

The Levelling Up White Paper: real change or more of the same?

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The Liverpool City Region

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Key takeaways

1. The long-awaited Levelling Up White Paper represents a serious attempt to understand the long-term, systemic issues contributing to the UK's status as one of the world's most regionally unequal developed nations. The paper includes a welcome recognition that improving productivity and prosperity in underperforming areas should be a central mission of government.
2. However, the paper falls short of the transformative institutional reforms, and levels of public investment required, to address these issues.
3. The paper includes a welcome focus on the importance of R&D and innovation for local economies, but beyond this there is insufficient detail on how national and local government can work together to promote meaningful prosperity in post-industrial city-regions such as Liverpool City Region.
4. Devolution and local leadership is cited as a fundamental element of levelling up, and the paper includes a commitment to provide more powers to mayors and combined authorities. However, these still fall far short of the financial and political powers enjoyed by city and regional leaders across Europe.
5. The terms of Levelling Up therefore remain set by Whitehall, leaving local and regional leaders as little more than delivery partners for nationally-determined priorities.

1. Introduction

The long-awaited Levelling Up White Paper represents the latest attempt by a UK government to address the entrenched interregional differences that make it one of the most spatially unequal nations in the developed world. Described by Levelling Up minister Michael Gove as “a mission: part economic, part social, part moral”, the sprawling paper (over 300 pages) is broad in both analysis of the problems, and proposed solutions. ‘Levelling Up’ includes everything from reducing childhood obesity to a fan-led review of football governance. Defining the agenda therefore remains a challenge.

Nevertheless, there are a handful of key themes running through the document. First, there is a tacit acknowledgement, not necessarily shared in previous government analysis, that the level of interregional inequality in the UK is holding back growth and prosperity in the nation as a whole. The notion that fiscal transfers between a buoyant London and the South East and the rest of the country are sufficient to support public services is rejected.

Second, there is support, in narrative terms at least, for the idea that local leadership has a key role to play in addressing place-specific problems. The report is keen to emphasise the importance of ‘empowered’ local leaders and communities. Third, there is a recognition that tackling spatial inequalities cannot be achieved simply through attracting jobs to underperforming areas: policy must also focus on improving the plumbing of local and regional economies, through investment in health, education and social infrastructure. These are not revelatory or radical ideas, but it is nonetheless welcome to see them spelt out.

However, the key question is whether the changes outlined in the white paper will be sufficient to address the major challenges facing post-industrial city-regions such as Liverpool City Region (LCR), and achieve what previous regional strategies since 1945 have largely failed to do: close the prosperity and productivity gap between England's Greater South East and the rest of the UK.

2. The regional-national economic problem

The UK faces what Philip McCann (2016) describes as a 'regional-national economic problem': over the last 100 years, and particularly since the 1980s, the economy has bifurcated between a handful of high-growth, high-productivity regions (principally London, the South East and the oilfields off North East Scotland) and the rest of the country. While, as the white paper highlights, there are significant disparities within regions, the UK is a small, densely populated nation with extensive economic linkages between its largest cities, outlying towns, and more rural areas. In LCR, for example, there is extensive connectivity in the labour markets and supply chains of knowledge-intensive Liverpool city centre and the logistics, manufacturing and energy sectors more prevalent in Wirral, Halton and St Helens. The fundamental economic challenge is to close the growth and productivity gap between high and low performing regions by improving performance in the latter.

Many quality of life issues, on the other hand, have specific local dimensions. There are wide disparities in health outcomes within areas, for example: in Wirral, there is an 18-year gap in healthy life expectancy between the best and worst performing wards. Education outcomes differ significantly between schools, and crime affects communities in different ways. The policy levers needed to address these issues are pulled at both the national and local level - there are sound reasons to have a national curriculum, with local authorities and academy trusts responsible for delivering it.

LCR is paradigmatic of the UK's regional imbalance (Parkinson 2019). While it has benefitted from repopulation and development-led regeneration over the last 25 years, there has not been significant enough growth in well-paid jobs to significantly increase prosperity.

Meanwhile, the impact of austerity since 2010 means public services have been hollowed out and struggle to provide basic utilities in some areas, as well as cope with the burdens of an ageing population and increased demands presented by poor physical and mental health. These problems are particularly acute in areas that owed their initial, rapid growth to a single major industry, and subsequently lacked the economic diversity, complexity, and resilience to respond dynamically to global processes of economic change. The white paper acknowledges that tackling these problems should be a mission of central government, but its proposals fall short of the institutional reforms required to achieve real change, and in the level of funding needed.

3. Levelling Up Liverpool City Region

If it is to lead to tangible progress, the Levelling Up White Paper will need to be followed up with a long-term, serious commitment across national and local government. A "comprehensive process of engagement and informal consultation" (p.245) with stakeholders is now planned to maintain momentum and guide the future delivery of levelling up policies. This is a process that the anchor institutions of LCR, in particular, should contribute to strategically and confidently.

While there is much in the white paper that, at least superficially, speaks to issues of critical concern in LCR - not least, the challenges of poor health and wellbeing, the housing quality crisis, and the need for a London-style transport system - the document as a whole does not reflect the extensive work that has been undertaken locally to demonstrate the potential of transformative regional growth and meaningful political autonomy. Indeed, LCR has been excluded from set-piece plans for new 'Innovation Accelerators' and has not been designated among the 'trailblazer' areas for further devolution.

So how should LCR now engage with Government on levelling up; what questions need to be answered; and where is more emphasis required?

A: Rebalancing and renewing the economy

It is clear from the Levelling Up White Paper that the Government views 'globally competitive' cities and city regions as the primary focal point for economic reorientation (hence, perhaps, the surprising tangent into the histories of Jericho and the Florentine renaissance). But if underperforming, post-industrial UK cities are to become revitalised, fully-firing engines of local prosperity, as Government hope, where will we find the new sources of value creation - the new industries, trades, and jobs - that will enable such places to close economic performance gaps?

The strategy offered in the white paper points primarily to growing the knowledge economy across the UK, with an emphasis on increasing innovation and research and development, particularly in high value sectors such as advanced manufacturing, clean energy, and digital technologies. This is made clear in the Government's stated mission to increase public investment in R&D outside the South East by at least 40% by 2030, as well as their commitment to pilot three new Innovation Accelerators in Greater Manchester, the West Midlands and Glasgow City-Region. LCR is well placed to deliver on this priority too. In the Heseltine Institute's recent report for the Liverpool City Region All-Party Parliamentary Group (LCR APPG 2021), we recommended that Government collaborate closely with LCR on research and innovation, acknowledging the city region's ambitious target that R&D investment should be equivalent to 5% of LCR GVA.

The government's ambition to diffuse the economic opportunities presented by the knowledge economy is laudable, but perhaps underappreciates the scale of the challenge given the observed tendency towards intense geographic concentration already present within the global knowledge economy. Indeed, it is the established global centres of innovation - in particular, Silicon Valley, New York, and London - that persistently attract talent, capital, and most knowledge-intensive firms (Unger et al. 2019). This unequal geography of knowledge economy activity is apparent in LCR where, despite the development of an increasingly significant innovation ecosystem in recent decades, there has nonetheless been a stubborn trend towards employment in less productive sectors and job types in the City Region economy (Jarvis et al. 2021).

Unlike previous transformations in production, such as that associated with the first industrial revolution, the knowledge economy "cannot be reduced to a stock of readily transportable machines and procedures and easily acquired abilities" (Unger et al. 2019: 12). This makes it much more difficult for cities and towns outside these existing concentrations of knowledge economy activity to grow their own high-tech sectors and reap the rewards offered by knowledge-intensive industries. Much more locally specific detail will therefore be needed from Government to explain how exactly they intend to counteract this tendency and successfully disperse the skills, technologies and opportunities of the knowledge economy more evenly through all areas and all sectors of the economy.

B: The structural foundations of economic prosperity

Nurturing the economic renewal of so-called “left behind” places will require more than investment in high-value firms and innovation-intensive R&D programmes. It is significant that the Levelling Up White Paper recognises this point, and acknowledges the State’s vital role in maintaining and nurturing the multiple structural foundations of local economic prosperity, through investment in local infrastructures, skills, and institutions. This resonates with our own research, recently submitted to the Productivity Commission, which argues that inequalities in productivity and prosperity cannot be solved without first addressing the multiple complex factors - from connectivity and skills provision, to housing quality and public health - that determine the extent to which people and places can effectively contribute to, and benefit from, the local economy (Jarvis et al. 2021).

In particular, the white paper recognises that many places are caught in vicious cycles, where entrenched challenges undermine the foundations for economic prosperity and lead to persistently poor outcomes across a range of social and economic metrics. Again, this is particularly resonant in LCR, where we know there are long-standing, deep-rooted, and interconnected challenges associated with deprivation, low skills, and poor health that continue to hold people and places back.

It will be vital that continued emphasis is placed on disrupting such vicious cycles as the Levelling Up agenda develops further, particularly as much of the detail explaining how the Government plans to tackle these issues is absent from the white paper. We expect, for example, a white paper on health disparities later this year.

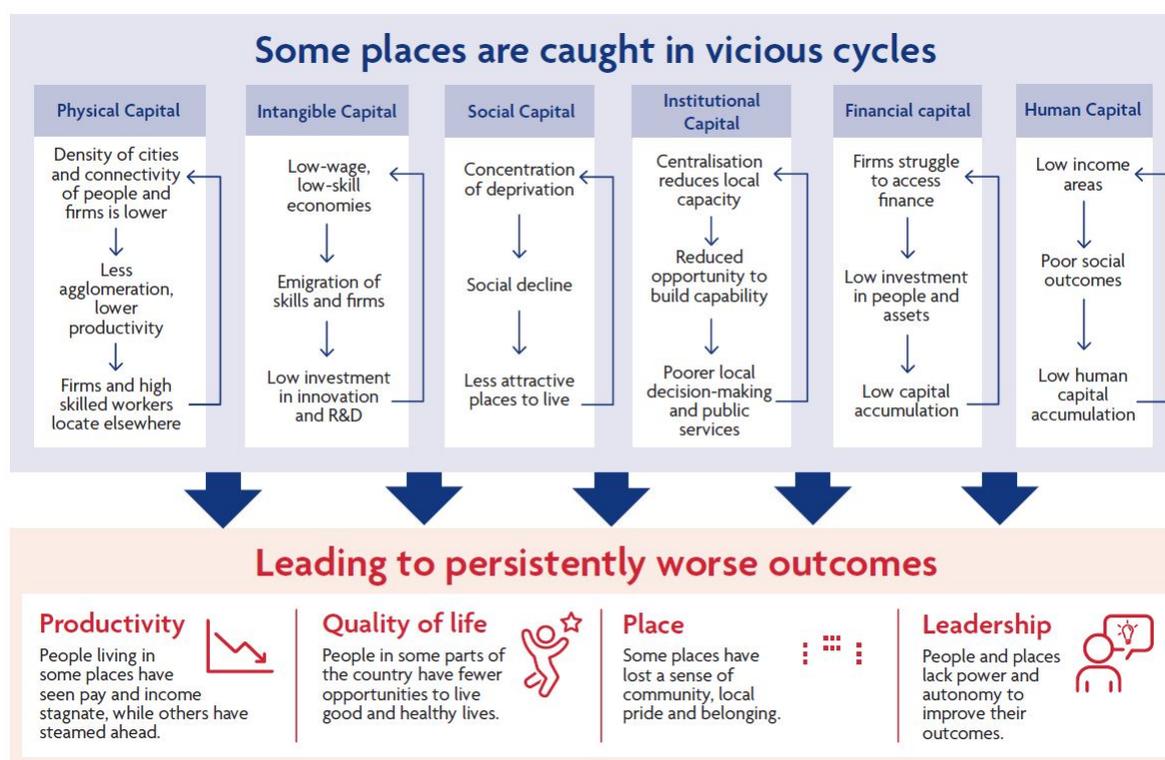


Figure 1: Levelling Up capitals framework (Source: Levelling Up White Paper)

The Government has set itself a number of specific missions that directly address these foundations of economic prosperity, including: bringing local public transport services closer to the standards of London, delivering nationwide gigabit broadband coverage, improving educational outcomes, increasing skills training, improving housing quality for renters, tackling crime, and closing gaps in Healthy Life Expectancy.

The white paper recognises both the urgency of such challenges and the state's role in solving them. This represents an acknowledgement that austerity and the retrenchment of (local and national) state spending seen over the last 12 years has been detrimental to prosperity. Local authorities in LCR saw on average a 28% reduction in their core spending power in the decade 2010/11 to 2019/20 (LCRCA 2020), reducing the capacity of local government to arrest critical social and economic challenges in local communities and provide necessary public services effectively. More detail is needed from Government to explain how austerity-era cuts to public spending and public services will be meaningfully reversed and rectified. This, in turn, will require a mature conversation about the scale and balance of taxation, borrowing, and spending required by the State to disrupt the structural causes of long entrenched spatial inequalities, not just the symptoms.

C: Genuine devolution

The Levelling Up White Paper represents a welcome long-term commitment to devolution in England, and an acknowledgement that local decision-making and local policies support better outcomes for people and places.

The paper notes that, in the UK, “local actors have too rarely been empowered to design and deliver policies necessary to drive growth” due to a centralised governance model that “under-utilises local knowledge, fails to cultivate local leadership and has often meant anchor institutions in local government have lacked powers, capacity and capability” (p.112). It is therefore disheartening that much of the paper paradoxically feels stuck within a highly centralised Whitehall paradigm.

The white paper retreads much of the same ground covered by the local industrial strategies produced by LEPs and combined authorities under the Theresa May government (and indeed, many preceding local development and regeneration strategies), albeit without the local specificity and insight. Local industrial strategies were an opportunity for local leaders to highlight particular local challenges, champion particular local opportunities, and demonstrate the case for greater local autonomy over policy delivery. Frustratingly, the strategies developed by LCR and other areas are not referenced. The institutional churn so common in British policy-making has once again led to a frustratingly ‘year zero’ tone.

The paper promises to extend, deepen, and simplify devolution across England via a devolution framework (Figure 2), but it appears local leaders will continue to be heavily invigilated, guided, and circumscribed by central government. New sources of funding such as the UK Shared Prosperity Fund, while delivered through local government, appear designed to encourage close alignment with national, rather than local, priorities. In such respects local leaders remain left with limited autonomy over policy design and spending decisions, and instead often represent little more than local delivery partners for national programmes rather than independent subnational governments.

Function	Detail	L1	L2	L3
Strategic role in delivering services	Host for Government functions best delivered at a strategic level involving more than one local authority e.g. Local Nature Recovery Strategies	✓	✓	✓
	Opportunity to pool services at a strategic level	✓	✓	✓
	Opportunity to adopt innovative local proposals to deliver action on climate change and the UK's Net Zero targets	✓	✓	✓
Supporting local businesses	LEP functions including hosting strategic business voice		✓	✓
Local control of sustainable transport	Control of appropriate local transport functions e.g. local transport plans*		✓	✓
	Defined key route network*			✓
	Priority for new rail partnerships with Great British Railways – influencing local rail offer, e.g. services and stations			✓
	Ability to introduce bus franchising		✓	✓
	Consolidation of existing core local transport funding for local road maintenance and smaller upgrades into a multi-year integrated settlement			✓
Investment spending	UKSPF planning and delivery at a strategic level		✓	✓
	Long-term investment fund, with an agreed annual allocation			✓
Giving adults the skills for the labour market	Devolution of Adult Education functions and the core Adult Education Budget		✓	✓
	Providing input into Local Skills Improvement Plans		✓	✓
	Role in designing and delivering future contracted employment programmes			✓
Local control of infrastructure decisions	Ability to establish Mayoral Development Corporations (with consent of host local planning authority)			✓
	Devolution of locally-led brownfield funding			✓
	Strategic partnerships with Homes England across the Affordable Housing Programme and brownfield funding			✓
	Homes England compulsory purchase powers (held concurrently)	✓	✓	
Keeping the public safe and healthy	Mayoral control of Police and Crime Commissioner (PCC) functions where boundaries align*			✓
	Clear defined role in local resilience*	✓	✓	
	Where desired offer MCAs a duty for improving the public's health (concurrently with local authorities)			✓
Financing local initiatives for residents and business	Ability to introduce mayoral precepting on council tax*			✓
	Ability to introduce supplement on business rates (increases subject to ballot)			✓

Figure 2: Devolution framework
(Source: Levelling Up White Paper)

The white paper explicitly acknowledges that, by international comparison, devolution has granted local leaders in England relatively limited powers (p.135). In particular, it notes the weak revenue-raising powers that limit the fiscal autonomy of local government in England. Yet, despite describing positively the “broader range of functions” available to mayors in cities such as New York and Paris, such models have not been established as the clear benchmark for rebalancing the geography of political power, policymaking, and investment in the UK.

In our recent evidence submission to the Productivity Commission, the Heseltine Institute argued strongly that cities and city regions ought to have greater freedom to raise revenue, and break away from the constrained landscape of central government grant funding.

Real devolution means giving places the right to design and deliver local policies, based on local priorities; free from dependence on central government funding, approval, and evaluation of projects, and the need to compete for resources that should, by right, be controlled by local people. Such freedom would insulate places from the endemic policy churn seen so often at the national level, and enable them to pursue stable, long-term, and locally-specific approaches to local economic development.

However, the white paper offers an approach to local governance that is as much based on establishing outposts of the civil service in the provinces as it is on developing the institutional capacity and autonomy available to local leaders and communities.

4. Conclusion

There is much to welcome in the Levelling Up White Paper. It acknowledges the need to meaningfully address spatial inequality in the UK, and embeds this as a guiding consideration for national policymaking. It views devolution and localism as critical tools towards addressing the centralisation of wealth, prosperity, and power in the UK. It sets out a policy framework that begins to address some of the key drivers of intra- and inter-regional inequality, as well as the symptoms.

But it also leaves much to be desired. The challenges diagnosed in the white paper have been well known for some time, particularly in local government. How will the Levelling Up agenda of this Government succeed in disrupting entrenched inequalities where previous governments have failed, and close the prosperity and productivity gap between England's Greater South East and the rest of the UK?

The proposed solutions to these challenges have been sketched out in part, but not yet filled in. There are no additional funding streams of sufficient heft to operationalise the intent expressed in the white paper. Local leaders remain underpowered and underfunded compared to European counterparts. And there is little acknowledgement of the specific potential to offered by Liverpool City Region, and many other areas, towards improving national productivity and prosperity.

Rebalancing the economic and political geography of the UK cannot happen overnight, and a white paper alone cannot deliver this necessary change. Further work is now required to maintain momentum, and focus, on this agenda, and increase the UK's ambition for real devolution, meaningful prosperity, and equality. It is crucial that this work continues at a local level, as well as in Westminster and Whitehall.

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