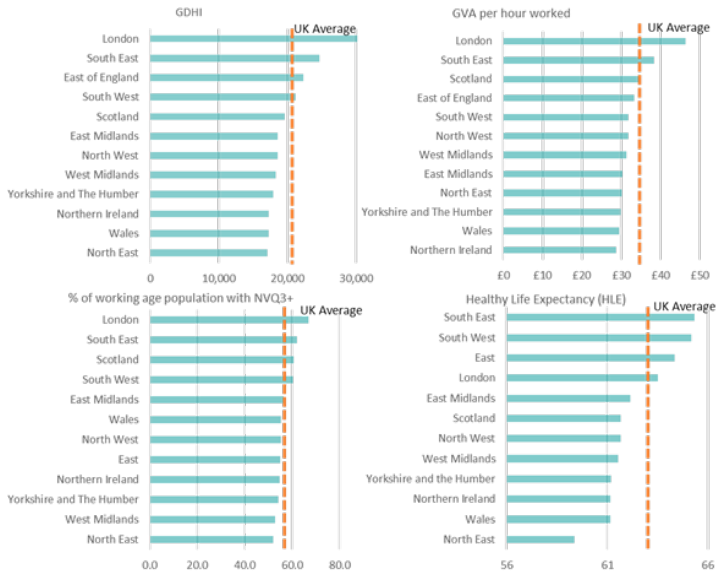
Subnational Governance and Short-term Funding

However, research carried out by the LIPSIT project, found that the current system of subnational governance is largely unsuited to the task of levelling up (Seaford et.al, 2021). In recent years, there has been heavy use of funding competitions on placed based initiatives, creating an extremely inefficient mechanism to deliver placed based interventions (Hoole, 2021). This is due to the short-term, fragmented and overly specific nature of competitive funding leading to wasteful processes, money not being spent in the places with the most need, an inability to plan for the long-term and strategy failing to be implemented (Hoole, 2021). Research identified there is a complex institutional architecture leading to unclear organisational roles and responsibilities, as well as a lack of local visibility and accountability (Hoole, 2020). Combined these two factors significantly reduce the collective capacity and capability of subnational institutions to make effective change (Hoole, 2021). They hugely undermine the delivery of the UK's levelling up agenda built on placed based interventions. The strengthening of subnational institutions, with a commitment to transform central-local relations, must be placed at the forefront of the government's plan.

Brexit

Brexit is expected to impact 'left-behind' places disproportionately. Research led by the University of Birmingham concluded that the competitiveness of the 'left-behind' regions would be negatively impacted by Brexit (Thissen et.al, 2020). The manufacturing sector is one of the most vulnerable sectors to Brexit (McCann and Ortega-Argiles, 2020). The research found the most negatively impacted sectors were most likely to be found in economically weaker areas. result is widening inequalities as 'left-behind' places suffer the greater affects of Brexit, comparative to more prosperous areas of the UK (McCann and Ortega Argiles, 2020).

Figure 2: Source: Healthy Life Expectancy, GDHI, GVA per hour: ONS, 2021. NVQ3+: Nomis, 2021 Note: This data is for year ending 2019.



Covid-19

Covid-19 has also contributed to the widening of socio-economic inequalities. During the pandemic, the people most likely to be furloughed or made redundant, were those in low paid jobs, whilst most high earners continued to work (Bouchard, 2021). Additionally, as poorer communities are associated with higher rates of pre-existing illness, they were disproportionately vulnerable to Covid-19, resulting in disruptions to work and loss of income (Whitehead, 2021). Furthermore, during the pandemic students had unequal levels of access to technology to enable them to engage in meaningful education (Cullinane and Montacute, 2020). This led to a widening of educational inequalities as those with lower access to these technologies (WIFI and internet enable devices) were less able to partake in online education, as a result their education suffered. This will likely have substantial long-term impact on educational attainment and labour market performance, for students usually deprived areas (Blundell et.al, 2021). Covid-19 has led to a widening of socio-economic inequalities across the UK, increasing the challenge of levelling up going forward.

Housing

TThe housing crisis has been growing for several years, with housing prices hitting a record high in 2021, driven by undersupply of affordable housing (Unison, 2021). Shelter estimates that 17.5 million people (22 million including children) do not have access to a safe decent home, that suits their needs and is affordable (Shelter, 2021). PWC research this year found that found that 70% of respondents viewed housing as one of the most effective factors for reducing inequality (Amiss, 2021). The shortage of housing has led to a rise in house prices, sustained rises of the relatively insecure private rented sector, declines in home ownership and increased waiting times for social housing (Burgess et.al, 2020). The Centre for Social Justice found that a quarter the English population find it either 'fairly or very difficult' to pay their housing costs, rising to 43% for private renters (Centre for Social Justice, 2021).

The inability to be able to afford safe and secure housing affects mental health and physical health. Additionally, owning a house is a vehicle for wealth accumulation, as having a large asset such as a house, provides you with greater access to capital (Woloszko and Causa, 2020). It is also something to pass onto your children in the future, which will help their financial security. As the housing crisis worsens, more and more people in left-behind areas will fall into insecure, expensive and ill-fitting housing. As a result, they will have poorer healthy life expectancy and deteriorating relationships (Home Owners Alliance, 2021). However, this is a massive task, with research conducted by Heriot-Watt University predicting the UK will need an addition 340,000 per year to keep up with demand (Bramley, 2019), much higher the Government's current aim of 300,000 (Ministry of Housing, Communities & Local Government, 2018).

Summary

1.Levelling up is not clearly defined – the lack of clarity surrounding how the government defines levelling up, causes confusion and prevents local institutes from being able to align national levelling up outcomes with local needs.

2. Regional and sub-regional inequalities are large and long-established in the UK.

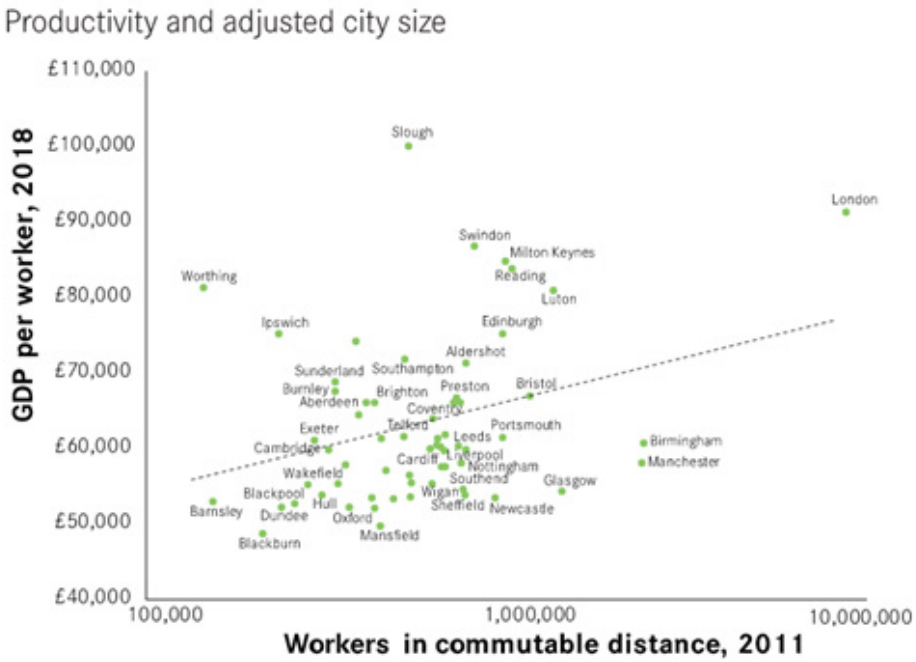
3. Big cities perform well below their productivity potential.

4. A centralised system coupled with a complex institutional architecture a sub-national level reduces capacity for meaningful change at local and regional scales.

5. Brexit and Covid-19 have impacted most on those regions and people who are already vulnerable. They also have a differential sectoral impact.

6. The housing market is characterised by a shortage of safe, secure and affordable housing overall, which highlights the scale of the challenge faced. The inter- and intra-generational inequalities in access to housing are not conducive to levelling up.
So, Levelling Up poses a spatial, economic and social challenge. The scale of that challenge is great. We need governance systems, powers, policy mechanisms and capacity to address that challenge – and the precise profile / nature of the challenge varies across places.

Figure 3: Workers in Commutable Distance, 2011. Source: Centre for Cities



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Income inequality, policies and inclusive growth – implications for levelling up

DR MARYNA RAMCHARAN AND PROFESSOR ANNE GREEN

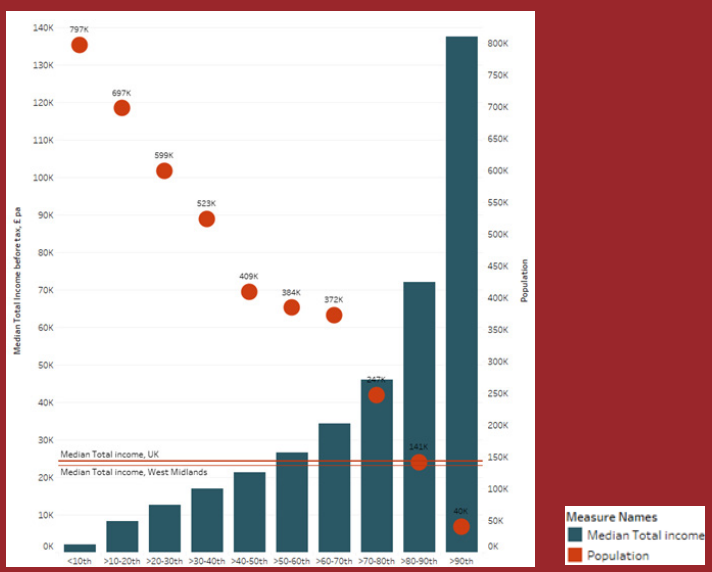
The UK has a very high level of income inequality compared to other countries, but very little in the Levelling Up White Paper looked at inequality in general. The analysis below explores one form of inequality and looks at how places could explore data about the local inequality issues in greater depth.

Income inequality is entrenched across genders, ages, ethnicities, and regions, being accumulated during individuals' lifetimes and inherited by the next generation. Income inequality lies in the heart of many current problems and policies which society is focused on e.g., gender disparities, inclusive growth, social mobility, inequality in opportunities, and has complex relationships and strong associations with many other issues like health inequalities, poverty and unemployment. In 2021, WMREDI and WMCA partnership published research into income inequality in the UK at a regional level with a particular focus on West Midlands. This includes analysis of main metrics of income inequality at the regional level, distribution of income across population percentiles in the West Midlands and initial approaches to understanding the drivers behind income inequality. The main metrics of income inequality throughout the report are calculated using annual gross income at the individual level.

Methodology and limitations

The findings of this analysis have to be seen in the light of some limitations.
The first limitation is that the analysis is based on The Survey of Personal Incomes (SPI) 2016-17 and partially 2017-18 (the most up-to-date available at the time of writing) which is based on information held by Her Majesty's Revenue and Customs (HMRC) on

Figure 4. Distribution of total incomes and population across percentiles



individuals who could be liable to UK income tax. However, not all individuals sampled are taxpayers because the operation of personal reliefs and allowances may remove them from liability.

Where income exceeds the threshold for the operation of PAYE (that is, £11,500 for 2017 to 2018), the SPI provides the most comprehensive and accurate official source of data on personal incomes. However, as HMRC does not hold information for all people with personal incomes below this level, the SPI is not a representative data source for this part of the population and no attempt has been made to estimate the number of cases below the tax threshold or the amount of the incomes.

The second limitation is that the SPI provides a rather limited number of individuals' characteristics and does not necessarily allow an analysis of all social groups of interest. Thus, it does not have data on individuals' marital status, ethnicity, household composition, types of tenure and other kinds of valuable information.

The third limitation is that due to the intricacy of links around income inequality and the dynamic interdependency, which is hard to define, this report is focused on key dimensions only and so will not cover all the relevant factors due to the complexity involved.

Key findings

The distribution of gross income in the West Midlands is highly unequal like many regions and places, levelling up is an issue within the places as much as between places, and higher level analysis and data hides this disparity. For this research we accessed new data and analysed it in a new way to get a more detailed understanding of the challenges of tackling inequality and levelling up. 72% of people have a total income below the regional average: 7 out of 10 are below the average of £23,200 (the national average is £24,400).

The West Midlands is the 5th most unequal region measured by the GINI index following London, South East, East of England and Scotland. Median gross income ranges from £2,035 per annum at the bottom 10% of individuals, to £137,430 per annum at the top 10%. Higher incomes tend to be accompanied by higher inequality and bigger gender pay disparity.

Human health and social work activities, education and wholesale and retail trade are the top three industries for female employment in the West Midlands.

Men are wealthier than women, but at lower incomes, there is greater equality. Disparity happens at the higher income where 8 out of 10 of the richest people are men. But there is more inequality within the income of men than between genders and inequality between males contributes more to the overall inequality. People get richer in their middle age and the older people are the more unequal their incomes.

But this divergence is set early in life and continues to diverge, suggesting the other income is set by inheritance or differences in individuals' backgrounds early on. Middle-age inequality contributes most to the overall age element of income inequality. Employment is the main source of income, but for the richest, it is other sources of income (financial investments, property and dividends), that makes them rich. Older people rely mainly on occupational pensions as their main source of income.

Poorer areas have less inequality and richer areas are more unequal, skewed by very high outliers. Kenilworth and Southam, Stratford on Avon, Bromsgrove, Sutton Coldfield, Warwick and Leamington are the top 5 unequal Parliamentary constituencies in West Midlands where high values of income are accompanied by high inequality.

The sector which people work in is the largest of the four dimensions – source, gender, age, and industry – in terms of the contribution to inequality, with significant inequality within the sectors as well. High employment sectors contribute most to inequality, but some sectors have significant within-sector disparity, often ones dominated by sole traders and entrepreneurs.

Income inequalities have been worsening during the current Covid-19 crisis. Two-thirds of the occupations most affected by lockdowns earn lower wages and those occupations that were best suited for homeworking are typically on higher wages. It means that those who are on lower-income have been hit harder. This will increase existing income inequalities, worsening the current highly skewed pattern of income distribution.

Conclusions

Differences between individuals within each social group – genders, age, main source of income, and sector of employment – are much greater than differences between social groups, no matter how they were classified. There is scope for skills policy to address some of the issues that particular individuals face. But the scale and entrenched nature of the inequalities highlighted in the analyses highlight the fundamental importance of addressing structural variations that are manifest in place, with labour markets and housing markets sorting individuals into particular regions and local areas. This means that levelling up policy needs to tackle demand-side issues relating to the nature of jobs, other opportunities and access to services that underlie some places being worse off than others.

Since most people rely on pay income as their main source of income and it is pay income inequality contributing most to overall inequality, reducing inequality here can go a long way in reducing overall inequality.

Individuals, especially females, who are employed in the most unequal sectors crosscutting with the sectors hit hardest by Covid-19 are particularly disadvantaged in the current crisis and may particularly struggle to recover.

Levelling up policy needs to look at not only place, but also employment, gender and wage disparities, investment in jobs which are higher value and the access to assets, networks and knowledge people have from a young age are key to changing structural issues in the long-term.

Levelling up inter-regional and inter-urban inequality in the UK and the geography of discontents: a historical and international perspective

PROFESSOR RAQUEL ORTEGA-ARGILES

This commentary piece relates some of the analysis presented in Levelling Up the United Kingdom White Paper with City-REDI research contributions over the last few years and other complementary pieces. The City-REDI contribution to the ESRC Rebuilding Macroeconomics Network initiative on The Long-Run Consequences of Adverse Economic Shocks: UK Regional and Urban Inequalities was featured in the sub-section The Role of Public Policy (pp. 99) and the sub-section considering "the appropriate role of public policy in reshaping the economic geography and reversing spatial disparities across the UK" uses our data in Figure 1.70.

Other City-REDI work provides further nuances to the White Paper's arguments as to why an extended time frame and also international comparators are so important. If policies are ill-conceived and poorly applied, the boost to potential output in left-behind places could prove to be temporary rather than permanent. This is precisely why it is so important to analyse inter-regional inequalities and how they relate to growth prospects from a historical perspective and to look at best practices from international cases that successfully have used policy initiatives to improve socio-economic cohesion.

Historical inter-regional inequality disparities – a European comparison

In a historical and international comparative context, our research explores the nature and scale of inter-regional and inter-urban inequalities in the UK and identifies which inequalities are linked with national levels of economic performance. We consider the UK-specific experience

of the relationship between interregional inequality and economic growth in the light of international comparisons using over a century of evidence, and in more detail over the last two decades. We demonstrate that the UK-specific relationships between (extremely high) inter-regional inequalities and national economic growth are an outlier by international standards.

The White Paper (Figure 5) shows that UK inter-regional inequalities have widened and narrowed and then narrowed again over the last century. To situate the scale of these differences in the context of the experience of other industrialised countries, Figure 5 applies a spatial Theil Index to data to plot the long-run evolution of inter-regional inequality in GDP per capita across a range of western European countries over more than a century. Cross-country productivity differentials between European countries were very large in the earlier years of the twentieth century. Inter-regional disparities greatly narrowed in most countries, including the UK, following international and inter-regional convergence processes during the second half of the twentieth century. After 1990, the UK displays an opposite trajectory from the other European countries, showing a profound increase in inter-regional productivity variations.

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A bilateral international comparison: The UK and German cases

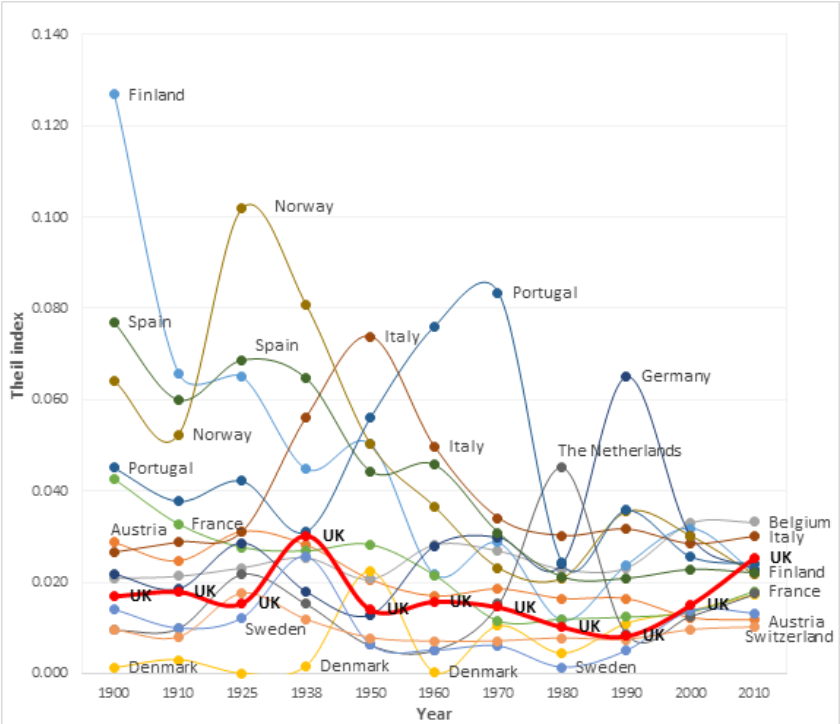
In order to better understand the UK inter-regional inequalities, we use an international comparator UK-Germany comparison rationale is based on the fact that while both countries have similar population scales and population densities, fundamental UK-Germany disparities can be found in the attention given to issues and policy initiatives around the role of socio-economic cohesion during the last decades. Over the last four decades, the UK has given little or real public policy priority to Levelling Up type issues, while Germany (particularly after the reunification) has made inter-regional convergence a national goal over many decades. Yet, as we demonstrate, German public intervention on a massive scale aimed at fostering regional convergence appears not to have been at the cost of national performance compared with the UK or with the other OECD and EU countries in general. In order to evaluate the inter-regional and inter-urban variations in prosperity between UK and Germany during 2000 and 2016, we report three measures of regional inequality at two different geographical levels (OECD – TL2 and OECD-TL3) as well as three measures at the Metropolitan Urban Scale and show that the results are not conditioned to the level of geographical disaggregation. The trajectories of both countries show opposite trends. The UK became more interregionally unequal than Germany around or after the global financial crisis. Comparing these two countries suggests that a growing regional polarisation in the UK relative to Germany has not been associated with higher long-run UK economic growth.

The relationship between Inter-regional Inequality and Economic Growth

As the Levelling Up White Paper indicates, it is possible that policies that support left-behind places could boost not only the level of activity but also the underlying growth rate. This would significantly boost the net present value of local growth policy. The document emphasises that there is little evidence that regional policies come at the expense of reduced aggregate economic growth. If anything, as our research demonstrates, the evidence suggests large spatial disparities hamper economic growth.

Our OECD-wide analysis of the relationships between economic growth and inter-regional inequality shows that such relationships are fragile. The only clear evidence of a positive relationship is in the post-2008 crisis period, a result which points to differentials in regional resilience rather than inequality-led growth. Moreover, when former transition economies are removed from the sample (see Figure 5), the positive relationship between inter-regional inequality and national annual economic growth disappears. Hence, the international evidence suggests that the UK's very high spatial inequalities have hampered, rather than facilitated, national economic growth.

Figure 5. The long-run evolution of interregional inequality, 1900-2010 .



Reflection

These economic arguments underpin wider socio-economic and political economy arguments for Levelling Up. The UK economy has become so highly unbalanced that the UK is now one of the world's most inter-regionally unequal countries (McCann 2016 , 2019). Over the last forty years, economic growth has been heavily concentrated in and around London and its hinterland. While this has been partly due to economic mechanisms, it has also been in part the result of numerous national governance and institutional decisions, taken without any real consideration of their long-term spatial consequences7.

The enormous productivity imbalances we now see across the UK underpin significant inter-regional variations in prosperity, wellbeing and quality of life to the extent that the country is becoming largely decoupled into regions with predominantly prosperous towns and cities co-existing alongside regions of mostly broken towns and cities. These profound differences are becoming ever more difficult for governments to respond to and ameliorate, and this failure puts enormous strains on the efficacy of our governance systems and the trust which people have in them, giving rise to a marked 'geography of discontent'.

More recently, the notions of "levelling up" and "rebalancing" are intrinsically related to two recent shocks: Brexit and Covid-19 , but this was not always the case , as the inequalities long pre-date these events.

In terms of Brexit, almost all the available evidence suggested that the less prosperous regions are the ones that are going to be more heavily affected by the Brexit trade-related consequences. This evidence also shows that Brexit effects will make regional inequalities greater than they already were.

The Covid-19 pandemic already has and will continue to have profound impacts worldwide. The real long-term implications of the pandemic will only begin to become evident in the coming years. Regions specialising in tourism, hospitality, entertainment and transportation services will be especially hard hit, as will many retail centres. The ongoing pandemic shocks to these regions may lead to severe long-term economic scarring and will set some of these regions into downward growth trajectories for the foreseeable future.

Although many prosperous and densely populated regions have suffered some of the most severe localised Covid-19 outbreaks, there are also strong arguments to suggest that the general long-term pattern will be that the economically weaker regions are likely to suffer the most from Covid-19. As we move towards a post-Brexit and post-pandemic context, addressing these inequalities will be even more important.

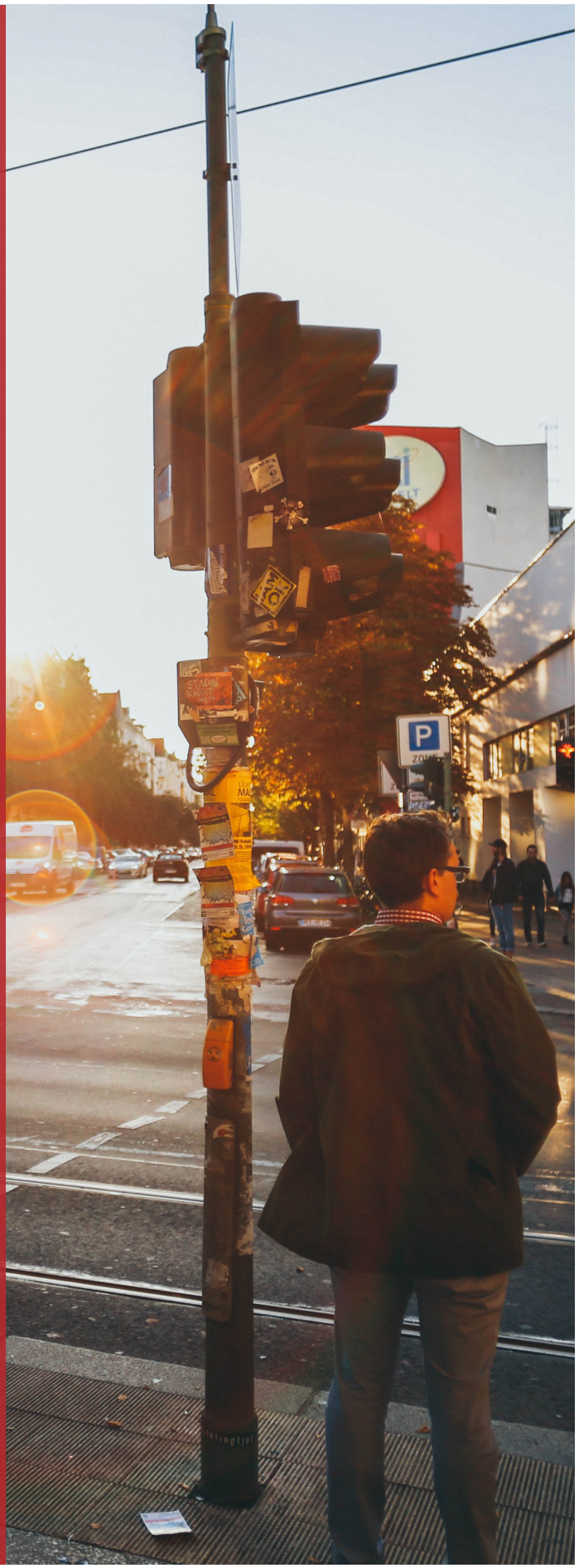
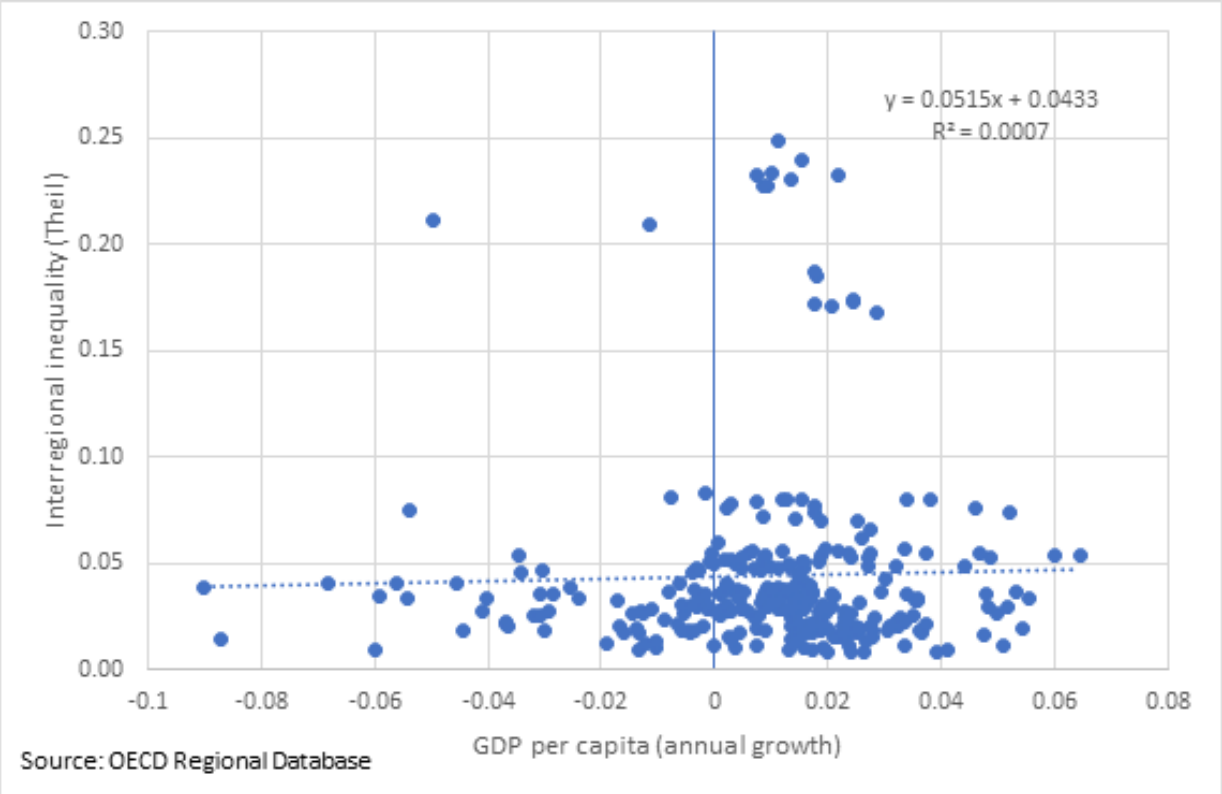


Figure 6. GDP per capita annual growth and interregional inequality, OECD TL3 regions (excluding former transition economies) 2000-20171



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"Fukuoka set out an ambition to become the start-up capital of Japan and an international destination for entrepreneurs and made great progress in relation to this."

DR ABIGAIL TAYLOR

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International success stories of levelling up

International research conducted by City-REDI with CIPFA offers lessons for levelling up in the UK and across the globe

Dr Abigail Taylor, Professor Anne Green, Liam O'Farrell, Hannes Read, Gina Coe, Ben Brittain and George Bramley

City-REDI with the Chartered Institute of Public Finance and Accountancy (CIPFA) has published research identifying lessons for levelling up from the experiences of four international city-regions trying to address regional inequalities: Fukuoka (Japan), Leipzig (Germany), Cleveland (USA) and Nantes (France). The report is based on policy analysis and interviews conducted with policymakers, academics and third sector workers in the four city-regions that have progress in reducing regional inequalities.

Directed by City-REDI's Professor Anne Green and CIPFA's Chief Economist Jeffrey Matsu, the research showcases a range of analytical and linguistic skills across the City-REDI team.

Abigail Taylor managed the project and used her knowledge of French to produce the Nantes case study. Liam O'Farrell explored experiences in Cleveland and Fukuoka. Hannes Read used his German language skills to undertake the Leipzig case study. George Bramley advised in relation to metrics and evaluation. Ben Brittain produced a literature review of historical evidence internationally for levelling up and supported identification of relevant metrics. Gina Coe analysed data sources and metrics for justifying, monitoring and evaluating the delivery of strategies aimed at addressing regional inequalities.
We analysed experiences in Cleveland, Fukuoka, Leipzig and Nantes because they all previously suffered from high levels of inequalities. For example, Leipzig, suffered mass unemployment and rapid population decline following the reunification of East and West Germany in 1990, but now has one of the fastest-growing city economies in Europe.

In the late 1970s and 1980s Nantes "faced a difficult social climate" and suffered considerable job losses following the closure of its shipyards. It has transformed its economy, building on its traditional manufacturing strengths in shipbuilding to transition to high-end specialist cruise ship construction as well as aerospace. It came top among French cities for employment in the 2018 and 2019 Express magazine rankings. Selecting these city-regions also enabled examination of policy implementation in different governance structures, including centralised and federal systems.

The key reasons for progress in addressing regional inequalities identified across the case studies:

1. **Shared political will and partnerships:** each were vital in overcoming political differences and uniting public and private institutions around a common vision.

2. **Clear strategy and vision:** each city set out what they should look and feel like as places to live and work.

3. **Investing for the long term:** a commitment to scale and longevity in funding is an imperative.

4. **Local knowledge:** an in-depth understanding of the strengths and weaknesses that drive local economies, and an ability to build on those strengths.

5. **Monitoring and evaluation:** a system that allows for policies and programmes to be regularly sense-checked and updated in a timely way that benefits total performance.

6. **Adapting national frameworks:** to address local needs

7. **Diversification:** the ability to design policies that enable growth strategies to take root and thrive relies on the strength of a local narrative.

8. **Key players:** individuals and private organisations can serve as enablers of growth, leading by example.

9. **Adequate and responsive funding**: identifying where and when finance is made available can be as important as the policies themselves.

Comparing these reasons for success with the plans set out in the Levelling Up White Paper, published in February 2022 suggests that there are some key points to be welcomed in the White Paper. However, the findings indicate that to achieve the missions set out in the White Paper, there needs to be a greater focus on sustained high levels of longer-term funding and greater clarity over what the expanded devolution powers will mean in practice.

Developing a clear strategy and vision was crucial in the international case study places that we analysed. For example, Fukuoka set out an ambition to become the start-up capital of Japan and an international destination for entrepreneurs and made great progress in relation to this. Therefore, the ambitious plans and aims set out in the White Paper are to be welcomed.

Facilitating collaboration between central and local government through partnerships was also vital in the case study placed studied. This suggests that the announcement that Levelling Up regional directors will be put in place to act as a single point of contact for local leaders and a first port of call for new and innovative local policy proposals is a step in the right direction in strengthening relationships between local, regional, and central government stakeholders.

One of the biggest differences between plans set out in the White Paper and experiences in the places that we studied is the length and value of funding available.

Our research indicates that levelling up is a long-term process requiring sustained high levels of funding. For example, Germany spent almost €2 trillion (£1.69 trillion) between 1990 and 2014 on policies aimed at addressing regional inequalities.

Even with these high levels of funding it took 15 years for unemployment levels to fall in Leipzig and an additional 15 years for levels to move close to the national average.

Funding commitments in the White Paper are limited, with most funding having been previously announced. Spending the money that is available wisely is imperative.

Developing strong monitoring and evaluation systems must be a key priority.

The four case study places all had stronger local and regional powers than comparable areas in the UK.

For example, Nantes Combined Metropolitan Authority collects household and economic taxes, and benefits from powers including transport, urban development, environmental and employment.

In addition to being one of the most regionally unequal countries in the developed world, the UK is one of the most centralised in terms of taxation and spending powers. The greater devolution powers announced in the White Paper – with new county deals and further Mayoral Combined Authority deals - moves the UK closer to systems operating across many of the case study places.

A key question is which powers will be devolved in the UK and how and whether partners will have the capacity, capability and resources to work together to make the most of them.

Authors of the research from City-REDI include, Dr Abigail Taylor, Professor Anne Green, Liam O'Farrell, Hannes Read, Gina Coe, Ben Brittain and George Bramley.

Our research indicates that levelling up is a long-term process requiring sustained high levels of funding.

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A partnership approach: the role of employment support and skills in levelling up

PROFESSOR ANNE GREEN AND DR ABIGAIL TAYLOR

> It is important that local and regional players including universities come together to identify and address local skills needs

Key Challenges

Large disparities exist between and within local areas in terms of the proportion of residents with and without formal qualifications. Research by the Centre for Progressive Policy indicates that levelling up basic skills could raise employment by up to 302,000 in the most deprived areas and 573,000 across England. Progress is not just required in relation to basic skills levels.

The Chartered Management Institute has emphasised how a lack of leadership and management skills is limiting UK productivity. In addition, WMREDI research has found that gaps exist in terms of how well existing national surveys capture new approaches to training, suggesting a need to expand focus on who is responsible for workplace training, communities of practice and perceived benefits of training.

A partnership approach to levelling up

Although higher levels of educational attainment translate into better employment outcomes, improving the supply of skills is only part of the story in levelling up. This is because skills are a derived demand; so, necessitating a focus on demand for and utilisation of skills in addition to skills supply.

In turn, at sub-national level, this calls for a holistic focus in employment support and skills strategies, characterised by integration across policy domains, most notably skills and economic development (where skills policy needs to be linked to economic development in order to address weak demand), but also cognate fields such as transport, health and housing. This means a partnership approach at local / city-regional / regional level, founded on ongoing formal and informal communication, is necessary in order to apply local knowledge to tailor strategies to local needs and opportunities.

Local and international evidence points to the importance of a mutually reinforcing set of factors in effective local strategies. Central is a framework set by strong local economic governance and consistent policies and investment over the medium- and long-term.

This framework provides a structure for stakeholders and players in the employment support and skills ecosystem. As well as local/city-regional government authorities and associated economic development partnerships/ agencies, key stakeholders include education and training providers, employers and employer representative bodies (given the centrality of labour demand considerations), sectoral bodies, trade unions and anchor institutions (from the public and the private sector).

Partnership working implies collaboration between the further education sector, higher education institutions and private sector training providers to design and develop flexible and responsive training provision to meet current and future needs.

The experience in England is of a fragmented system which is difficult to navigate. Policy and financial frameworks tend to incentivise competition between skills partners rather than strategic collaboration at place level. Frequent national reforms and centralised control over policy-making and budgets put obstacles in the way of local efforts to streamline skills provision and integrate it with other services.

Insights from local initiatives

Yet, there are ways forward. Recent years have seen several innovative initiatives which could be scaled up and developed to achieve levelling up. In terms of employment support policy, in 2017 the Departments for Work and Pensions in conjunction with the Ministry of Housing Communities and Local Government announced £35 million of support for six pilot schemes. The focus of

the programmes varied, but a key aspect was how whilst nationally funded, the pilots were developed and delivered by combined authorities in partnership with the government.

They included:

- A 'Health and Care Sector Progression Academy' training social care workers in Cambridgeshire and Peterborough.

- Household-focused holistic support in Liverpool City Region.

- Neighbourhood-focused support in the West Midlands Combined Authority designed to strengthen communities by increasing income from work and improving health and wellbeing.

Evaluations of many of the pilots are still ongoing and not publicly available. However, evidence from Liverpool City Region indicates the value of investing in "locally tailored solutions" to support economic recovery and levelling up. Powers devolved through the programme meant that it could respond quickly and agilely to local needs during the Covid-19 pandemic. The pilots have either concluded or are due to conclude in 2022. Focus is now required on how to use learning from the pilots - particularly the benefits of local, regional, and national stakeholder partnership working - to inform future employment support policy.

In terms of skills strategies, WMREDI research into priorities for up-skilling and re-skilling emphasises the role that universities can play in supplying graduates and up-skilling the wider population to respond to emerging and future local and regional skills needs.

Universities in the region have established a range of programmes and institutes to support up-skilling and re-skilling across specific sectors important regionally, namely Advanced Manufacturing, Cyber, Healthcare, Sustainability and Climate Change, and Digital Skills. Partnering to expand graduate-focused careers guidance is a growing focus for universities in Birmingham. The research suggests that to achieve levelling up, in addition to partnerships funded and instigated by national government, it is important that local and regional players including universities come together to identify and address local skills needs.

Developing stronger local and regional partnerships is particularly important to respond to opportunities to support graduates to enter the labour market, better linking skills to innovation and developing higher level skills through regional investment, R&D and innovation activities.

There is potential to create more responsive local skills systems through developing a skills escalator approach at regional level maximising collaboration between communities, Further Education and Higher Education.

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Less is more?

Will the Levelling Up White Paper rebalance the regional distribution of R&D spending?

CAROLIN IORAMASHVILI, KELVIN HUMPHREYS AND SIMON COLLINSON

The Government wants to focus a high proportion of any new funding on translational or 'applied' R&D.

In the 2020 edition of REDI Updates, we examined the Government promise to increase R&D spending to 2.4 percent of GDP (the OECD average) linked to the need to rebalance growth across UK regions. Since then we have seen the launch of the Government's Innovation Strategy and the Place-based R&D Strategy and now the Levelling Up White Paper, with R&D as the second mission listed out of 12.

The Government states:

"BY 2030, DOMESTIC PUBLIC INVESTMENT IN R&D OUTSIDE THE GREATER SOUTH EAST WILL INCREASE BY AT LEAST 40%, AND OVER THE SPENDING REVIEW PERIOD BY AT LEAST ONE THIRD. THIS ADDITIONAL GOVERNMENT FUNDING WILL SEEK TO LEVERAGE AT LEAST TWICE AS MUCH PRIVATE SECTOR INVESTMENT OVER THE LONG TERM TO STIMULATE INNOVATION AND PRODUCTIVITY GROWTH."

As part of the adoption of levelling up as a core goal for the Deperatment for Business, Energy and Industrial Strategy (BEIS), UKRI the government has made the initial commitment to spend 55% of its budget outside the 'golden triangle' by 2024-25. This was at least partly triggered by a well-publicised NESTA report by Forth and Jones (2020), which noted that London and the two subregions containing Oxford and Cambridge account for 46% of all public and charitable spending on R&D, but just 31% of business R&D and 21% of the population.

Analysing UK Government R&D spending, past, present, and promised, we find some hope but also disappointment for those in city-regions outside of London, the South-East and East of England (GSE). A reality check provides the following conclusions:

Many see mission 2/12 promising new funding, but it does not look like a lot.

A major reason that the R&D spending numbers are underwhelming is that a significant boost to R&D investment was already announced in the latest Spending Review (SR21). SR21 shows public spending on R&D rising from £14.8bn in 2021 to £20bn in 2024. A 35% (nominal) increase by 2024 was excellent news. Increasing spending by 40% by the end of the decade only adds a further £0.7bn by 2030 (assuming this is a percentage increase over 2021 budgeted levels and in nominal terms, on which the White Paper is not clear), and that's assuming both the Greater South East (GSE) and non-GSE see a 40% increase. If the GSE sees a lower increase as part of rebalancing efforts, then the overall increase will be less than £0.7bn.

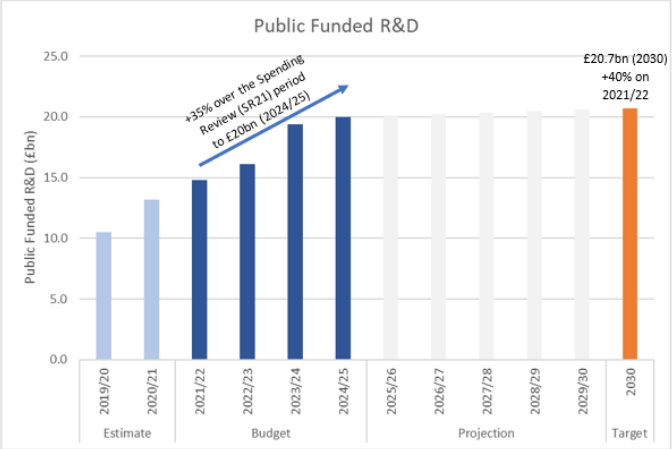
The 40% overall increase and 55% outside the GSE are not enough to achieve levelling up.

The target for a 40% increase in public R&D spending by 2030 only applies to the non-GSE regions (see figure 7). The aim for BEIS to invest at least 55% of its R&D funding outside the GSE East by 2024-25 is a step in the right direction but does not appear to go far enough to rebalance the current spending distribution.

The funding aim includes BEIS spending through UKRI, other BEIS R&D funding competitions, industry R&D programmes and R&D infrastructure. It is difficult to track regional spending of all public R&D funding and the Government acknowledges this. It makes a clear statement in the White Paper (p.172) of its intention to develop better data in the future and close these evidence gaps.

Using currently available UKRI data for Innovate UK, Research Councils and Research England we have traced 67% of BEIS' R&D spending in 2018 and 51% of spending in 2019 to the

Figure 7: Indicative trajectory of BEIS regional R&D spend between 2018/19 – 2024/25



main regions of the UK at the International Territorial Level 1 (ITL1) level. The data shows an almost 50:50 split in spending in the GSE and non-GSE when averaged over the two years.

A shift to a 55:45 split in favour of the non-GSE by 2024/25 is then indicatively a welcome step towards rebalancing. Assuming all BEIS R&D funding follows the same distribution as that identified in the available data, then the targeted distribution would represent a £0.7bn reallocation of budgeted funding in 2024/25 from the GSE to the non-GSE.

However, the GSE as defined in this analysis covers only 37% of the national population and would still be over-weighted on a per capita basis. The GSE would also see substantial growth in R&D funding despite the rebalancing given the large increases in BEIS budgeted spending in the SR21.

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If we take the West Midlands, it was highlighted by Jones and Forth (2020) as a region which attracts about £400 per capita in private R&D spend, compared with only £83 in public R&D spend. But the West Midlands has done better in attracting Innovate UK funding, particularly in 2018-19 when it was awarded 14% of the national total, compared to a much lower annual average in other years. Given that there is an anticipated '36% real-terms increase for Innovate UK annual core funding between 2021-22 and 2024-25' (compared to the 35% nominal increase for overall R&D funding), this could be a significant opportunity for this region at least.

The Government wants to focus a high proportion of any new funding on translational or 'applied' R&D. In fact, one observation is that only £5.9bn of the £20 billion promised across government by 2024-25, will be spent on the "core research budget."

Research councils and formula based, Quality-Related (QR) funding is unlikely to increase as much as other BEIS and government spending on R&D. But this raises another opportunity for the West Midlands, alongside Greater Manchester and Glasgow, who have been earmarked for £100 million for Innovation Accelerators in the Levelling Up White Paper.

These are likely to be intermediary technology transfer facilities, linking universities and other R&D sources to local firm-level demand. As in the case of the Warwick Manufacturing Group (WMG), Tyseley Energy Park (TEP), or the Manufacturing Technology Centre (MTC), these might also be funded to combine technology development, upskilling, entrepreneurship, scaling-up and support for small firms and local supply chains.

These centres are all in the West Midlands and subject of a WMREDI study of 'STEM assets' to evaluate their local impacts.

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Based on the latest available data on UKRI and further BEIS expenditure on R&D, as well as ONS data on university and private sector expenditure, we have developed several scenarios on what the 40% promised increase in spending outside the GSE could mean for different regions. The modelling also takes into account the target to double match additional public funding with private sector sources. The modelling assumes that this target will be met, although this may be more challenging in regions with a weaker private innovation sector.

Figure 9 shows the pound increase in overall R&D expenditure over the policy period, according to three plausible scenarios. Scenario 1 assumes that there will be an overall 40% increase in government funding, which will be distributed in the regions outside the GSE following the previous distribution of government funds. In this scenario, the North West and Yorkshire and the Humber would be big winners, as well as the West Midlands.

Scenario 2 assumes a larger effort to rebalance expenditure across all regions. In this scenario, more of the additional funding is allocated to regions that previously received less public funding. The distribution of funds is relatively even, with most additional funds received in the North East, Wales, and Northern Ireland, although it is as yet unclear how the policy would apply in the devolved administrations.

Lastly, scenario 3 assumes that the government follows market signals in allocating funds and assumes that additional funding is distributed proportional to private sector R&D expenditure. This scenario would be plausible, also with the double matched private sector leverage target in mind. Here, the West Midlands would be the big winner, gaining more than £1 billion in additional funding by 2030, followed by the North West and East Midlands.

A major reason that the R&D spending numbers are underwhelming is that a significant boost to R&D investment was already announced in the latest Spending Review (SR21).

Figure 8: Indicative estimate of BEIS regional R&D spend in 2024/25

	2018	2019	2024/25	2024/25		
Actual/budget (£bn)	7.5	8.4	14.2	14.2		
			@ Current proportion	@ LUWP proportion		
Share of R&D spend						
Greater South East	48.8%	51.6%	50.2%	45.0%		
Non-GSE	51.2%	48.4%	49.8%	55.0%		
			@ Current proportion	@ LUWP proportion	Allocation	Change
R&D allocation (£bn)						
Greater South East	3.7	4.3	7.1	6.4	-0.7	-10.4%
Non-GSE	3.8	4.1	7.1	7.8	0.7	10.4%

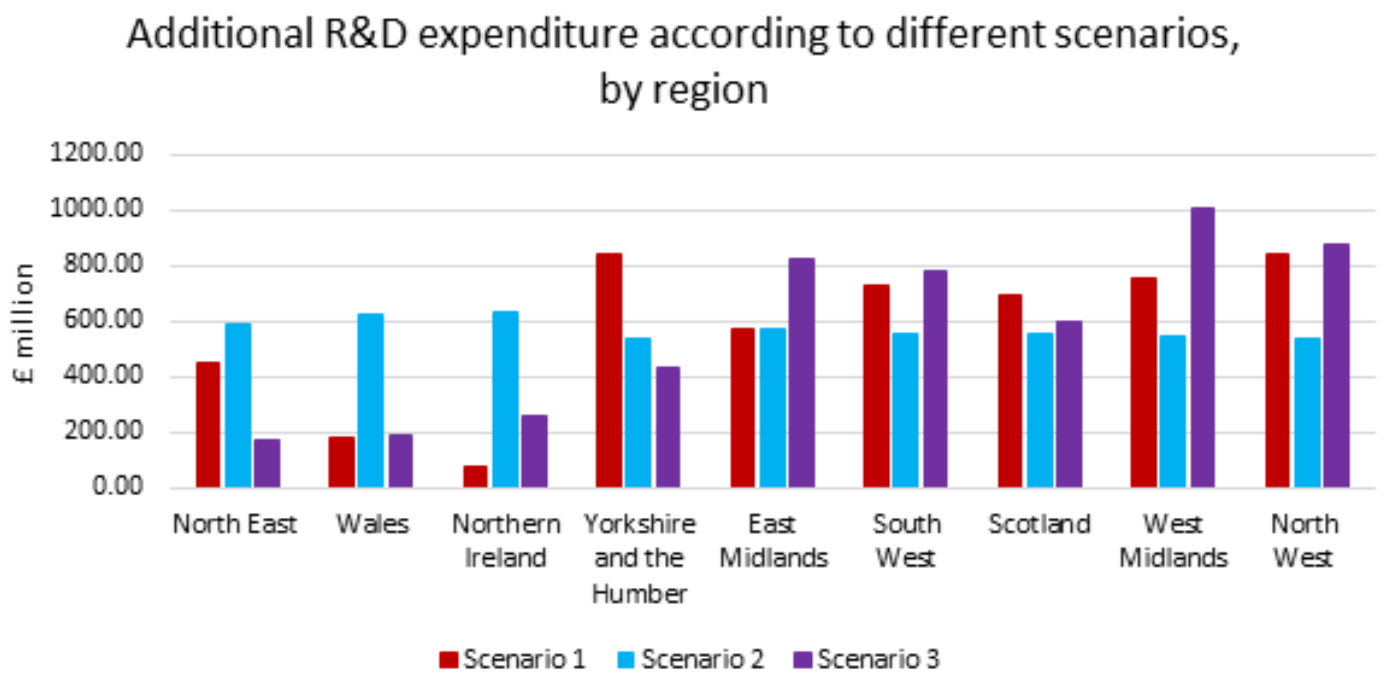
Will all of this be enough to outweigh the losses from EU funding?

This is an important but complex calculation. By some estimates, UK regions (except Cornwall) are anticipating a 54% drop in funding as ERDF and other EU structural funds end and new programmes, such as the Shared Prosperity Fund, start. This is over the current spending review period and after adjusting for inflation the real terms impact may be higher. One estimate suggests that this amounts to a decrease of £69 million a year for the West Midlands.

In counter, a 35% increase in R&D spending performed by the public sector in the West Midlands (using 2019 as a base) would be worth about £191m a year by 2024/25. This would be more than sufficient to cover the gap left by EU funding (net of SPF) by the middle of the decade.

But we need to remember that EU structural funds in the past, and the new Shared Prosperity Funds, are for a wider range of applications than simply R&D-focused investment. A fuller analysis is needed to estimate the net losses or gains for different regions that would be triggered if the policies in the Levelling Up White Paper were delivered.

Figure 9



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The REDI Article

Universities and Levelling Up

PROFESSOR JOHN GODDARD

with Rebecca Riley, Professor Anne Green, Professor Chris Millward, Des McNulty and Mike Boxall discuss the role of Universities in levelling up

The missing links in levelling up responses

The regional and local inequalities in social, economic and place-based success that underly the levelling up agenda are deep-seated and complex and have persisted and even worsened despite numerous policy initiatives over many years. The Levelling Up White Paper (LUWP) recognises these complexities and acknowledges the failings of past interventions. It proposes a range of locally-driven reforms to redress four essential pillars (or statuses) across 12 social and economic missions. One important engine for effective levelling up responses, largely neglected in the White Paper, is active collaboration between universities and civic partners (with others) to understand and address key community needs in their localities.

There is a powerful body of social science research on the contribution of universities to city and regional development, but much of the research in this area has not hitherto informed policy and practice, particularly in the UK. This is in part because of silos within central government between those focusing on higher education, research and innovation, and those responsible for 'place'. Parallel silos of disconnected roles and interests are seen at local levels within and between local government and universities. As a consequence, there has been a generic failure to ensure that the weight of academic knowledge and research has been applied to regeneration policies and practices in the places where universities are located.

One of the largest concentrations of research capacity in this arena is City-REDI/WMREDI. The capabilities, work and impacts of City-REDI/WMREDI are discussed in Box 1. These capabilities will be applied and extended to bridge the gaps in university/civic engagement through a new Universities and Regions Policy Forum, based in City-REDI and providing a national research-informed focus on the roles of university R&D and education in city/regional regeneration.

Informing policy understanding and actions

The Universities & Regions Policy Forum will bring together academic researchers with policymakers and practitioners from outside higher education (HE) seeking to enhance their understanding of levelling up challenges and build more effective shared responses to them.

The Forum will have two strands of activity. The first will bring together key decision-makers from across Whitehall, local government, business and the community sector along with researchers and others from HE, meeting under Chatham House conventions to share experiences of engaging

universities to help meet regional and place-based levelling up needs. The second will be an open strand in which City-REDI will share research findings relevant to the UK, including insights arising from the WMREDI programme. Each meeting will be co-hosted by a senior City-REDI staff member or associate and a prominent policy-maker appropriate to the topic.

The worlds of higher education research and city-regional policy and practise are each crowded marketplaces with multiple interest groups. The Universities & Regions Policy Forum at Birmingham will provide an opportunity to link these interests for the first time through shared focus on the necessary political, organisational and systemic changes identified by the Levelling Up White Paper and elsewhere. We envisage the Forum exploring three core issues for realising the ambitions set out of the Levelling Up White Paper:

• The politics of devolving, distributing and aligning the funding and resources available for place-based levelling up interventions, recognising that there is little new money on offer or in prospect (Box 2)

• The balkanisation of the education and skills environment, between universities and even more so between schools, colleges and other providers, and the need for greater integration across this fragmented landscape (Box 3)

• The need for shared performance and accountability frameworks focused on the impacts of university/civic collaborations on the diversity of mission-related outcomes set out through the levelling up agenda (Box 4)

Box 1: The WMREDI/WMCA partnership - Rebecca Riley & Professor Anne Green

Research institutes with a strong applied and policy focus are a vital part of an evidence-backed development landscape; they provide crucial evidence for policymakers and bring academic rigour and long-term perspectives in a short-term world. City-REDI was established by the University of Birmingham to develop a better understanding of city-regions as complex, integrated and diverse economic, political and social systems. This mission was extended in 2019 with the establishment of the West Midlands Region Economic Development Institute (WMREDI). The creation of WMREDI coincided with significant economic and social shocks triggered by Brexit and Covid-19, which impacted regions differently, accelerating underlying socio-economic and spatial inequalities. Understanding different scenarios and impacts to provide real-time insights and intelligence for policymakers at regional and national levels is an ongoing priority, notably in partnership with the West Midlands Combined Authority (WMCA). A hybrid structure, combining the interests and expertise of academic researchers and those of data analysts and policy specialists, has been key to advancing understanding of place (in robust, objective, evidence-based terms) as well as being relevant to current policy and practice.

Box 2: A devolutionist view – Des McNulty

The political reaction to the Levelling Up White Paper, focusing on the lack of new money and the ways in which resources are allocated to different parts of the UK, might lead commentators to overlook its significance. As a flagship policy, it is dependent on the political fortunes of its standard bearers and in particular on the energy and commitment of Michael Gove.

The White Paper provides a framework within which targets are set and progress is measured. This will inevitably impact across government departments and institutions. The emphasis on place is not entirely new, but the levelling up White Paper is more ambitious, not just in geographical scope but in the extent to which accountability is being transferred to local agencies/partners to tackle difficult and long-standing problems.

It may be that the intentions of the White Paper are strangled by departmental rivalries within Whitehall, by the lack of governance structures able to advance the levelling up agenda in many parts of the UK and by silo mentalities and institutional cultures that are resistant to change. But the experience of devolution in England (and in Scotland, Wales and Northern Ireland) is that transfer of accountability to regional or city tiers of government opens up a better informed, more inclusive and generally more constructive policy debate about what is needed to improve economic and social outcomes.

Des McNulty is an Honorary Fellow in Civic Partnership and Place Leadership at the University of Glasgow, having previously been the Assistant Vice Principal. Des developed the university's civic strategy and its engagement with the city region economic strategy and Glasgow's social recovery taskforce. Before returning to academia in 2012, he held senior posts in the Scottish Government, the Scottish Parliament and local government. Key publication: Gibb K., Maclennan D., McNulty D. and Comerford M. (eds), The Scottish Economy (Routledge) 2018

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Box 3: An Educationalist View – Professor Chris Millward

Strong connections between government and universities will be crucial to improve prosperity and opportunity in communities over coming years.

National and local government need robust insights and evidence on the activity conducted by universities, and other learning providers, if their investments and regulatory interventions are to yield the desired results. Universities are also engines of the evidence and expertise needed for successful policy and service delivery across all parts of government.

Meeting this need is currently made difficult by the separation of responsibilities for education and skills activity between different parts of government and front line delivery providers. Policies promoting competition and choice in higher education have led to more dynamic and responsive institutions, but have also fostered separation and stratification of learning pathways and institutions.

This creates problems for those learners who take non-traditional routes into higher education, such as through further education and work, and also for employers who want to understand which providers are best able to meet their skills needs, and indeed to stimulate partnerships between universities, colleges and schools to address them. Learners from the most disadvantaged communities are more likely than others to study locally and employers need skills training that meets the circumstances of their local workforce. This is where the evidence, evaluation, assessment and accountability elements of the Levelling Up White Paper could become particularly important, ensuring that disparate areas of policy create complementary incentives and conditions at local levels.

Chris Millward is Professor of Practice in Education Policy at the University of Birmingham. He was England's access regulator, serving as Director for Fair Access and Participation between 2018 and 2021, and prior to that worked for

the Higher Education Funding Council for England as Director of Policy and the Arts and Humanities Research Council as Head of Research Programmes.

Box 4: A higher education consultant's view – Mike Boxall

There is no doubting the commitment of (almost) all universities to playing more prominent roles at local levels in the 12 social and economic missions identified in the Levelling Up White Paper. A recent survey of UK vice-chancellors showed up to 60% placing aspects of local engagement among their top strategic priorities, while more than 60 institutions have signed up to Civic University Agreements with local partners.

But that commitment, and the potential impacts of universities in their localities, seem not to receive similar levels of engagement from national government or regional agencies. There is almost no substantive reference to the role of universities in the White Paper, other than their contributions to national

and regional research and development capabilities. With some important exceptions, there has been similar neglect of central roles for universities in other local development plans, such as those from LEPs or mayoral combined authorities.

There is clearly a failure of connections here. Bridging these missed connections will be crucial for universities to translate their civic ambitions into substantive partnerships, and for civic partners to benefit from the contributions and benefits that universities can offer.

Central to this goal is a need for frameworks of shared purposes and shared accountabilities for multi-player civic collaborations. The collaborative work of developing and agreeing such performance frameworks, applicable at the micro level of specific local needs, can provide a powerful vehicle for **outcome- and impacts-focused**

Shaping the debate

Deep seated change in lagging places requires linking up all four of the pillars identified in the White Paper: boosting productivity, pay, jobs and living standards; spreading local opportunities and improving public services; restoring sense of community, local pride and belonging; and empowering local leaders to develop local change and delivery systems. The fact that the Government is trying to put in place a performance management and mission-based approach to how the available resources are deployed could represent a significant shift in the roles of universities in place-based levelling up. But the extent of this shift will depend on how rigorously the Government pursues it and is willing to direct some share of current funding to support university contributions to levelling up strategies. Regulatory and funding regimes, such as the Teaching Evaluation and Knowledge Exchange Frameworks, must recognise what universities can do for their places and specifically how they can contribute most effectively to the levelling up missions. The research, evidence and debate generated by the Universities & Regions Policy Forum can be an important catalyst for achieving this.

Mike Boxall is a well-known consultant to universities and HE sector bodies on policy development and institutional strategies, including plans directed towards national and local regeneration. He is a senior adviser to PA Consulting Group on higher and further education, and has run PA's annual surveys of UK vice-chancellors for more than 10 years.

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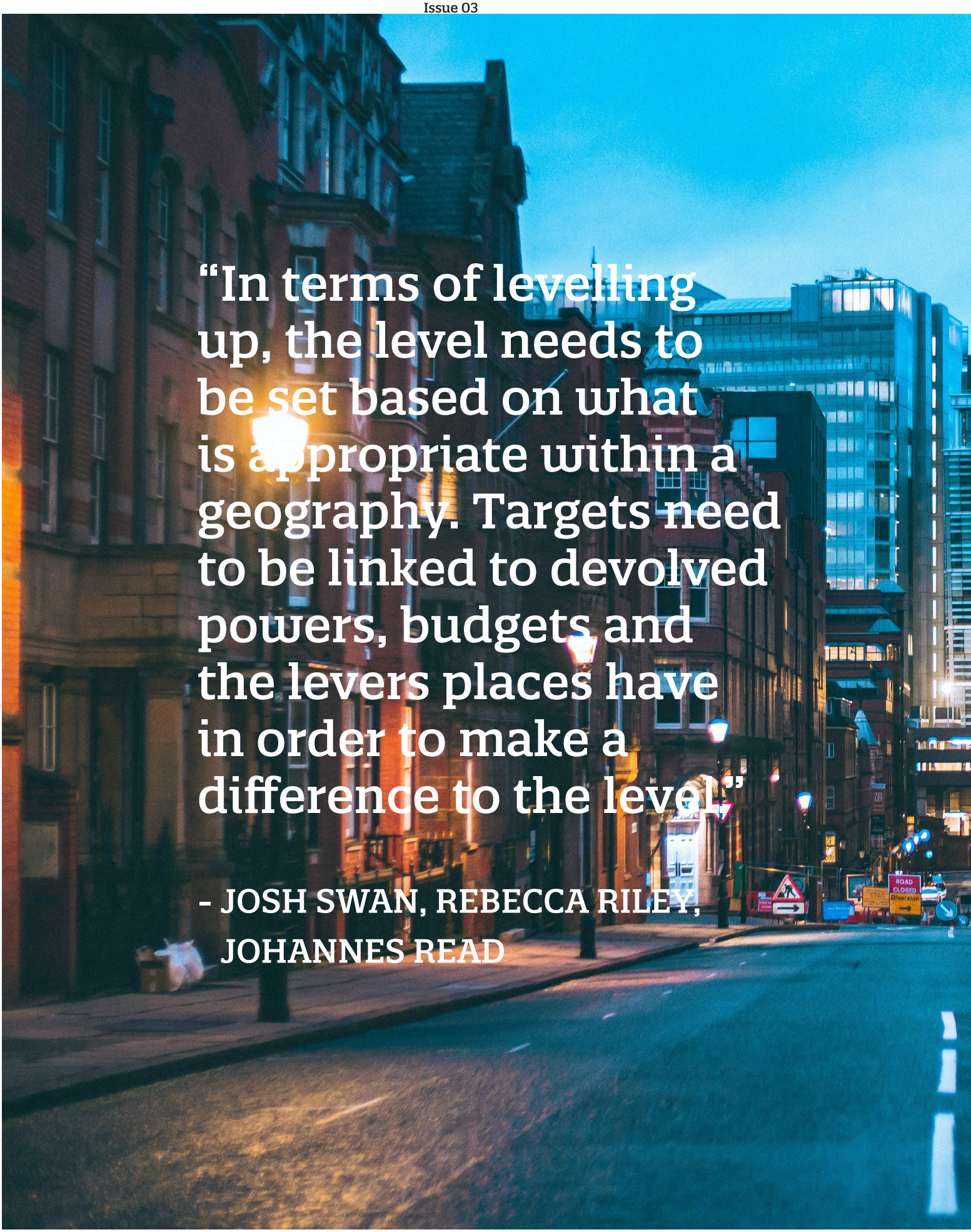

"In terms of levelling up, the level needs to be set based on what is appropriate within a geography. Targets need to be linked to devolved powers, budgets and the levers places have in order to make a difference to the level."

- JOSH SWAN, REBECCA RILEY, JOHANNES READ

Where is "the level" in "levelling up"?

JOSH SWAN, REBECCA RILEY, JOHANNES READ

Understanding how places work is vital to levelling up. Indeed it's important to all policies, programmes and projects which have a place impact. The revised Green Book highlights the need to carry out place impact assessments to understand place impacts and the levelling up paper reinforces this. However, the Levelling Up White Paper brings together a wide range of policies and programmes happening across government, that each have their own monitoring frameworks and outcome/output targets. Places, therefore, have to have a clear understanding of what they need to improve and what their own vision of improvement is, and their indicators should look to monitor that performance. Places then need to actively seek out activities, funding and investment that helps them achieve that improvement. It is important that each place carries out a self-assessment of what they require to 'level up', both in terms of levelling up with other places but also within itself.

The missions in the White Paper cover aims in improving the orthodox economic measures such as pay, employment, productivity, research and development, transport and internet infrastructure, and skills. Something that governments for decades have pledged to improve. The White Paper puts metrics against these to reduce geographical inequalities of these measures. The White Paper effectively condenses "the level" of "levelling up" to a minimum benchmark, of varying ambition. For example, in Mission 1, the aim is to raise pay, employment, and productivity in each area by 2030. However, achieving nominal increases is one thing, but seeing increases faster than inflation is another. Furthermore, faster improvements for the geographical areas that are lowest should be considered as successes for achieving "levelling up", rather than just geographical areas as the White Paper focuses on.

At a local level, therefore, places need to work out what levels are appropriate for them across their indicators, and what performance levels they are happy with? At a national level, there is still work to be done to understand what government will measure itself by and when will it know it has achieved success in levelling up?

Measuring and evaluating "the level" of levelling up

The first issue to tackle when interpreting "levelling up" is to move away from the purely economic considerations and to recognise the importance of the social side of the economy, the White Paper has done this, but has it gone far enough? Discourse around "levelling up" has covered a broad range of topics such as transport, wages, local government capacity, and funding for community and social initiatives. Economy and society are underpinned by local institutional capacity, productivity, sustainability, and inclusivity. "The level" of "levelling up" should be determined by agreeing and formalising a high minimum benchmark for these arrangements in every single place.

After determining a minimum benchmark, the next issue is to determine at which level of government should be held to account, at the core of levelling up is accountability to the electorate, so how can government demonstrate this? This can, in turn, determine the geographical scale

that data should be collected at. In many ways, the phrase "levelling up" is driven by inequality between regions, cities, towns and villages. Northern England, alongside Scotland, Ireland, has had long-standing shortfalls in funding for transport infrastructure, wages, and research, compared to the south and east of England. In general, levelling up has been described focusing on the 'up', bringing the 'bottom up' not the 'top down', therefore, improving things for those people and places at most disadvantage rather than putting the brakes on those areas doing well. This means that performance should focus on targeting those that need to improve.

As the government embarks on its levelling up agenda, one of the difficult questions will be to define and answer, 'How do we know when we have levelled up?' Before the release of the Government's levelling up White Paper, data analysts and statisticians alike were particularly frustrated with identifying the point or the threshold that proclaims whether a geographical area has levelled up or is far off the mark. At this time, if one were to plot local authorities on a distribution curve based on metric performance or point to the mean, median or mode of metric performance as the benchmark for levelling up, then relatively speaking there will always be authorities that have failed to level up this year, even if their performance improved continuously year on year.

In 2022, we at City-REDI/ WMREDI will be releasing our City Index Dashboard, a tool that ranks England's cities across 10 different categories currently using 55 different metrics to measure key performance. In this article, we will explore how the City Index Dashboard could be used to align with the release of the Government's Levelling Up White Paper. The release of the Levelling Up White Paper has provided some much-needed clarity when measuring levelling up via metrics, with 'The 12 Missions to Level Up the UK' are:

Geographical areas

The city index was designed before the release of the white paper, but there are few surprises from the paper in what data is used to profile each area. A major roadblock to effectively levelling up is geographical levels. It is best from an analysis point of view if the data released is at the finest possible level of spatial disaggregation. In a perfect world, that would be Local Super Output Areas (LSOAs). Lower level geographies can always be aggregated up to higher level geographies (e.g. local authority districts to regions) but not the other way round. However this has a serious cost barrier and data is often produced at the appropriate level for the policy area (i.e. transport has a different geography to schools and education). The city index uses local authority level data and then uses the UK Parliament's classification of local authorities to identify cities. There is a disparity between the different geographical levels in the White Paper and the single level of geography in the city index. By working with the same level of geography, comparisons are much easier to make across the country UK at the local level, and by ranking each place between 0 and 1, we can objectively establish a performance table or index on how well each place is performing.

In 2022, we at City-REDI/WMREDI will be releasing our City Index Dashboard, a tool that ranks England's cities across 10 different categories currently using 55 different metrics to measure key performance.

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Review of metrics

JOSH SWAN

Here we look at which metrics from the WMREDI city index could help measure levelling up, and provide a starting point for local assessments. We have mapped the most appropriate metrics from the city index to the levelling up missions from the White Paper. We will examine each metric and why it is useful in the goal of measuring places on their levelling up progress. What is levelling up?

Mission 1 - Living Standards

Gross Domestic Household Income per Head (GDHI per Head)

The ONS measure of GDHI per Head illustrates the level of disposable income left after deductions such as taxation, social contributions, and benefits. This measure is preferred over measuring the wealth of an area with measures such as Gross Value Added (a measure of the total value created in an area). GDHI per Head helps us understand the purchasing power of households in the area, and how it compares across the national average. Paired with a cost-of-living measure, this could show how comfortable people are according to living standards. If setting a level for GDHI Its important to note what the combination of both the income and price levels are for a place - this would allow us to see if the relative affordability for people. Levelling up should be about people being able to live well in the place they are.

% of LSOAs (Lower Layer Super Output Area) in most deprived 10% nationally

Measuring household income and skills are just part of the picture, but if a local area is recognised as deprived, it is not fulfilling its true potential and requires the attention of investors to help level up. This measure highlights the living standards and the multiple types of deprivation that contribute to poorer life chances. However, this is a moving target and there will always be a bottom 10%. This raises the question of what the absolute level that all places should be striving to achieve in modern society.

GVA per hour

Productivity is recognised as measuring the potential of an area in terms of generating value for the economy. Not all areas perform equally, as some areas with high-value service sectors will greatly outperform rural agricultural farmland in total GVA. However, recognising what the rate of wealth is by each hour worked will help identify if a region is lagging in production capability. Ideally, the gap would narrow between those places at the top and bottom and that would be the target; however, as noted, the differences are often due to sectoral mix and diversity in business base which can help to improve resilience to shocks.

Percentage of jobs below the living wage

Of all the metrics on the City Index, none are as good a fit with levelling up as the percentage of jobs below the living wage. Here we have a benchmark that clearly defines the line to reach and one that changes each year to reflect living costs, inflation, and legislation around minimum wage. Therefore, it is appropriate to include this as a possible measure of levelling up – the greater the percentage of jobs above the living wage, the greater the productivity, wealth, and success of that area.

Unemployment rate 16-64

A metric from the ONS Annual Population Survey, which includes questions about economic activity and qualifications. The unemployment rate can be used to assess how much 'slack' there is in the economy. Low unemployment restricts businesses' ability to fill jobs, as we see in the economy at the moment. High unemployment is also a problem as it affects people's standard of living, wellbeing and crime. Every economy has to adjust to labour market shocks and lagged adjustments; currently, the global economy is going through one of the biggest shocks we have seen. There is, however, a debate on what the natural rate of unemployment is, and since the 1990s this stood at about 4.5% to 5.5% globally but this has been reducing and

we have seen considerable tightening causing major employment problems. The challenges posed by tight and slack labour markets need to be borne in mind when interpreting local unemployment rates.

Mission 3 - Transport Infrastructure

Total highways and transport services
This metric measures the expenditure of local authorities regarding road infrastructure and public transport. Whilst spend needs to take account account of each authority's needs, budget and lending, it is nonetheless an indication of what investment is going into local transport infrastructure. The optimum level may change by place as it needs to reflect the population and the accessibility needs, more rural areas generally need high spending to ensure accessibility.

Mission 4 - Digital Connectivity

4G outside coverage from the 4 main providers
Using data from OFCOM, we can determine the extent of 4G coverage from the four main phone providers, i.e. O2, EE, Vodaphone and 3. The metricis is a percentage of coverage in the local authority, something which more rural set cities are more likely to have less coverage than the larger metropolitan cities. This would need a level which looks at the minimum acceptable service, however, this will change as technology improves.

Median download (Mbps)
Each local authority has a median download speed for their fixed addresses. Given that internet connectivity is essential for living in the modern world, internet speeds determine how communities interact and how effectively businesses and ordinary people can do their jobs. This is an important metric for evaluating the digital infrastructure of an area. Again, the level will change as the technology changes.

Mission 5 - Education

School readiness: % of children achieving a good level of development at the end of Reception
Measuring the level of skills is a key component of levelling up. It is important to measure this at an early stage in the form of school readiness. Education is a crucial long-term policy that the Government holds to be able to prepare future generations. Alignment with the measures already in place nationally and agreed performance levels is crucial here to avoid conflicting measures.

Mission 6 - Skills

% above NVQ level 1
By measuring a proportion of those above NVQ level 2 (having at least 5 GCSEs A* - C or 4 to 9) in a local authority, we can determine how much of the population has fundamental skills such as English and Mathematics. As mentioned before, up-skilling the population is essential to closing the poverty and income gap and providing a better-skilled workforce to firms. This relates to mission 6 as it mentions training for 'the lowest skilled areas'. Again, this is difficult to put an ideal level as an older population may have fewer qualifications yet still be highly skilled due to experience but lack certification, therefore, the population composition has a significant effect. However, at a local level, places may want to set a target based on improving their past performance and against similar areas.

% above NVQ level 4
This level of NVQ looks at higher education qualifications. Mission 6 mentions 'high-quality skills training' which this metric identifies more closely. Places that have Higher Education Institutes, good quality and job and housing have a significant advantage on improving on this indictor; (it is linked to employment and housing quality). Any target set to level up will, therefore, be highly dependent on the local circumstances and what is achievable. This is also a longer-term indicator given the time it takes to improve individual's skills to this level.

Mission 7 - Health

Life expectancy at birth and 65+ by males and females
Life expectancy is a clear indication of the health of a population and is often associated with better quality of life. Life expectancy between regions can highlight health concerns, pollution levels, the extent of demerit goods, such as tobacco products, in society and the quality of local facilities. Life expectancy is the result of decades of interconnected effects on people's lives, as well as the movement of people as they age, which can lead to some areas having a greater density of older people and more illness. Levelling up should aim at improving those places with low levels of life expectancy and lifting them up (similar to deprivation).

Mission 8 - Wellbeing

Number of Suicides, Anxiety, Happiness, Worthwhileness, Life-satisfaction
An emerging consensus when looking at levelling up is that the general welfare of the population, health and wealth is critical. Quite simply, if people are feeling unhappy or unfulfilled in life then this is a potential sign of wider socio-economic malaise. In particular, suicide statistics point to other variables such as unemployment levels, quality of life and available facilities/ services near individuals. If a population is unhappier and less satisfied than other areas, then local pride in the area will also be lowered. Wellbeing is a highly complex issue affected by all the other issues covered in the indicators, so again aiming to reduce the negative impacts across the board is essential.

Mission 10 - Housing

House price to income ratios
This measure is crucial in understanding the biggest cost faced for many English households. It also helps determine barriers to homeownership which could trap people in a rent cycle (especially the younger generation). Although incomes tend to be higher in the Greater South East than elsewhere, so too are house prices, such that house prices may be more affordable in areas characterised by poorer economic performance. Hence, the spatial patterns on this measure are rather different to those for many of the others outlined above.

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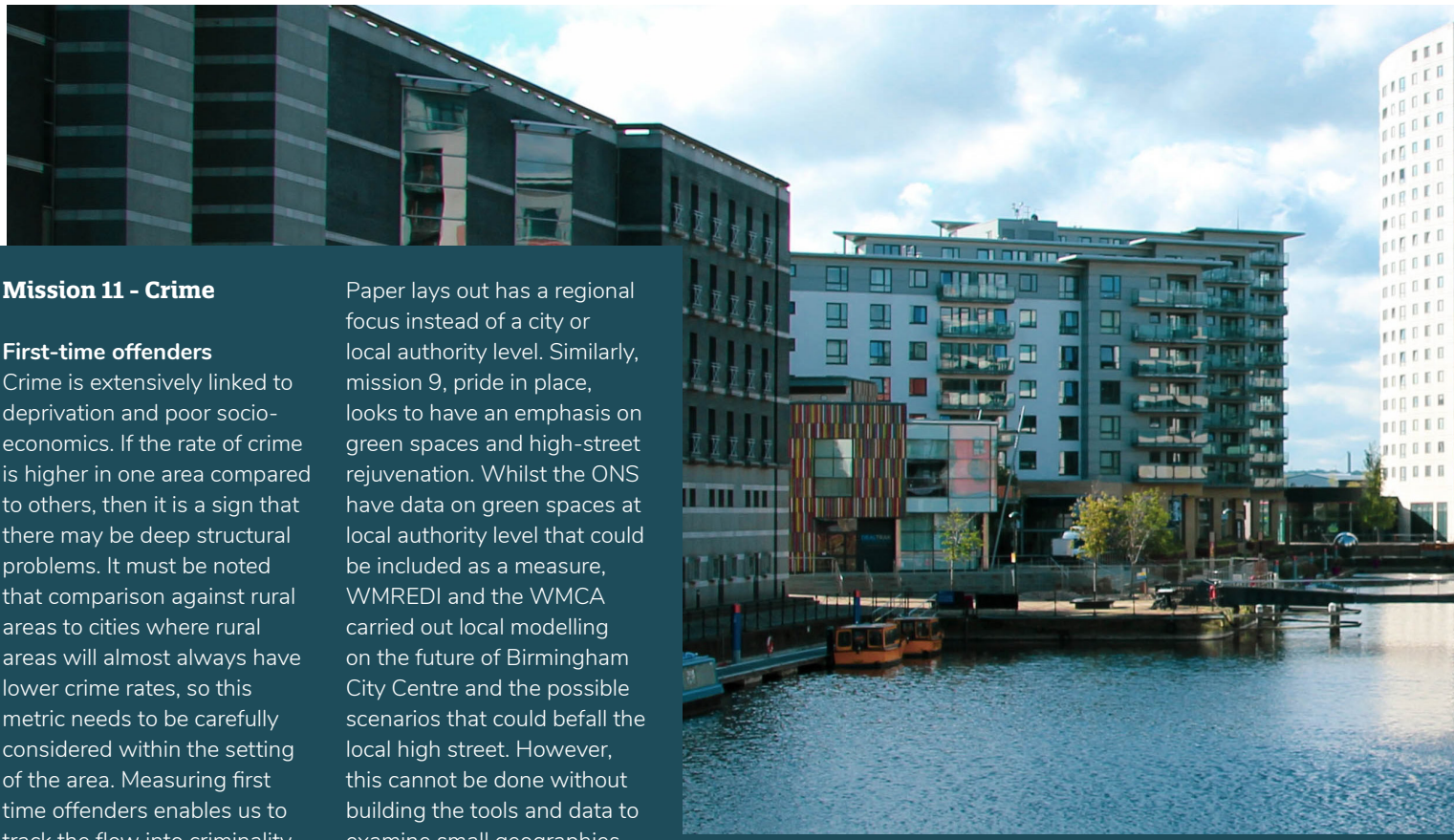

Mission 11 - Crime

First-time offenders
Crime is extensively linked to deprivation and poor socio-economics. If the rate of crime is higher in one area compared to others, then it is a sign that there may be deep structural problems. It must be noted that comparison against rural areas to cities where rural areas will almost always have lower crime rates, so this metric needs to be carefully considered within the setting of the area. Measuring first time offenders enables us to track the flow into criminality in an area, at a local level recidivism may be an issue and, therefore, also tracking reoffending may be necessary.

Children in the youth justice system
This metric is useful for indicating if there are a lack of opportunities for young people in their local areas. Like the previous metric, high youth crime in an area could indicate poor socio-economic conditions, poverty and poor education and training opportunities. Also high levels of children in social care feed through to crime levels later. This, again, is a long term structural issue to tackle holistically

Missing Metrics in the City Index

There are three mission statements that cannot be addressed by the City Index. For mission 2 regarding Research & Development (R&D), the data that the White Paper lays out has a regional focus instead of a city or local authority level. Similarly, mission 9, pride in place, looks to have an emphasis on green spaces and high-street rejuvenation. Whilst the ONS have data on green spaces at local authority level that could be included as a measure, WMREDI and the WMCA carried out local modelling on the future of Birmingham City Centre and the possible scenarios that could befall the local high street. However, this cannot be done without building the tools and data to examine small geographies. We are unable to recreate this data at the level of geography that the city index investigates (Local Authority), currently no institute can without detailed research and data collection (which reduces the ability to benchmark). Finally, mission 12 is too vague and unclear to be able to attach any meaningful data to measuring whether a place desires more local power.

Using the proposed metrics, we can analyse the performance of cities across the UK in how they are faring in their levelling up goals. Whilst the city index cannot be used for every area of levelling up (mainly data that does not go down to the local authority level) it nevertheless is useful to policymakers to be able to see how their place compares, and identify what policy domains could be worked to make each place more prosperous and productive to make residents prouder of the place they reside in.

In terms of levelling up, the level needs to be set based on what is appropriate within a geography. Targets need to be linked to devolved powers, budgets and the levers places have in order to make a difference to the level.

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Policy changes relate to spending and funding

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Context

The UK has some of the worst inter- and intra-regional economic and social disparities of any advanced nation in the world. Historically, the UK has also been one of the most politically and fiscally centralised economies in the developed worlds (Regan et.al, 2021). The centralised nature of government decision-making has insufficiently weighed spatial considerations within the design and delivery of policy initiatives. Often, it has been a significant contributor to the UK's widening disparities. A significant proportion of discretionary government spending, especially investment spending, has often been geographically skewed (O'Brien and Miscampbell, 2021). For instance, R&D and transport funding and spending has often been more concentrated within the South East and London, often due to the application of the benefit cost ratio which can lead to investment in the places which have the greatest return on public investment. However, ensuring that public spending reaches places where it is most in need is difficult. The best source of data on subnational funding/spending on a regular and consistent basis, is usually the Country and Regional Analysis, but is partial and insufficiently granular. Due to this, the spatial pattern of government spending/funding is often unclear and can mean the government policy is sometimes acting in a 'place-blind' manner.

Therefore, in the Levelling Up White Paper (LUWP) the Government has stated that to support more effective targeting of investment central government will require the analysis of spatial breakdown of spending and benefits from the outset of programmes (this is also a requirement set out in the revised Green Book 2020). Initially this was trialled during the Spending Review S(R21) and learning from this, the LUWP has stated that the 'Government will improve its use of spatial impact programmes' to better inform decision making. Additionally, a significant proportion of current direct public funding is determined by formulae, such as the National Funding Formula. To improve the formula-based funding/spending the Government will review current formulas used to be more considerate of spatial economic and social disparities, to ensure it is targeted towards those most in need.

Furthermore, over the last decade cross-departmental coordination of place-based policies is still relatively rare (Institute for Government, 2020). With local authorities and institutions often left to link programmes, policies and funding themselves, with multiple competitive local growth funding pots, emerging over the last decade (LUWP, 2022). This has led to a patchwork of fragmented funds, separate but often overlapping, each seeking to improve local place-based economic development.

Local government has pointed to the inefficiencies of this system, including complexity in decision making and reporting burdens, which result from the number of the local funding pots. Many local authorities have limited capacity and expertise to navigate multiple funding pots, develop investable projects and achieve the right mix of capital and revenue to target long-term priorities. To deliver a more 'transparent, simple and accountable approach', the UK Government aims to "set out a plan for streamlining the funding landscape this year" including a commitment to help local stakeholders navigate funding opportunities (LUWP, 2022). This will include the reduction of unnecessary proliferation of

individual funding pots, supporting greater alignment between revenue and capital resources and ensuring robust monitoring and evaluation to understand the impact of investments. However, the government did not set out in detail how it intends to streamline and simplify funding but will outline this later within the year.

The simplification of these funding mechanisms has been welcomed by institutions and analysts (Franklin, 2022). The DHLC will improve evaluation and monitoring following a report by the National Audit Office (NAO, 2022). Which found that, a failure to implement evaluation and monitoring on previous projects and programmes, left the department unable to assess what had worked in best practice. It is positive, therefore, to see that greater evaluation and monitoring will be taking place when funding initiatives for local growth.

New Spending and Funding

There are only two new major investment announcements in the LUWP, these being the three £100m Innovation Accelerators and a £1.5bn Levelling Up Home Building Fund, the latter will be provided through loans and funding which was first announced in 2020 (ITV, 2022). The majority of other funding was difficult to track. For instance, the document highlights Multiply and the Youth Investment fund as part of its commitment to levelling up, however, funding for both was already announced in the SR21 and will be funded through the UK Shared Prosperity Fund (UKSPF) (SR21, 2021). Furthermore, a significant proportion of the funding/spending linked to the LUWP was already announced in either 2020 or 2021 to combat the impact of the pandemic, such as the Community Ownership Fund and the Culture Recovery Fund.

The majority of funding/spending cited within the LUWP appears not to be new money. Most has already been announced as part of other programmes or in previous spending reviews. It is unsurprising that there is little to no new additional funding in the LUWP, given the toll that the pandemic took on Government finances; with the Chancellor being strident on funding, as all spending for the next three years has already been allocated through last October's spending review (Swinney, 2022). Instead, the LUWP is more of a review into how funding already announced, separate from levelling up funds, has or will contribute to levelling up. However, the main aim of the majority of these funds was never levelling up, therefore, their effectiveness in achieving some of the missions in the LUWP may be limited.

The Centre for Inequality and Levelling Up (CEILUP), found that of the funding or spending linked to the LUWP, little of it was new funding to achieve the stated missions and over half of the money was dedicated to transport infrastructure only (CEILUP, 2022). CEILUP assessed that it will be a significant task to ensure that this spend relates to the specific levelling up missions and supports communities experiencing the greatest social and economic challenges (CEILUP, 2022). The Centre for Cities (Swinney, 2022) and Centre for Progressive Policy (Franklin, 2022), both highlighted that the majority of funding linked to the LUWP is short or medium term and this may mean that the Treasury is not behind the agenda in the long run. The social and economic disparities have been deeply entrenched over decades in the UK and addressing these complexities will take long term commitments and the appropriate long-term funding to support them. Furthermore, whilst there will be increased powers to devolved nations and local institutions, there has been no additional funding provided to them to increase capacity. Already, many of these local institutes are struggling, due to drastically reduced budgets under austerity. Providing them with additional responsibility whilst failing to provide additional funding, will stretch local budgets even further.

Future Funding

Currently, £1.7bn of the Levelling Up Fund (LUF) has been announced, with most of these projects being capital infrastructure projects (LUF, 2021). The CEILUP found that the 73 bids were awarded to LAs in England, and of these, 66% of projects were awarded to local authorities in the 30% most deprived areas in England (CEILUP, 2021). However, analysts did find that less than half of the Government's own priority areas received any funding in the first round (Bailey and Pazos, 2021). It should be noted however, that London and the South East, usually high priority for funding, only received 10% of funding in the first round. Whilst it is welcome that the majority of funding was spent outside of the South East and London, the Government needs to ensure that the priority areas are being targeted effectively in the future.

Other than the LUF, the Government states in the LUWP that the Towns Fund is also 'complementary' to the LUF and is available to local leaders to support levelling up initiatives in their area. However, a large proportion of the Towns Fund has already been allocated (£2.3bn out of £3.6bn) to local areas that were selected. However, there have been deep concerns surrounding bias and a lack of transparency in the selection process for towns invited to participate in the Fund (BBC, 2020). The House of Commons Public Accounts Committee found that the rationale for selecting some areas and not others was unconvincing (2020). Additionally, the justifications by ministers for selecting individual towns were vague and based on sweeping assumptions. For instance, 12 areas that were selected were ranked as a low priority by the Government, the Institute for Government found all of these were in Conservative held seats (Shepley and Shearer, 2021). The Committee also found that the Government had not been open about the process it followed, and did not disclose reasoning for inclusion and exclusion (House of Commons Public Accounts Committee, 2020). The lack of transparency fuelled accusations of political bias and risked the aims of the Fund being undermined.

With regards to future 'complementary' or direct spending and funding, such as the UKSPF and the LUF, the Government will need to be more transparent with devolved and local governments than it has been historically. However, last year the Government did consult these bodies on a much greater level, with regards to the Community Renewal Fund (CRF). However, within England the majority of CRF funding was still skewed towards the South East (figure 19).

Additionally, the CEILUP found that only 24% of CRF funding went to areas in the bottom 30% of indices of multiple deprivation rankings (CEILUP, 2021). This would indicate that the projects funded under CRF were largely weighted in favour of areas less in need of levelling up.

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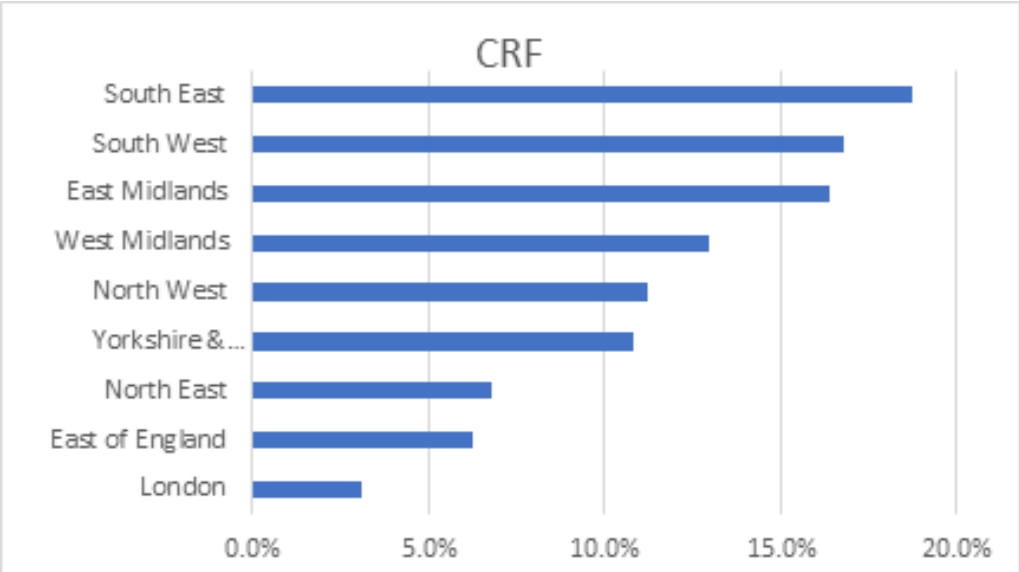
Therefore, where future funds are concerned, greater consultation will be needed with local areas to ensure that funding is being spent where it is needed most.

Additionally, the Institute for Government states that the government, needs to set out greater transparency with regards to criteria for the allocation of funds based on an assessment of relative need at the local, as well as regional, level (Nice et.al, 2021). This is especially important following the controversy surrounding the Towns Fund, controversy surrounding levelling up may undermine the mission if local authorities believe future funding to be bias.

Additionally, if funding streams (such as UKSPF) are set to contribute to levelling up, then the Government needs to ensure than the missions within the LUWP are included as part of the monitoring and evaluation of projects.
Without this then it will be difficult to measure the impact of initiatives under these funds, in relation to levelling up goals. Whilst the Department for Levelling Up, Housing and Communities has set out several missions by which to measure success of projects, unfortunately, there is a lack of granular data to sufficiently track these missions and, therefore, the department needs to work closely with the ONS to further develop these.

"A significant proportion of discretionary government spending, especially investment spending, has often been geographically skewed. For instance, R&D and transport funding and spending has often been more concentrated within the South East and London, often due to the application of the benefit cost ratio."

Figure 10. Community Renewal Fund percentage of money allocated by region



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REDI to reflect

GEORGE BRAMLEY

Issues around levelling up evaluation for place-based interventions

> At City-REDI we have successfully used tools to support self-evaluation in place-based projects.

When I joined Department for Trade and Industry in 199.7 I was tasked to design and commission evaluations of CWP2 (Second Competitiveness White Paper) Innovative Projects, which, in hindsight, supported what we now call placed-based intervention to support economic growth. The programme involved local partnerships coming together, usually led by the local Training and Enterprise Council (TECs) – in some ways similar to Local Enterprise Partnerships – identifying specific local barriers to competitiveness and designing services for local businesses to address them. CWP2 funded, on a competitive basis, around 200 projects.

My first challenge was getting Ministerial sign off because the programme had been developed by the previous administration. This involved making the case by video conference to the Minister's Special Advisor that the evaluation was needed to capture learning from what we might now call **place-based local innovations** in business support. I also worked up evaluation plans for CWP2's successor programme Local Competitiveness Challenge, (LCC), but we did not proceed with the evaluation because it failed the evaluability assessment. I led a suite of evaluations of the Phoenix Development Fund that supported innovation approaches to supporting enterprise in disadvantaged areas and underrepresented groups to tackle social exclusion and economic inactivity.

Drawing on these evaluations in my formative years as an evaluator, and more recently evaluations and development of business cases that I have undertaken at WMREDI - including Pivot and Prosper, Connecting Communities and the Cultural and Creative Social Enterprise Pilot – I present the following observations and reflections that might be relevant to evaluation of programmes fitting under the levelling up umbrella:

• **Scale and size of placed based intervention:** until recently, projects and pilots funded by UK Government programmes and the European Regional Development Fund have tended to be relatively modest in level and duration of funding. This has two implications. The first being from scientific perspective: the interventions are too small and short to be able to pick up an effect size on impacts sought. The second concerns resourcing of the evaluations to assess an intervention effectiveness. Applying rules of thumb, a percentage of programme spend being the evaluation budget -as currently being applied in Community Renewal Fund – means delivery organisations in receipt of grants often have insufficient funds to commission a meaningful and useful evaluation that supports their own learning or robustly assesses their own impacts. At a national level, the only realistic approach is to adopt a thematic one in which specific lines of enquiry are explored based on the schemes' objectives and range of projects funded, analysis of management information and case studies or deep drives.

• **Level of prescription:** by which I mean the extent the funder prescribes the level of intervention required with individual beneficiaries for it to count as significant assistance, types of activities to be delivered and processes to be followed. To some extent, from an evaluator's perspective, higher levels of prescription make it easier to aggregate activities and outputs, but can also work against the internal logic of the projects being funded in having unintended consequences of suboptimal allocation of resources and acting as barrier to innovation.

• Failure to nurture place-based interventions as a pipeline of policy and service innovation: while there are some national and local interventions that can be traced back through different funding initiatives where delivery organisations have managed to navigate changing funding regimes, on the whole many promising innovations have fallen by the wayside. This is mainly due to the short-term project-based nature of funding in response to immediate policy needs, which may have moved on when programme providing the funding ends. It is rarely the purpose of national level evaluations to recommend continuation of locally designed innovative services to propose they are scaled up to national level. That said, there are some notable schemes that have gone national from local beginnings, such as Aim Higher, which addressed barriers to participation by less advantaged young people in higher education and the Small Business Leadership Programme.

• **Ability to aggregate impacts using a bottom-up approach:** to be effective placed-based interventions must reflect local circumstances resulting in subtle but sometimes significant variations in project rationales, objectives and choice and definition of metrics to measure progress. For this reason, attempts at common metrics can fail. The reason why LCC failed its evaluability assessment was because of metrics. At the proposal stage, projects' bidders were invited to choose from a menu of performance indicators against which they would be like to be evaluated. A review of metrics chosen by projects revealed they often did not relate aims and activities of the project, instead chosen items on the basis of what the bid writers believed would tick the right boxes.

• **Reliance on case study methods:** too often the most practical approach is to adopt a case study approach based on a representative sample of projects by size, geography, and type. Depending on the level of resource available and the level of sophistication, the robustness of case studies can vary; ranging from a single depth interview to almost a freestanding evaluation, drawing on multiple methods and evidence sources including interviews with different stakeholders, analysis of management information and relevant documents, and in some cases draw on evaluations commissioned by the project lead provider.

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• **Who commissions, who is the evaluation most useful for and how to create shared utility:** who commissions and who will use the findings of an evaluation may not always be the same. Where the evaluation is commissioned by the funder, their concerns may be narrowly defined around the programme objectives and whether these have been delivered for accountability purposes rather than to capture learning to inform the design of similar future interventions. This can mean there is little information on how previous similar programmes have worked. Yet such information is needed for producing better business cases to support investment decisions, and importantly improved delivery placed based interventions. There are traditions in evaluations, such as participatory and democratic evaluation, which more fully engage the range of stakeholders who need be involved in place-based interventions that are concerned with introducing changes necessary for levelling up.

• **Reverse engineering of successful projects to fit funding available:** too often projects that have demonstrated proof of concept need to change their design and modify their aims to secure further funding. Sometimes this provides validation of the concept in that projects are genuinely adaptable to changing circumstances and strategic imperatives, but in other cases they can so substantially change what is being delivered and to whom, that the successor project may not be recognisably linked to the original.

• **Pros and cons of single pot**: the adage was to follow the money when doing an evaluation, which is only truly possible when there is a discreet budget attached to an initiative. However, in practice, this results in lots of pots of money that increases administration, reduces flexibility in allocating resources and means a less agile approach to managing a programme of activities required for genuine place-based interventions. This has resulted in repeated calls for a single pot of funding that allows discretion on how funding is spent locally and supports devolution of responsibilities from central government. This works well where there are no budgetary pressures and money is devolved with additional responsibilities. Otherwise, the result is unintended consequences, such as defunding and scaling back of some services (e.g. public health) which are needed to address health inequalities as part of levelling up.

• **Light touch monitoring leading to more evaluation:** since around 2002 policymakers have reduced monitoring data requirements on service providers to reduce administrative burden. While this was genuinely necessary, the focus has often been on minimum reporting requirements. This has been at the expense of optimum reporting requirements in terms of gathering data that supports continuous improvement and taking timely corrective action and provides useful insights into how a programme is working and might be optimised. As a result, it is often necessary to commission evaluators to collect similar information under the guise of real time evaluation which can be very resource intensive to do well and difficult to deliver.

• **Benefits of supporting self-evaluation and learning by local delivers:** At City-REDI we have successfully used tools to support self-evaluation in place-based projects on a quarterly basis which provide supporting narrative for management information returns. These tools have been designed to allow project managers to reflect on how their project is progressing, identify future opportunities and actions, as well as capturing information to support formative and summative evaluations.

"The ability to aggregate impacts using a bottom-up approach: to be effective placed based interventions must reflect local circumstances resulting in subtle but sometimes significant variations in project rationales, objectives and choice and definition of metrics to measure progress."

– GEORGE BRAMLEY

Conclusions – lessons from City-REDI and WMREDI research for levelling up

REBECCA RILEY AND BEN BRITTAIN

Our extensive research across the thematic areas covered by the Levelling Up White Paper, and our embeddedness with place partners gives us, as a research institute, a unique position to be able to comment on the vision and practicality of the White Paper.

Our mix of academic expertise in sustainable regional economic development and our applied research co-created with regional partners, means we have a robust approach to evidence and business case development, as well as monitoring and evaluation. We are also at the forefront of understanding the role of universities and are not only researching these core elements of levelling up but we are fundamentally embedding universities into understanding places. This report reflects that knowledge, experience and capacity. The key points raised in the report point us towards how the implementation phase of the Levelling Up White Paper could be strengthened and could create real change at a local level.

Our work highlights a number of issues which need to be addressed:

• Generally, competition is bad for places: it stifles partnership working and encourages piecemeal bidding, and a lack of long term investment which is needed to address structural issues raised in the White Paper. Small competitive pots are also no replacement for long-term investment in place to address structural inequalities and the general reduction in local budgets. Specific national objectives may not fit local areas or address key local need. Place partnerships need to be trusted to deliver to the needs of the area, people and businesses they represent.

• It is very difficult to trace and understand the combined impacts of funding. The majority of the funding announcements in the White Paper are not new. Hence the distribution and management of scarce resources is extremely important.

• The process of competition also wastes public resources. It diverts them from delivery and action, to writing bids and business cases for national government, which in turn absorbs national government resources and could be better spent on bigger programmes and embedded evaluation and learning. A proliferation of small pots also increases administration and prevents investment in teams that can manage and deliver programmes in the long-term, as there is no certainty of funding for these roles and functions.

• There is a proliferation of local strategies, often spurred by national activity, that do not always follow through to funding, as this is dependent on what is won at the local level. Places often have a good understanding of what needs to be done but lack the levers and resources to act and make a difference. Ideas might need to be reverse engineered to fit the funding call. This can have significant impact on the aims and objectives local partners have identified through research and consultation.

• Competitions have also encouraged pilot based and experimental projects that often do not transfer into the mainstream. Additionally, evaluation has been limited on impact and transferability to the broader funding streams. Innovation in delivery of these pilots has also been hit by the short term, quick turnaround nature of funding, leading to lack of embeddedness of change as people and capacity is lost as funding ends.

• The levels of central prescription for programmes also hinder innovation and testing at a local level. This can lead to suboptimal allocation of resources to meet local needs. Highly centralised economies lead to greater disparity as they struggle to tackle place-based inequalities from afar, instead of in partnership with places. The gaps in the White Paper around inequality, environment and energy may also divert attention and activity away from these issues which are crucial to local levelling up.

• Funds for evaluation have been dramatically cut back as budgets have reduced, so places find it hard to learn from

> local governance is often geographically uneven and unnecessarily complex

past activity and build on it. Subsequently, it has been difficult to invest in the skills and knowledge required. Here at WMREDI, we have found this is a service performed across a wide set of programmes and activities, stepping in to fill the gap in capacity, maintain the knowledge base and provide important access to benchmarking comparators outside the local area, building on international work.

• Data is scarce at the local level, many of the indicators in the Levelling Up White Paper are not disaggregated to local neighbourhood levels. This poses an ongoing issue for places in understanding what is happening. Many places have also lost their capacity to do analysis in-house and there is a greater reliance on consultancies. This weakens their ability to develop business cases, and deliver, monitor and evaluate programmes.

• Monitoring places requires not just a set of indicators, but also expertise in understanding the drivers of change in the indicators at a local level and how the indicators overlap and interrelate. Many of the indicators in the Levelling Up White Paper are not available at the scale where many social and economic issues manifest themselves. Places will need to do through self-assessments of their performance to develop appropriate interventions aligned to the missions. Here the qualitative understanding of place is as important as the broader metrics.

• There is a lack of data, capacity and capability in places which hinders development and delivery projects. Funding often goes to places which are already successful, leaving rural, and small towns behind, with the process stacked against them. However, even those successful places, (mostly the large cities across the country) do not perform well relative to their international counterparts.

• Anchor institutions, especially universities, which have the multiple functions of research, teaching, u-pskilling, employment and capital investment, are vital to places. They need investment and encouragement to work together for the benefit of place. One of the few new announcements in the Levelling Up White Paper are the innovation accelerators, linked to firm level demand which can be harnessed to deliver on levelling up. The redistribution of R&D funding will go some way to addressing the impact universities can have, especially if the focus is on the more applied and embedded, helping places grow and capitalise on the capacity, knowledge and skills of the future.

• EU funding, which is crucial for growth across the country, is disappearing from the business support and skills development ecosystem. As yet, the new funding regime that will replace it has not been detailed. This will significantly affect the landscape for business and individual support for growth and levelling up . It also impacts on the ability for institutions like universities to engage locally and deliver programmes for innovation with businesses.

• Brexit and Covid-19 pandemic impacts have disproportionately affected left behind places, largely due to the types of employment such as manufacturing and hospitality, which have been heavily hit by furlough, supply chains and illness issues. Going forward, investment in skills and learning at a local level is vital for resilience and growth in places.

• The housing crisis continues, with a chronic under supply of affordable housing that meets people needs. A quarter of the population find it fairly or very difficult to pay housing costs. Although the White Paper addresses this, it still does not go far enough to tackle this level of under-supply and associated affordability issues.

• A consistent feature of our research is that constant change and new funds are creating confusion for delivery bodies, individuals and businesses at the local level, making systems difficult to navigate. Insecurity of funding means that local delivery functions cannot invest sufficiently in people for the benefit of place. With yet further institutional reorganisation on the horizon, the issue of retention of staff capacity and capability remains live.

• Finally, levelling up is not merely a North-South issue. It is a story of hyper local disparities that may be disguised at the national level, and which data does not always reveal. The lived experience of the people testifies to this. Hence, alongside broader structural factors, local approaches to understanding both the quantitative impacts and the qualitative lived realities are essential to tackling levelling up.

Recommendations and lessons from evidence

Our latest research for CIPFA on international experiences highlights important lessons for the next stage of development:

1. Shared political will and partnerships: each were vital in overcoming political differences and uniting public and private institutions around a common vision.

2. Clear strategy and vision: each city set out what they should look and feel like as places to live and work.

3. Investing for the long term: a commitment to scale and longevity in funding is an imperative.

4. Local knowledge: an in-depth understanding of the strengths and weaknesses that drive local economies, and an ability to build on those strengths.

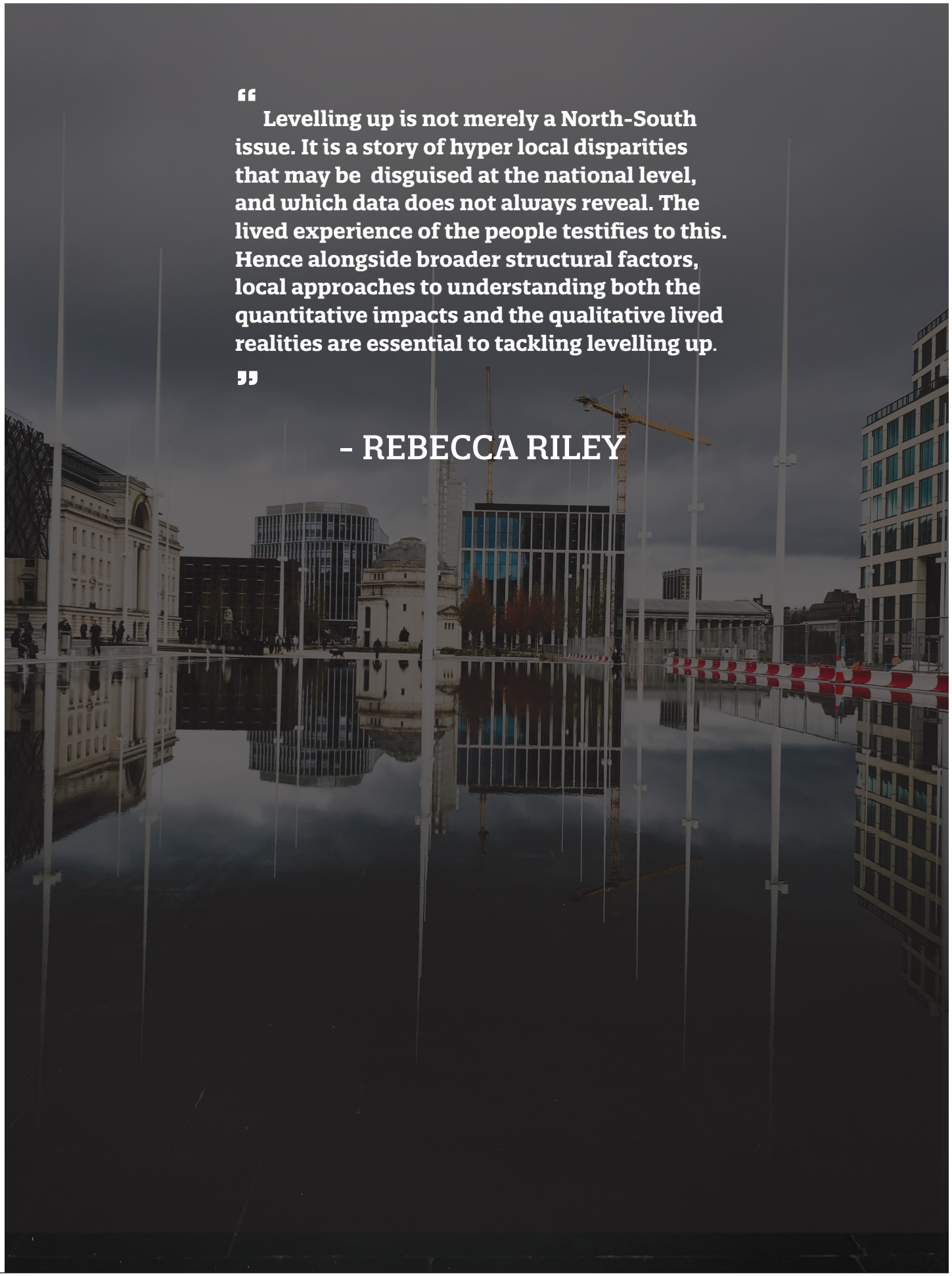
5. Monitoring and evaluation: a system that allows for policies and programmes to be regularly sense-checked and updated in a timely way that benefits total performance.

6. Adapting national frameworks to address local needs.

7. Diversification: the ability to design policies that enable growth strategies to take root and thrive relies on the strength of a local narrative.

8. Key players: individuals and private organisations can serve as enablers of growth, leading by example.

9. Adequate and responsive funding: identifying where and when finance is made available can be as important as the policies themselves.



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- REBECCA RILEY

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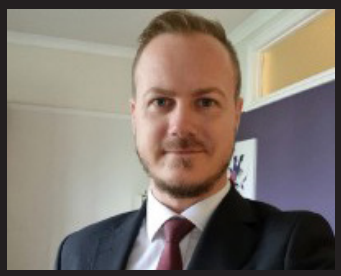

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