



Levelling up: the IfG view on the white paper

Summary

The *Levelling Up the United Kingdom* white paper is a genuine attempt by the government to turn a campaigning slogan into a plan of action – one that can be measured and, eventually, judged. It defines 'levelling up' in broad terms, confirming that it does relate to all kinds of regional inequality.

To its credit, the government does not pretend to be the first to have identified or tried to tackle these problems. Instead, it sets out why – in its view – previous attempts failed and why the contents of its new white paper mean this time will be different. But despite no fewer than 350 pages of dense analysis, the white paper does not provide a clear-sighted diagnosis. The proposals for further devolution of powers and rewiring of Whitehall are welcome and could be genuinely radical but in the absence of a clear sense of priorities about which issues are most important, and where intervention can be most effective, the government risks falling well short of its targets. This Insight paper sums up our snap analysis of the document, and finds that:

- **Levelling up has broad ambition but that also risks a lack of focus.** The white paper sets out 12 separate "missions" but not all can be prioritised at the same time. It rightly identifies the need to change how decisions are made within Whitehall to ensure levelling up is factored into decision making and to join up the actions of the many different departments whose policies will contribute to this aim – with a new requirement for them to report how their actions affect levelling up. Departments will not have much extra money to spend over the next few years, meaning that

achieving better outcomes will require spending smarter – rather than just more. But without a clearer statement of the government’s ranking of priorities – either between the missions or between areas of the country – the white paper alone is not a sufficiently actionable guide to help policy makers choose between alternative courses of action.

- **The white paper’s economic analysis is thorough but not a helpful guide for policy.** Its diagnosis of the many causes of regional inequalities are complicated and the government would be better off articulating a simpler blueprint for economic growth that gives clear policy prescriptions.
- **The new economic policies announced do not match the ambition of the broader agenda.** Whatever theory of economic growth is followed, the government will need to deliver more radical policies than those announced – and with more financial backing – if it is to succeed in its 12 missions.
- **The focus on measuring levelling up is welcome.** This should help to retain focus on this agenda within government. But some of the missions are insufficiently ambitious – while others appear all but unachievable from the outset – and the government should ensure that scrutiny is as effective as possible by not marking its own homework.
- **The proposals to reform policy making at the centre of government are welcome but underdeveloped.** The government is right to identify policy making structures as key and its various proposals – such as a new advisory council – are promising. But without exception they are underdeveloped and it is unclear how they will work for a policy as broad as levelling up. The government should provide further detail as soon as possible about how structures at the centre will work to deliver such a big vision for decades to come.
- **The devolution proposals are genuinely radical.** It is welcome that the government has committed to extending devolution beyond metropolitan areas, based on a transparent framework that makes clear to local leaders what powers are on offer and what governance reforms will be required. However, negotiating these deals will take time and sustained political commitment, and the government will face opposition to its plans for new elected mayors in some areas, though the promise to deepen the powers of the existing metro mayors is another positive sign. Local economic growth policies have been subject to huge churn in recent decades so it is positive that this government intends to build on existing structures.¹

Levelling up has broad ambition but that risks a lack of focus

Levelling up is an ambitious agenda

The government's levelling up white paper sets out an ambitious agenda to improve living standards across the UK, especially in those places where they have lagged behind. One of the criticisms of the government's pledge to level up so far – [including from the Institute for Government](#) – has been the lack of clarity about what the phrase actually meant, and so what was being promised: it seemed to mean all things to all people. The white paper clarified that it really does mean everything.

The objectives cover outcomes from pay, productivity and jobs to healthy life expectancy and wellbeing. The white paper also repeatedly reassures readers in places that may not be prime candidates for levelling up that this is not about cutting down or holding back the most prosperous areas but rather ensuring that everywhere achieves its full potential: win-win for all.

These wide-ranging targets are summarised in a set of 12 missions by which progress will be judged. Some are outcomes that the government wants to achieve for their own sake – such as narrowing the gap in healthy life expectancy across the country and raising it everywhere. Others are means to an end – such as increasing R&D investment outside London and the South East, which is expected in turn to boost productivity growth.

The level of ambition in the white paper is welcome, setting out an agenda not just for this parliament but for at least a decade, recognising the scale of the problems. And it rightly acknowledges that numerous factors affect people's wellbeing and help create thriving, vibrant communities – not just economic output but also crime rates, people's health and more – and that these factors are interconnected.

But the sprawling nature of the objectives could be their undoing

The outcomes being targeted are not perfectly correlated with one another. Northern Ireland, for example, ranks as the worst performing part of the UK in terms of productivity but ranks top for life satisfaction. Meanwhile, London ranks top for productivity but bottom for life satisfaction (see Figure 1, overleaf). The types of policies that might help achieve one of the government's missions may not help achieve another – or could even have a negative impact.

Figure 1 **Comparison of regional productivity and life satisfaction against the UK average**



Source: Institute for Government analysis of Office for National Statistics, Subregional productivity; labour indices by UK ITL2 and ITL3 subregions, 2021 and Office for National Statistics, Annual Population Survey, 2021. Note: values greater than 0% indicate values above the UK average. Productivity is measured as GVA per head.

The white paper pledges to rewire Whitehall so that levelling up becomes a golden thread running through government decision making, for which departments will be held accountable. But without any sense of prioritisation among the missions (or between different parts of the country) it is hard to see how they will provide a useful guide for deciding which policies to pursue or where to focus spending. Ministers may have a clearer idea in their own minds of what the priorities are but if those are to drive decision making, they need to spell them out more clearly.

The white paper lists 16 examples of policies the government has already implemented that have “made progress towards spreading opportunity around the country”. The list includes everything from the England-wide Lifetime Skills Guarantee and UK-wide reduction to the Universal Credit taper rate to targeted spending on transport in eight city regions and spending through the Towns Fund on 101 towns across the UK. That list gives a hint of how difficult it will be to use the objectives spelled out in the white paper to prioritise meaningfully between different possible policies and spending programmes.

The economic analysis is thorough but does not provide a useful guide for policy

Britain has large geographical inequalities in terms of economic output, productivity and incomes. In narrative terms, the levelling up white paper attempts two tasks key to its overall goal of reducing these inequalities: to explain why they have come about, and then to offer some kind of diagnostic approach to closing them. In each it only scores a partial success.

The white paper’s analysis is more complicated than traditional economic models

First there is the historical explanation. The white paper warns readers of the complexity of the story that has brought the UK to where it is, going on to cite factors including “globalisation, technological progress, advances in transport, logistics and

power, and the shift from heavy industry to knowledge-intensive sectors, as well as the rise of foreign holidays and shift from technical training to university education” as reasons behind the UK having the economic geography it does.

Then there is the diagnostic approach. A simple characterisation of growth is that an economy grows either by putting in more growth-enhancing inputs – the factors of production – or by combining them more cleverly. In the earliest, simple models used by economists, a country’s output arose from the quantity of capital (machines, buildings, land) and labour (people, working certain hours) put into the economy, with the term ‘total factor productivity’ (TFP) then used to denote how well these were combined. Sometimes, TFP was taken to stand for technology but it can be anything that gets more out of the same resources – better laws, better incentives, better organisation all count.

This leaves you with two ways of achieving more growth – either use more capital and labour, or combine them more cleverly. But the ‘more’ approach is subject to diminishing returns: higher capital requires more investment, which itself means more household or government saving, leaving less money for consumption. Therefore, for much of recent history the main goal of growth policy has been somehow to do things more cleverly, to find ways of better deploying finite resources.

The white paper has confused this simple approach by creating many more types of ‘capital’. In addition to physical and human capital, there is also financial capital, intangible capital, social capital and institutional capital. When a region’s performance is lagging, it is going to be because one or more of these six types of capital is lacking. Of course, the capitals will inter-relate to a large degree, and also enjoy a causal feedback loop with the economic production they together create: richer places can put money into getting more, and more varied, capitals.

This analysis does not provide a useful guide for policy

This approach is sound – in theory at least. If something is positively correlated with growth, categorise it as a certain type of capital and observe that more of it would be better. And it is important not to be hung up on outdated models of growth that see everything in overly physical terms when modern economies are so intangible: there is no doubt that social bonds, trust, education, smart ideas and so on are as important for growth as buildings or ships.

But it is questionable how useful this is as a tool for creating good policy, for several reasons. First, the ‘six capitals’ diagnostic tool does not actually marry up well with the narrative description provided in the paper for why the UK is where it is. The grand historical trends there are not very elegantly captured by a tale of rising and falling quantities of *capital* as much as of *markets* – and their expansion and development, as shaped by technological change, wars and more.

A more substantial concern is whether it is easy, or indeed possible, to go to any particular place in the UK and break down its performance according to these six distinct quasi-quantities. It is relatively easy to tell if a place lacks transport infrastructure or workers, or if education attainment is poor. What 'more' of these factors means is plain, and there are even mature policy approaches to achieving more (generally, they involve more money).

But this is far harder to determine in terms of financial, intangible, social and institutional capital. Financial capital is assumed to inhere in a particular kind of equity investor, but the natural tendency of financiers to cluster in financial centres makes this metric difficult to employ in explaining why a place is doing badly. Most countries have a single large financial centre, but there is no reason investors need to be based where their investments are. Intangible capital is a quantity that might stretch from patents and R&D budgets to management practices – whichever of these is failing would need to be broken down still further to be of any use. The same is true of social capital, although most of its elements appear to be effected through making places nice to live in, and therefore contributing to that other vital quality – the ability to attract skilled people to hang around.

Finally, institutional capital is expected to capture the vast field of economic thinking that concerns itself with economic institutions, which can stretch from the strength of the rule of law, market structure and security of property to the actual organisations and governance in an area. Corrupt places with lower trust do worse than reliable, 'Scandinavian-style' places. This is a well-respected part of economic theory – any politician who claims to have a better way of governing the country for economic growth is implicitly staking a claim here. But its breadth is again a disadvantage when it comes to treating it as a single variable.

Despite the complexity, one crucial factor was omitted

One characteristic of places that was notably absent from the white paper analysis is market access. By not discussing this at more length, it fails to acknowledge that isolated places without access to large markets struggle, even if they are excellent in many other attributes. The white paper makes clear that "levelling up is not about making every part of the UK the same" but rather about "releasing the potential of every place". But it side-steps the fact that this 'potential' is necessarily going to be different in places across the UK. Such a complex approach risks hindering progress in any one area.

That the authors did not want to over-simplify their approach to economic growth is admirable, even if introducing a six-faceted 'growth slide rule' can make the white paper a hard read. They did not want to pretend that economic growth is a simple matter of doing better in one or two ways or miss out anything important. But beyond the theorising it offers little clear guidance to policy makers choosing which policies to invest time in and how to target limited resources across a vast range of possible programmes.

It may prove of some use as a foundation for devolving the tools of economic management to local areas: asking them to diagnose their own problems and fix them. But such a complex approach to explaining economic disparities risks preventing the government from acting in a clear, decisive manner on just one or two of them, such as poor levels of skills or inadequate transport infrastructure. Badly lagging places are likely to fail on every dimension, and being told it is complicated will not provide much comfort.

New economic policies do not match the ambition of the analysis

Given the scale of the task identified in the white paper, you might have expected a similarly ambitious set of policies to tackle geographical inequalities. However, for the most part the specific policies announced were small and are unlikely to move the needle on any of the government's 12 missions.

It is not surprising that there is no 'new money', but policies are still less ambitious than expected

A common critique of the paper has been to say that it provides no 'new money' in addition to the departmental allocations set out at the multi-year spending review just a few months ago. This is, in some ways, an unfair critique. The spending review set budgets taking into account the many ambitions and goals the government has for the coming years – including levelling up – and the fiscal situation. It would have been much better to publish the white paper alongside the spending review to present a coherent vision for government policy for the rest of the parliament. But given how long this white paper has been in the making, levelling up policies will have been considered as the Treasury allocated money.

That said, much of the money allocated to departments last autumn for the next three years had not yet been earmarked for particular programmes and so there was still scope for the white paper to announce major 'new' policies if not funds. But, in practice, there were very few substantive spending commitments in the paper. One of the biggest policies, to create three 'innovation accelerators', amounts only to £100 million of spending. And many of the policy commitments listed had already been announced at the spending review or earlier; most were not headline-grabbers even then.

Policies to tackle economic inequalities are especially thin on the ground

The first 100 pages of the white paper focus primarily on explaining why regional economic inequalities are so large in the UK. This relates principally to four of the missions – grouped under the heading "Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging".²

But only five of more than 30 policy announcements in the white paper address those missions,³ including the innovation accelerators referred to above, plans to free up pension funds to invest in local projects and a bus improvement fund. On their own, these policies are unlikely to have much impact on any of the economic missions.

In contrast, 14 of the policy announcements are focused on the third set of missions: “restore a sense of community, local pride and belonging, especially in those places where they have been lost”. These range from announcements and commitments on housing standards to spending on culture and grassroots football. This focus is understandable politically: these are relatively inexpensive policies that can be delivered quickly in time for the next election. But they will do little to cure the diagnosed causes of regional inequality that the white paper spends so long laying out.

Further policies will be needed soon

The white paper looks at case studies of successful levelling up from elsewhere and draws lessons about what contributed to success.⁴ But one factor that was conspicuous by its absence in this analysis was the importance of financial backing for these policies. This is most obvious in post-reunification Germany, where many billions of euros of fiscal transfers per year have crossed from west to east over the past 25 years.⁵

If the government is serious about achieving levelling up, it will need to provide more ambitious policies – backed by greater funding either out of existing budgets or additional spending – as soon as possible.

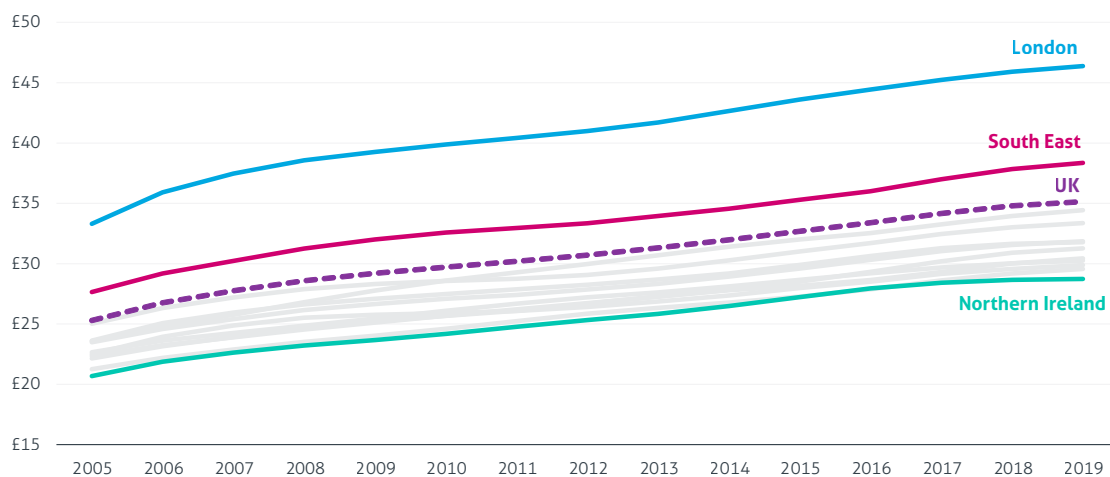
The focus on measurement and data is welcome but the government should ensure its targets are appropriate

Last year we called on the government to set clear and measurable targets for success on levelling up.⁶ The white paper does this, with each of the 12 missions assigned a set of metrics that will be tracked. Measuring progress will help focus policy, hold the government to account for its progress and encourage policy makers to adjust programmes if targets are unlikely to be met. By setting targets for 2030, the government has rightly acknowledged that this is a long-term policy agenda.

But many of the missions are not well calibrated. Meeting some of the targets should be very easy; meeting others will be extremely difficult – if not impossible.

Some of the economic targets are the least ambitious. For example, the white paper has simply committed to pay, employment and productivity rising in all areas of the UK by 2030. It would be disappointing if pay and productivity, in particular, did not increase over that period given that even weak economic conditions should bring about such an outcome. It is also not clear whether the target refers to a nominal increase or inflation-adjusted – something that the government should clarify as soon as possible. But either way, recording positive growth in these measures over the next eight years seems a bare minimum.

Figure 2 **Nominal (smoothed) GVA per hour worked**

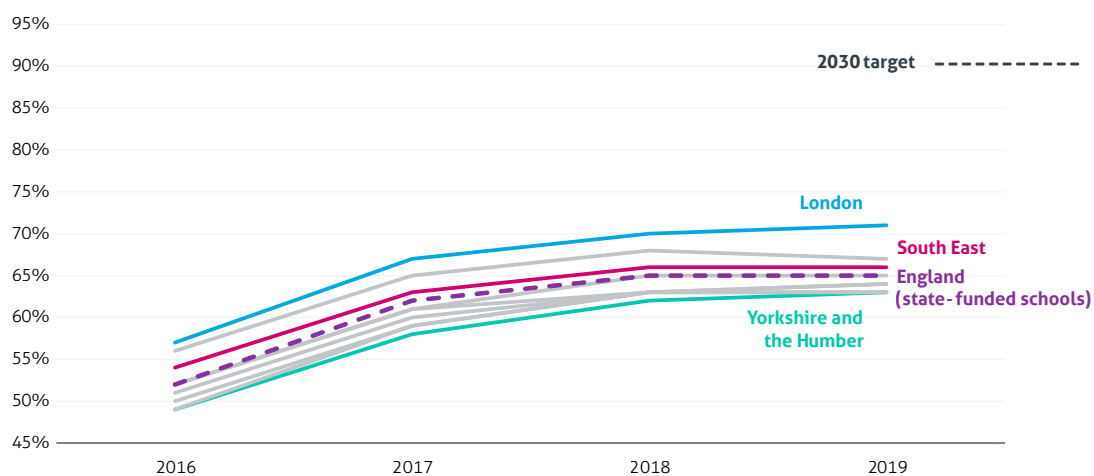


Source: Institute for Government analysis of Office for National Statistics, Subregional productivity; labour productivity indices by UK ITL2 and ITL3 subregions, 2021.

Unambitious missions not only run the risk of government giving itself an easy ride – they also pose the risk that some places could, in effect, get ‘levelled down’. Many of the targets specify only that all areas of the UK should see some growth – with more stretching ambitions for worse-performing areas. But that could enable the government to score a win on levelling up, even if some currently prosperous areas fare far less well in future than ought to be expected. Over the 15 years running up to the pandemic, London’s productivity (as measured by output per hour worked) grew on average by 2.6% a year in nominal terms (and by 2% over the whole period in real terms despite historically poor productivity growth). Were London’s productivity *not* to grow between now and 2030, it ought to be considered a catastrophic failure, not a marginal miss on the levelling up scoreboard. If the government wants to avoid levelling down, it should ensure that its missions have appropriate ambition.

On the other hand, the target on education – to have 90% of children in England reaching the expected standard in reading, writing and maths – looks very ambitious compared to historic trends. Achieving this target would involve raising current standards by 25 percentage points in just eight years, which would be far more rapid than any growth since 2016/17, which occurred the year after the Key Stage 2 curriculum was revised.

Figure 3 **Percentage of pupils reaching the expected standard in Key Stage 2 reading, writing and maths**



Source: Institute for Government analysis of Department for Education, National curriculum assessments: Key Stage 2, 2016–19.

The paper is right to say that more data is needed to monitor and evaluate progress, but accountability will also be key

To monitor progress towards achieving the 12 missions, good quality data will be crucial. It is welcome that the white paper highlights the importance of better data, especially at the subnational level. Some metrics, such as government spending on R&D, do not always have full data available at the regional level, let alone for smaller areas.⁷

It is also welcome that the paper recommends collating and publishing the data in a way that can help with the evaluation of policy interventions, including central support for local government spatial modelling – enabling everyone to learn from policy experimentation that will be going on at local level.⁸ The National Audit Office (NAO) has recently highlighted the need for better evaluation of policies to achieve local growth.⁹ This will require co-ordination and investment to collect comparable data across the UK, and as yet the government has not announced any new money to facilitate this collection. However, the unanswered questions on how levelling up will be measured going forwards are who will judge success and what happens if the UK is not on track to meet certain targets.

Proposals to reform policy making in the centre are welcome but underdeveloped

The white paper recognises that a “rewiring” of how Whitehall works is needed to realise the ambitions of levelling up. One of the four chapters is dedicated to “systems reform”, with an analysis of why past policy programmes have failed and a description of how central government will change in support of the 12 levelling up missions. This will be crucial to reducing the risk that this government’s levelling up agenda goes the way of numerous previous initiatives on local economic growth.

The ambitions described would entail radical changes, including by putting geographical inequality front and centre in policy making, by improving collaboration between central and local government, and devolving more decision making outside Whitehall. But the specific plans for reforming central government included in the white paper are underdeveloped and need further thought if they are going to be achieved.

Plans to evaluate and report progress publicly are useful but do not go far enough

The proposal to introduce a “statutory obligation to report annually on progress towards” the 12 missions is a helpful first step. [Legislated targets](#) can act as a strong signal of intent within and outside government. They can influence the direction of government on a long-term basis and disincentivise future administrations from changing course. The value of legislated targets can be seen in the UK’s targets for reaching net zero carbon emissions by 2050, signed into law in 2019 as one of the last acts passed by Theresa May’s government. Elsewhere, the federal German government publishes annual reports on efforts to reduce regional inequality, which help to enhance scrutiny of its work.¹⁰

While the plans for public evaluation are welcome, unanswered questions remain about how progress will be evaluated and, critically, who will do the evaluating. It is essential that the government’s progress is subject to independent scrutiny, to ensure outside experts can test and challenge the government’s thinking – in the way that, for example, the Climate Change Committee does for the net zero target. But the white paper has not committed to this sort of independence. An “advisory council” will work “at the discretion” of a new cabinet committee chaired by Michael Gove, though a decision on “whether a new body” should co-ordinate work on evaluating “what works” has been delayed.

More detail is needed on how judging departments’ contribution to levelling up will be integrated with existing performance management systems

The white paper says that Whitehall departments’ outcome delivery plans (ODPs – the means by which departments are held to account for their work) will be “crucial” for evaluating their contributions to levelling up. It is reassuring to hear that the government plans to build on these existing systems, rather than establish a separate performance system. However, the government should set out how the annual process of publicly reporting on progress on levelling up will be managed within, rather than separate to, the ODP framework. And there are [existing weaknesses](#) in the ODP framework that still need to be addressed if it is to prove effective in holding departments’ feet to the fire on levelling up.

Details of how levelling up will be co-ordinated across central government are less developed

Gove’s new cabinet committee will manage the development, delivery and monitoring of levelling up in Whitehall. This is typical of cross-government policy programmes and should help to ensure ministers’ attention remains fixed on the issue, at least while Gove remains in post. But given the breadth and timescale of levelling up, the new committee alone cannot guarantee that the 12 missions remain the focus of departments for years to come – far less to fundamentally change the way Whitehall works.

The new cabinet committee is supposed to “work with local leaders”. To enact the sentiment of closer collaboration between central and local government, and greater devolution of decision making, this will have to mean more in practice than occasionally consulting mayors. For example, the membership of the committee could expand beyond ministers to include local leaders.

And there is no insight as to who will hold Gove to account for his leadership of levelling up. One of the problems with the ministerial implementation groups (MIGs) created in response to the pandemic was that the health group was chaired by the health secretary, Matt Hancock, and the economic group by the chancellor, Rishi Sunak. This severely restricted challenge to MIGs’ thinking from outside the lead departments. Given how important levelling up is to his administration, Boris Johnson should be expected to play a more visible leadership role in its delivery.

Proposals to change Whitehall policy making are ambitious but similarly underdeveloped

Spatial analysis is to become a “golden thread” of all policy made across government. This will indeed be key to changing the way central government works but, beyond the vague intention to eventually incorporate spatial analysis into funding formulas, there is little detail about what this will entail. There is a risk that, in practice, it will simply be a box-checking exercise for officials compiling submissions to ministers, rather than a more substantial consideration of relevant issues earlier in the policy making process.

The prospect of new ‘levelling up directors’ across the UK is promising. Such roles could improve collaboration between local and central government by acting as a single point of contact for local leaders into Whitehall. However, lessons must be learned about similar attempts at regional directors in the past. Just as they can ease collaboration, they can also add bureaucracy and cause further tension.

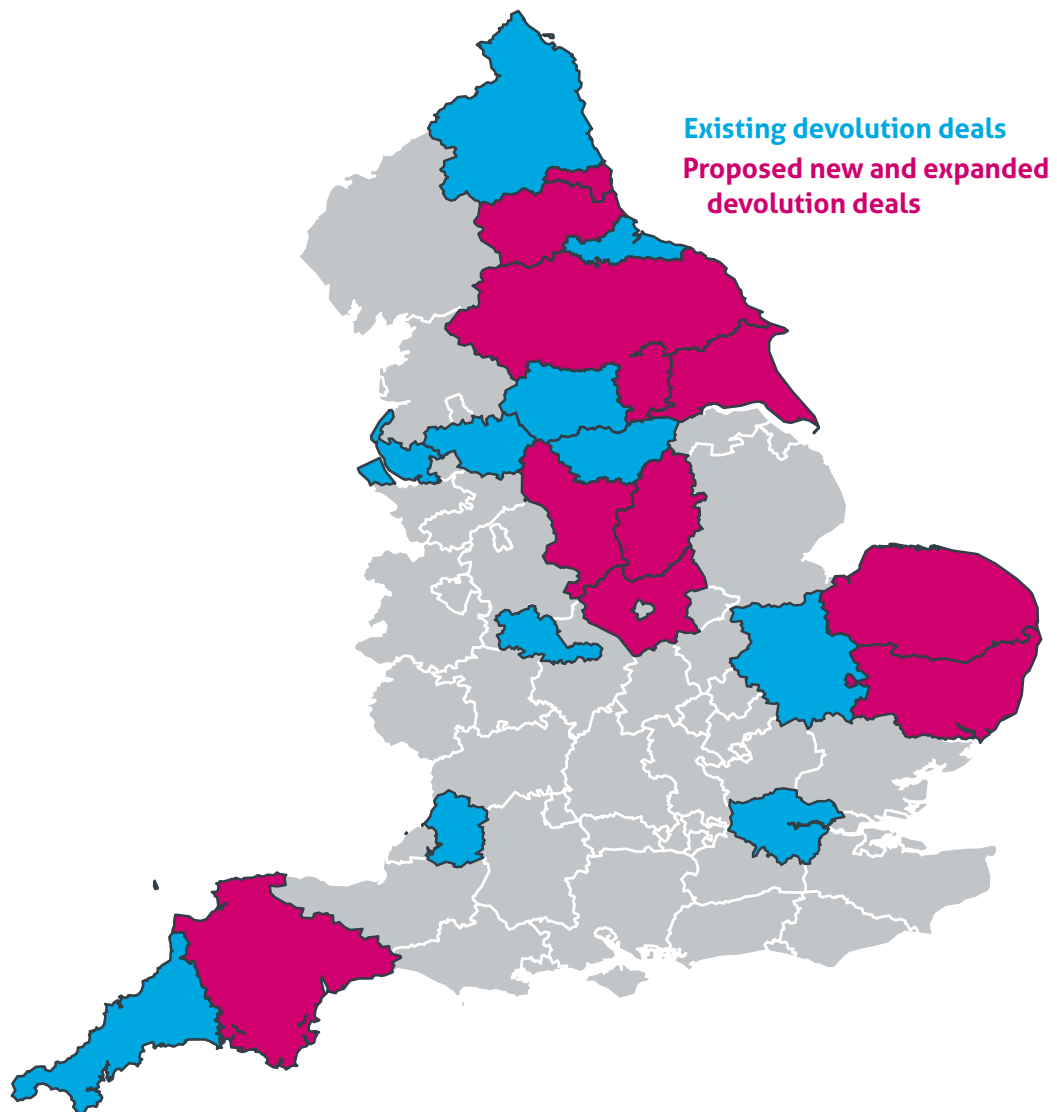
The government is right to focus not just on the policies that will enact levelling up, but the changes to ways of working that will make it possible. The sentiments of the white paper are radical, but as yet light on detail. To an extent this is understandable, but it is important the white paper is just the first word, rather than a definitive announcement, on how levelling up will be weaved through many aspects of central policy making.

The new devolution proposals are the most radical

The government has placed regional devolution at the heart of its levelling up agenda, and has set out an ambitious vision to achieve this

Among the most ambitious elements of the white paper are the commitments to extend and deepen devolution across England. The overall commitment, as set out in Mission 12, is that by 2030 “every part of England that wants one will have a devolution deal with powers at or approaching the highest level of devolution and a simplified long-term funding settlement”. Powers are likely to be devolved in areas including transport, housing, adult education, infrastructure investment, employment programmes and business support (including functions currently carried out by Local Enterprise Partnerships).

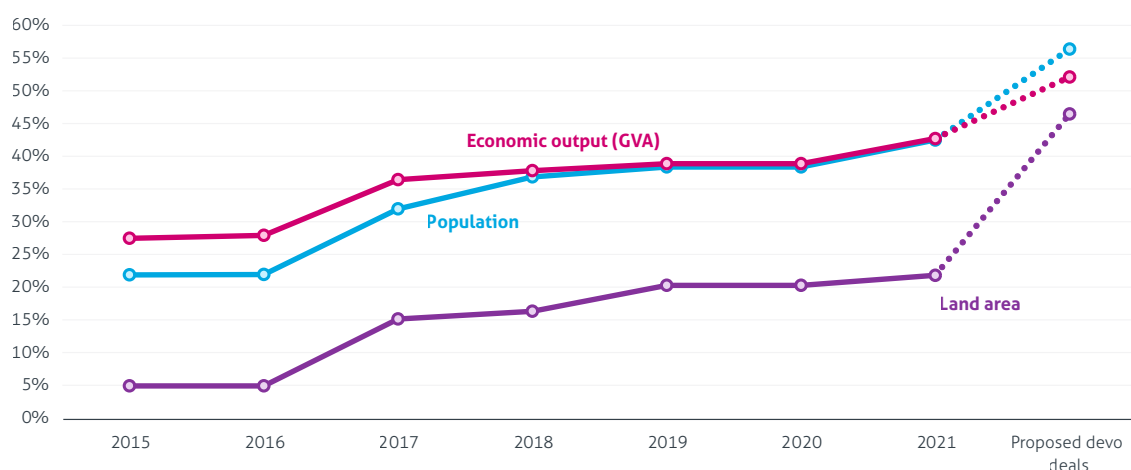
Figure 4 Existing and proposed devolution deals by area, England



Source: Institute for Government analysis.

In the short term, the plan is to negotiate 10 new devolution deals (see Figure 4). These will include a mayoral combined authority in North Yorkshire and 'county deals' in other parts of the North, the East Midlands, East Anglia and the South West (including Cornwall, which has some devolution already). In addition, the existing North of Tyne mayoral combined authority is to be extended southwards, addressing the anomaly of having a mayor responsible for only half of the closely integrated Tyne and Wear economic area and transport system (although Durham will still be left out). Extra powers are promised for the Greater Manchester and West Midlands combined authorities too. If all the new deals are concluded and implemented, then for the first time a majority of England's population (55%) will live in areas with some form of devolution (see Figure 5).

Figure 5 **How much of England is covered by current and proposed devolution deals?**



Source: Institute for Government analysis of ONS, Population estimates, 2015-20 and forecast figures for 2021; ONS, Regional gross value added, 2015-19 (with subsequent years using 2019 data); ONS, Open Geography Portal, standard area measurements (2019) for administrative areas in the UK. All data includes Greater London.

The white paper sets out four devolution principles that will guide the process: effective leadership, sensible geography, flexibility and accountability. If applied consistently, this would mark an improvement on past periods of devolution deal-making, during which it has often been difficult to establish why certain powers have been devolved to some places and not others.

The white paper also contains a helpful “devolution framework”, for which the Institute for Government and others have long advocated.¹¹ This is rather high level but does set out for the first time a clear “menu” of powers that could be devolved to different places depending on the governance model adopted. The government is clear that the widest set of powers and funding will be unlocked only for those places that agree to a directly elected mayor, with the government keen that these areas have a single point of accountability.¹²

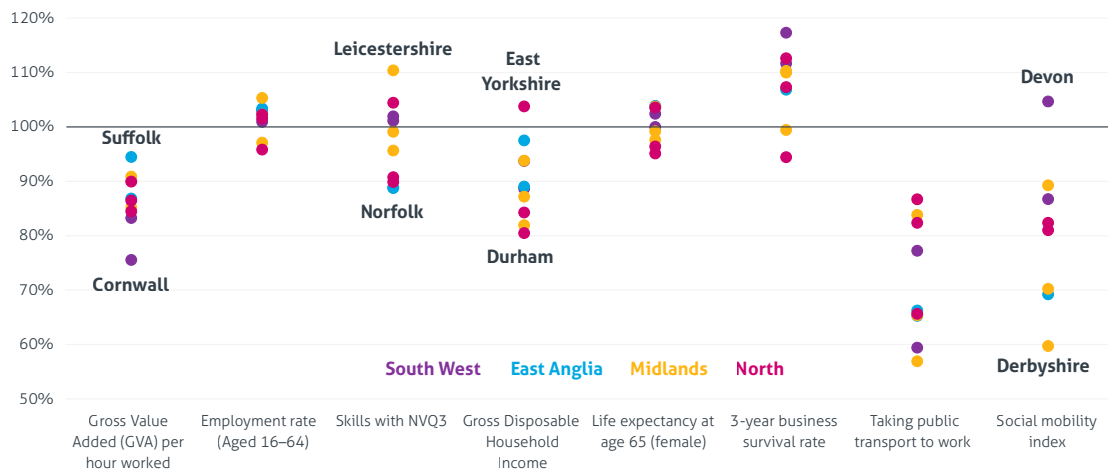
Devolution is being prioritised in many of the right places – those that must improve fastest if levelling up is to succeed

The government rightly regards devolution – led by strong and accountable local leaders – as a key part of its strategy for closing regional disparities in economic performance and living standards. The central argument as stated in the white paper is that where decisions over policy design and resource allocation are taken at a national level, far from the people and communities affected by them, the outcome is that “policy is insufficiently place-sensitive”. Devolution is intended to overcome these “problems of a lack of information and misaligned incentives at the centre”.

Given these objectives, it is sensible that the planned devolution deals are concentrated in areas that are both relatively distant from Westminster, and that also mostly lag the UK average on indicators such as productivity (GVA per hour worked), social mobility and disposable household income (see Figure 6). Devolution of skills, employment and business support functions could provide local leaders with the levers they need to

start to close these gaps. The planned deals are also in places where dependence on cars is high. Devolution of transport responsibilities (for instance over bus regulation) combined with extra transport funding will therefore be important too.

Figure 6 **Comparison of proposed local devolution areas identified in the levelling up white paper**



Source: Institute for government analysis of various Office for National Statistics measurements, 2016-2021. Note: Values greater than 100% indicate greater than the UK average.

However, even if all the planned devolution deals go through, nearly half of England will still be left out, including most of the south of England as well as northern counties such as Lincolnshire and Lancashire. The government will have to explain how it intends to accelerate its devolution plans so that these areas are not left behind.

Negotiating and delivering these deals will be a challenge – especially if there is no new money on the table

Achieving the devolution deals announced in the white paper will not be easy. Reaching agreement on some of these by autumn 2022, as planned, will require sustained commitment from central government – difficult in the current political climate – and local leaders, particularly as discussions over county deal proposals are currently at an early stage.

There remain difficult questions around governance arrangements that could delay or even thwart the conclusion of devolution deals with some county areas. As noted, the most ambitious offers – what the white paper calls a 'level 3 deal' – will only be concluded with regions that agree to a directly elected mayor: these would cover the devolution of local transport funding, brownfield regeneration budgets and long-term investment pots, all key components of devolution deals with existing metropolitan combined authorities. A further inducement the government is offering is that, where boundaries align, elected county or regional mayors may take on the functions of police and crime commissioners.

As a recent paper by the Institute for Government has shown, counties are eager to have parity of powers and funding with metropolitan areas. But in many cases, local leaders are opposed to the creation of a directly elected leader and believe that existing governance structures provide sufficient accountability and visible local leadership.¹³

Negotiations over devolution deals will face specific challenges in two-tier county areas, such as Norfolk or Suffolk, where local government functions are split between a county council and constituent lower-tier districts. The government intends to negotiate devolution deals with county councils, and while the government is encouraging them to involve district authorities in the negotiations, this is not a prerequisite. Devolution deals that do not take into account the concerns of district councils may encounter local opposition.

The UK government continues to support the process of unitarisation – where district and county councils are reorganised into one or more single-tier authorities – but again this has not been made a formal prerequisite for a devolution deal.¹⁴ Governance arrangements could also prove a sticking point in areas with more than one top-tier authority, for instance in the proposed devolution deal in Nottinghamshire, which is expected to include both the county council and the unitary authority of Nottingham City.

When there is broad agreement over the geography and governance arrangements, negotiations over devolution deals can progress relatively quickly. In 2015/16, the government successfully concluded six devolution deals with six city-region areas, with the first elections for metro mayors in these areas taking place in 2017. However, over the same period several proposed devolution deals to county areas fell apart at a late stage because of local opposition and a failure to reach consensus between constituent local authorities. The government's ambition in this area is encouraging, but there are many hurdles to overcome before it is reality.

Levelling up is defined in UK-wide terms – success will require the UK government to work with the devolved administrations

The white paper makes clear that most of its levelling up goals apply to the whole of the UK and acknowledges that it will have to work closely with the devolved administrations to meet them. The UK government has set out goals relating to employment, health outcomes, productivity and skills – but many of the key policy levers to achieve these are in the hands of devolved administrations.

To date, there has been insufficient consultation and joint working between the UK government and the devolved administrations on levelling up (as with other policy areas), which has further strained inter-governmental relations. For example, the UK government has used new financial assistance powers in the UK Internal Market Act to spend money from the Levelling Up Fund directly in Wales, Scotland and Northern Ireland without the involvement of the devolved administrations.

As the Institute for Government [argued](#) last year, in developing new UK-wide funds to support levelling up, such as the UK Shared Prosperity Fund (UKSPF), the UK government needs to co-ordinate and consult with the devolved administrations to avoid duplicating spending.¹⁵ It also needs to ensure that new levelling up initiatives, such as the Multiply scheme to support numeracy training across the UK, align with the devolved governments' existing skills and education strategies. The levelling up agenda will therefore be an important early test for the new machinery for intergovernmental co-operation announced last month, for which Gove is also responsible.¹⁶

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