

## THE FUTURE OF LEVELLING UP

Can Investment Zones and devolution transform places like East Birmingham?

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## STATE OF PLAY: A NEW DIRECTION FOR LEVELLING UP?

Whatever we ultimately call it, the ‘levelling up’ policy agenda is here to stay.

A major plank of the Johnson premiership, this is a domestic policy programme with its own Whitehall department, and with explicit commitment from the party of opposition.<sup>1</sup>

Under Truss and Kwarteng, a clear emphasis on creating the conditions for local growth is now crystallising: at the time of writing, there is a list of 38 areas around England that have signalled interest in the creation of an ‘Investment Zone’, a new approach to local development. Full details are yet to emerge, but these zones are intended to combine relaxed regulations, streamlined funding, and significant, time-limited tax incentives to promote economic growth.<sup>2</sup>

The core purpose of levelling up, spanning approach and politics, is settled. Opportunities, investment, and economic productivity are highly unequally distributed across our country. It is not only politically expedient to address this, but, in the words of the White Paper, published just eight months ago, a deeply-felt moral and social “mission” to do so.<sup>3</sup> Importantly, the objective of levelling up is not only to improve living standards and geographically rebalance the economy, but to promote a major new localism agenda. The White Paper promises to help restore “local pride and belonging” within communities and “empower local leaders” to improve “local agency”.

With a genuine economic crisis underway, an entirely new administration in place, and a long history of geographic disparity in the UK, there have been growing criticisms about the viability of this agenda.<sup>4</sup> However the major priorities of the moment – a push for economic growth and an urgent need to limit inflation – do not contradict the case for levelling up, but reinforce it.<sup>5</sup>

Indeed there are strong arguments that economic and other kinds of resilience would be significantly improved by better distribution of power through our system, which means the localism and devolution aspects of levelling up should be sustained alongside the economic and financial ones.<sup>6</sup>

### 1. DECENTRALISING POWER WITHIN AN OVERCENTRALISED SYSTEM

Our system of government is deeply overcentralised.<sup>7</sup> Almost all strategic, policy design, and high-level funding decisions in England are managed directly by Westminster and Whitehall. This leads to one-size-fits all approaches that can be significantly mismatched to the particular conditions and needs in specific places.<sup>8</sup>

It is to the Government’s credit that this fact has been recognised in the recent Levelling Up white paper, which reaffirms the importance of devolution and decentralisation. However, the

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<sup>1</sup> Lisa Nandy, ‘Here Is Labour’s Five-Point Levelling up Plan’, *Yorkshire Post*, 2 February 2022.

<sup>2</sup> Department for Levelling Up, Housing and Communities, *Investment Zones in England*, 24 September 2022.

<sup>3</sup> Department for Levelling Up, Housing and Communities, *Levelling Up the United Kingdom*, 2022.

<sup>4</sup> Janan Ganesh, ‘Some Bleak Truths for Britain’, *Financial Times*, 26 August 2022.

<sup>5</sup> BBC News, ‘Levelling up: Cost of Living Could Deepen Inequality, Says Gove’, 9 May 2022.

<sup>6</sup> Luca Tiratelli, *Towards Resilience: Redesigning Our Systems for a Better Future* (New Local, 2020).

<sup>7</sup> The Commission for Smart Government, *Smart Devolution to Level Up*, 2021.

<sup>8</sup> Simon Kaye, *Think Big, Act Small: Elinor Ostrom’s Radical Vision for Community Power* (New Local, 2020).

current model of devolution is too narrow in scope: tightly focused on the development of ‘devolution deals’ that see the creation of a directly elected Mayor role, chairing a combined authority that spans all the councils in a given region.

There is a logic to this approach. The pursuit of specifically-settled ‘deals’, though effort-intensive, recognises that different places will need genuinely different combinations of powers and relationships with central government – though we would argue that unconditional devolution of many powers would be a stronger starting point.<sup>9</sup> The mayoral model helps to clarify and simplify regional accountability, which has allowed central government to overcome an important internal barrier to further devolution: the perception that local lines of accountability are often too distributed and vague to make genuine power-sharing viable.<sup>10</sup> Combined authorities also often correspond with meaningful economic geographies, so powers and responsibilities that are established at this scale have a reasonable chance of responding to regional context in a nuanced way.<sup>11</sup>

However, combined authorities, as strategic actors, are still often too distant to take into account highly localised knowledge, respond directly to the needs of neighbourhoods, or foster the immediate partnerships and collaborations that are needed for levelling up in truly ‘left behind’ places. They are also likely to struggle with the ‘pride’ and ‘local identity’ aspects of the levelling up agenda: a sense of place and belonging typically operates at a smaller scale.<sup>12</sup>

It is therefore strange that the current devolution agenda tends, for the most part, to neglect the tiers of local government with the most direct connection with communities at the neighbourhood level, and which hold – under almost all circumstances – the lion’s share of relevant public service delivery and implementation responsibilities.

## A NEW APPROACH

Levelling up must revolve around the facilitation of community-led activity, and benefit from a nuanced, contextually-driven understanding of local conditions in less affluent places with a weaker social fabric. A devolution agenda that stops with combined authorities, and does not recognise the crucial role of local authorities or address how atomised and hyper-competitive the available pathways for local funding have become, will certainly fail.

In order to make levelling up a reality in places where it is needed most, entirely different principles of devolution and community empowerment will be required. This will mean:

- **Evaluation by progress in ‘left-behind’ places**, to ensure that metrics of success revolve around outcomes and tangible improvements in the geographies that are currently most disadvantaged.
- **Commitment to a subsidiarity principle**, placing powers and accountabilities at the most appropriate scale consistent with good outcomes, from neighbourhoods and local authorities up to national government. This also means ensuring sufficient autonomy at each scale for productive collaborations and problem-solving to emerge.

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<sup>9</sup> New Local, *Inquiry into the Future Governance of the UK: Written Evidence by New Local (FGU0017)* (House of Lords Constitution Committee, 2021).

<sup>10</sup> Martin Wheatley, *Localism 2.0* (GovernUp, 2015).

<sup>11</sup> Adam Hawksbee, ‘Metro Mayors Need New Powers and Stronger Accountability’, *Local Government Chronicle*, 20 June 2022.

<sup>12</sup> Jack Shaw and Owen Garling, *Townscapes: Pride in Place* (Bennett Institute for Public Policy, 2022).

- **A revised, decentralised model for funding** and resourcing local efforts to level up, reducing the inconvenience and inefficiency that arises from competitive bidding into a multitude of small, centrally-controlled pots.

## 2. EAST BIRMINGHAM: A FUTURE LEVELLING UP CASE STUDY?

Among the places which are now calling for a new local Investment Zone is the West Midlands Combined Authority, which, together with Birmingham City Council and Solihull Metropolitan Borough Council, is now reaching beyond local structural and political differences in an effort to achieve genuine transformation in some of England's most deprived neighbourhoods.

This is the latest step in at least a decade of collaborative, local intervention – for example by the East Birmingham Board and the North Solihull Partnership – to make a difference amid challenging circumstances.<sup>13</sup> The lesson from these efforts is that intervention at a different order of magnitude, commanding support across the political spectrum, will be required to make headway. Such a project – multifaceted, place-based, supported by mature local governance, and addressing great need in order to tackle barriers to growth and opportunity – could become emblematic of the wider levelling up project, and now the promise of the Investment Zones model.

Success will require a balance between meaningful local autonomy and genuine public investment. This is true for East Birmingham and North Solihull, and will be true for every place now expressing interest in an investment zone.

### THE CHALLENGE IN EAST BIRMINGHAM

East Birmingham is home to three distinct 'left behind neighbourhoods' (as defined by Local Trust and OCSI)<sup>14</sup> and many of the most deprived wards in the West Midlands. The two constituencies with the highest levels of unemployment in the country are both located in East Birmingham.<sup>15</sup>

East Birmingham alone is roughly the size of Southampton, with over 240,000 residents, and together with North Solihull, the area is home to more than 300,000 people: a population with striking demographic disparities.<sup>16</sup> One third of all residents are under 16, and one third of these children live in poverty.<sup>17</sup> Hodge Hill sees the highest proportion of child poverty of any parliamentary constituency in the country.<sup>18</sup>

While inner East Birmingham has the greatest proportion of children and young people in the country, outer East Birmingham is relatively old – with one in eight residents aged over 65.<sup>19</sup> In some wards, more than one in ten residents have poor English.<sup>20</sup>

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<sup>13</sup> Birmingham City Council, *East Birmingham: Prospectus for Growth*, 2015.

<sup>14</sup> Local Trust, "Left behind" Neighbourhoods', Webpage, 2021.

<sup>15</sup> Brigid Francis-Devine and Andrew Powell, *People Claiming Unemployment Benefits by Constituency* (House of Commons Library, 2022).

<sup>16</sup> Birmingham City Council, *Birmingham East Locality Profile*, 2022.

<sup>17</sup> Birmingham City Council, *East Birmingham Inclusive Growth Strategy*, 2021.

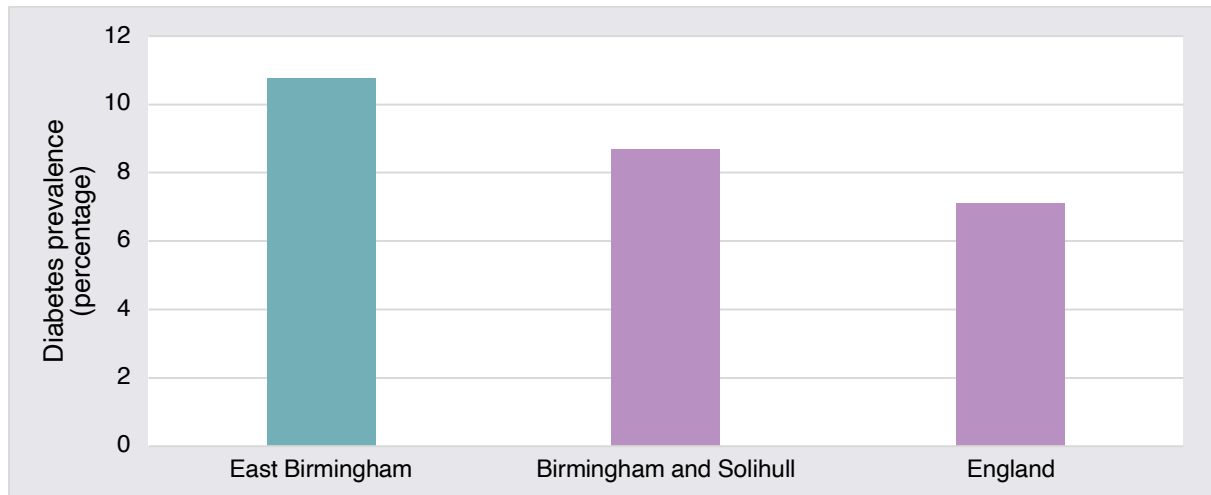
<sup>18</sup> Brigid Francis-Devine, *Poverty in the UK: Statistics* (House of Commons Library, n.d.).

<sup>19</sup> Birmingham City Council.

<sup>20</sup> Birmingham City Council, *East Birmingham Inclusive Growth Strategy*.

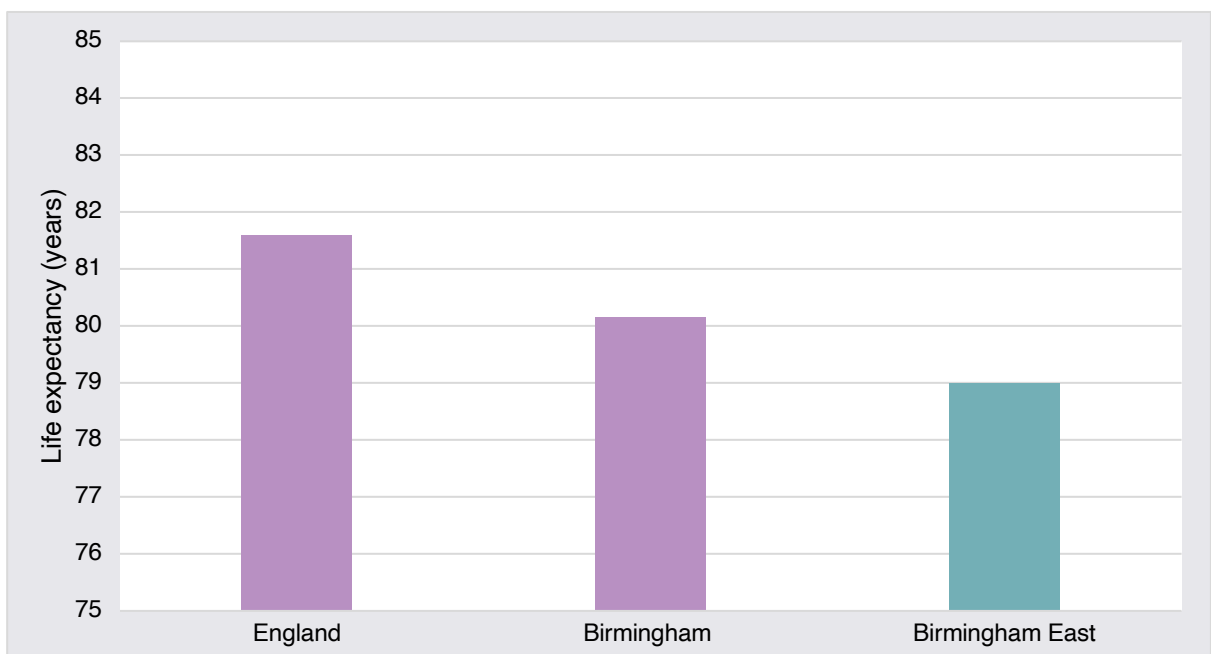
As shown by figures 1-4, East Birmingham sees higher rates of diabetes prevalence, lower life expectancy, higher numbers of unemployment benefit claimants, and more children making use of free school meals than both the Birmingham-wide and England-wide average.

**Figure 1: Prevalence of diabetes in East Birmingham**



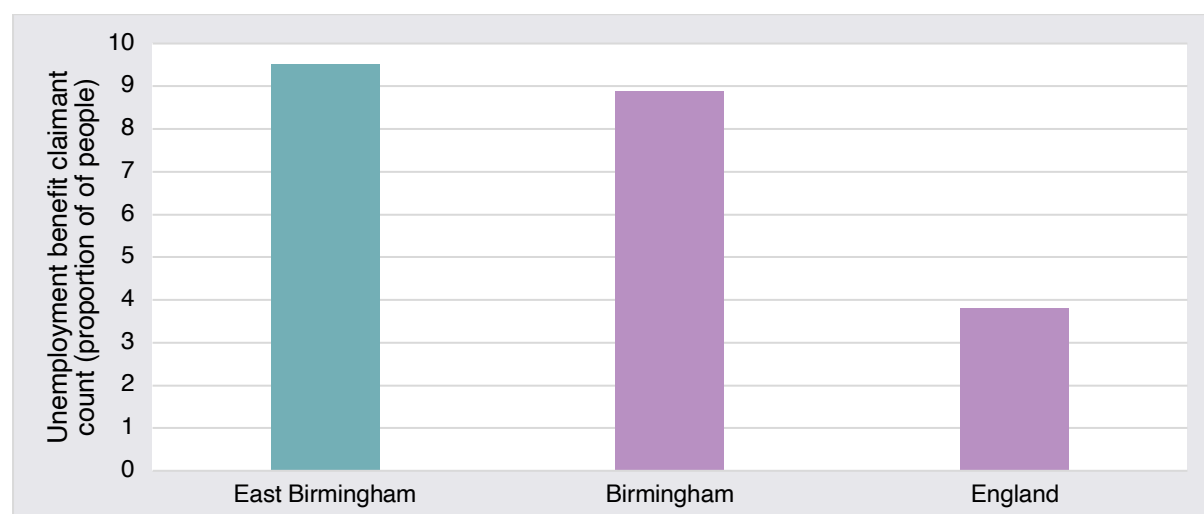
Source: NHS Digital, *Quality and Outcomes Framework (QOF) 2020-21*, 2021

**Figure 2: Life expectancy in East Birmingham**



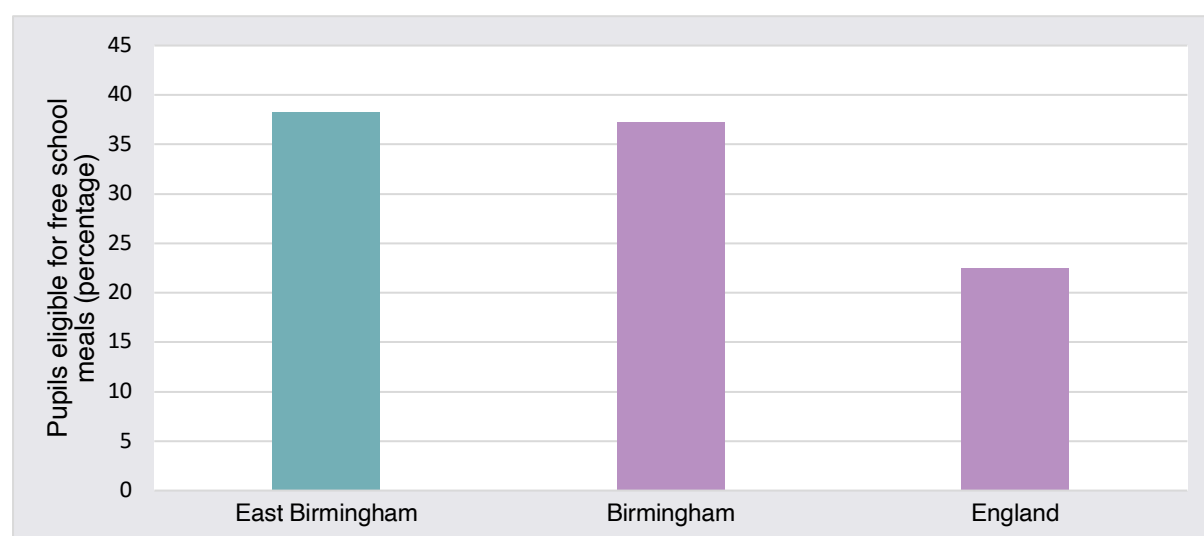
Source: Birmingham City Council, *Birmingham East Locality Profile 2022*, 2022

**Figure 3: Unemployment benefits claimants in East Birmingham**



Source: Office for National Statistics, *Regional labour market: Claimant Count by Parliamentary constituency, 2022*

**Figure 4: Pupils eligible for free school meals in East Birmingham**



Source: Department for Education, *Schools, pupils and their characteristics: Academic Year 2021/22, 2022*

## LOCAL AUTONOMY

A future levelling up agenda will have to recognise that there are many routes toward higher growth – and that the results of choosing between them will usually be preferable, and carry more legitimacy, if led by local actors.

Local transformation is not something that can be done ‘by’ central government ‘to’ a certain locality. It is a context-driven enterprise, deeply shaped by the politics, demography, and priorities of a complexity of local actors and communities. This complexity redoubles when,

as in a genuine levelling up agenda, change must be achieved in places with far less pre-existing social infrastructure.

To succeed, local accountability will be key. Recent efforts to drive local growth, like the ‘Oxcam Arc’, have foundered, despite enormous support from local anchor institutions and significant pre-existing social infrastructure.<sup>21</sup> This is at least in part because the strategic driver has been central government: when interest faded within Westminster and Whitehall, there was no way that local impetus could be sustained.

There is a risk that new Investment Zones will fall into a similar trap if they do not lead to genuine empowerment of local government and communities, embedded within existing local governance.

## **PUBLIC INVESTMENT**

An Investment Zone for East Birmingham would also require significant public investment to break down current barriers to growth in areas such as skills and infrastructure. In such deprived and isolated areas, these barriers will inhibit private sector and community activity even under the most generous of tax conditions.

Birmingham City Council’s current, ambitious inclusive growth strategy aims to capitalise on the construction of the HS2 rail line to stimulate local economic prosperity and build new partnerships to improve the performance of local public services, all supported by a “citizen focused approach”.<sup>22</sup>

The local authority aspires to establish an Inclusive Growth Corridor encompassing East Birmingham and North Solihull; create the conditions for 6,000 new jobs and 5,000 new homes; establish a health and innovation campus; invest in major expansions to local public transport, and ensure that all this work contributes to a target to achieve net zero carbon emissions across Birmingham by 2030.

The East Birmingham Strategy is a 20-year plan with people and places at its heart. But, importantly, its success will depend upon investment. Many of the areas of activity identified by the East Birmingham Board are not yet wholly funded, and this is made more difficult by the fact that funds are often centrally held, divided into a variety of short-term pots, and accessible only through time-consuming competitive bidding processes. We turn to this, the dominant resourcing model for levelling up, in the next section.

## **3. DIVIDED AND DISTANT: AN OUTDATED FUNDING MODEL?**

In this section, we seek to give a sense of the full complexity of how the levelling up agenda is currently funded – centrally managed, partitioned into pots with different timescales, values, application processes, and reporting requirements – and the implications of this approach.

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<sup>21</sup> Paul Brackley, ‘Oxford-Cambridge Arc Confusion: Has the Project Really Been “Flushed down the Toilet”?’, *Cambridge Independent*, 27 April 2022.

<sup>22</sup> Birmingham City Council, *East Birmingham Inclusive Growth Strategy*.

In total, at least 13 funding pots connected to levelling up have been launched since 2019 – see Figure 5, below. Six programmes predating the 2019 General Election were also continued, with a renewed focus on levelling up.

The vast majority of funding provided by these programmes is allocated competitively, open to bids from upper and lower tier local authorities, local enterprise partnerships, community groups and other organisations. However, their size, the time period in which they must be spent and the conditions determining how they should be used vary significantly.

For example, while the Government's Shared Prosperity Fund programme (which replaces old EU structural funds) is worth £2.6 billion by 2025 and will be allocated according to a formula that accounts for the productivity, household income and skills of an area, other funds – such as the Community Ownership Fund and Safer Streets Fund – are worth less than £1 million and require proposals to be submitted by eligible bidders.

There are now welcome signs that consolidated, simplified, and devolved local funding will be a feature of Investment Zones. It is crucial that Government takes an ambitious approach so that local priorities can come to the fore, and those with the best understanding of local conditions are the most heavily involved in resource decisions. There will be considerable appetite, in the drive for growth, to prioritise places where existing private sector and social infrastructure activity is ripe for further development. Local decision-making and transparent funding will help to ensure that barriers to growth in the least wealthy places are addressed too.



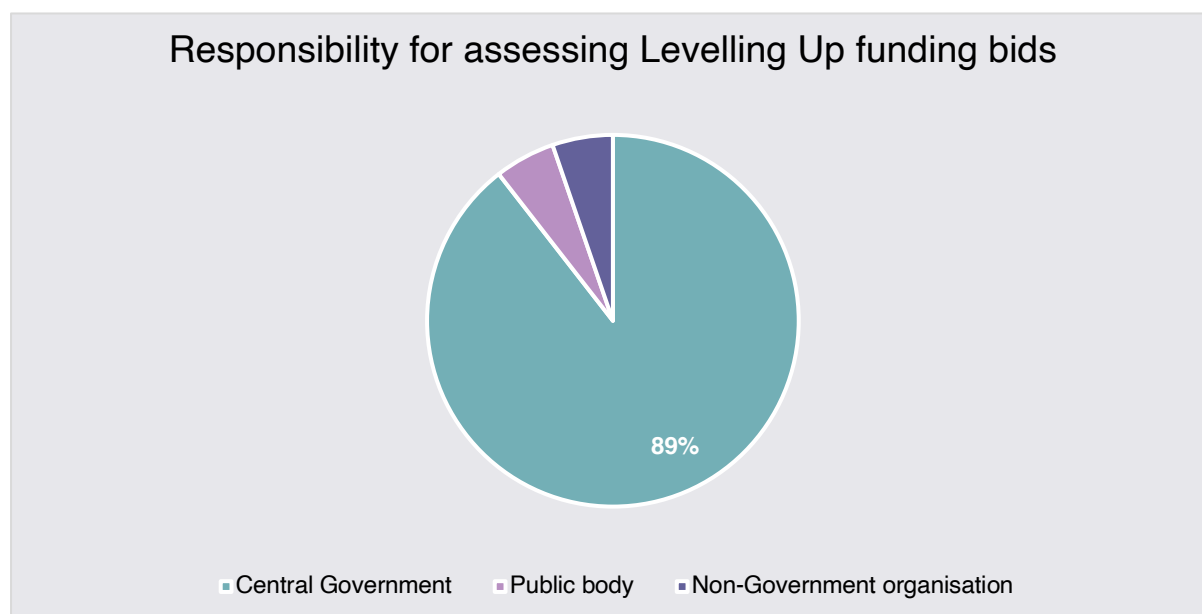
**Figure 5: A non-comprehensive list of levelling up funds**

Name of fund	Funding range	Duration of funding	Competitively awarded?
Shared Prosperity Fund	Variable – awards have ranged from £1m - £185m+	< 36 months	No
Community Ownership Fund	Up to £1m (most below £250,000)	< 12 months	Yes
Levelling Up Fund	Up to £20m	< 36 months	Yes
Community Renewal Fund	Up to £3m	< 12 months	Yes
Getting Building Fund	Variable – awards have ranged from £7.5m - £85m	< 24 months	No
Towns Fund	Up to £25m	< 60 months	Partly
Create Growth Programme	Up to £8.3m (approx.)	< 36 months	Yes
Social Housing Decarbonisation Fund	Up to £1m	< 36 months	Yes
Safer Streets Fund	Up to £750,000	< 24 months	Yes
Brownfield Land Release Fund	Up to £40 million	N/A	Yes
Sustainable Warmth Fund	£250,000+ (no maximum funding amount)	< 24 months	Yes
Zero Emission Bus Regional Areas Fund	£25m to £35m (approx.)	N/A	Yes
Coastal Revival Fund	Up to £50,000	< 12 months	Yes
Future High Streets Fund	Up to £25m	< 36 months	Yes
Transforming Cities Fund	Highly variable depending on applying body – awards have ranged from £2.2m - £321m	< 60 months	Yes
Coastal Communities Fund	£50,000+ (no maximum funding amount)	< 12 months	Yes
Local Growth Fund	Variable – awards have ranged from £7.2m - £695m	< 12 months	Partly
Regional Growth Fund	Up to £1 million	N/A	Yes

## COMPETITION

The rationale for competitive bidding processes is that they can help to ensure value for money, incentivising bidders to compete on the cost effectiveness of their proposals. Where the criteria used are concise, have a clear rationale, and are easy for bidders and the public to understand, they can also promote higher levels of transparency.<sup>23</sup> Nevertheless, competitive allocation of funding is too common in how levelling up projects are currently resourced.

**Figure 6: Levelling up bids assessed by Central Government**



Funds that require competitive bidding are almost always assessed by central government – as is the case for more than nine in ten of the competitively allocated levelling up pots we have identified. This need not be the case, but raises the question of whether competitive allocation would be the chosen approach of local governance if funds were consolidated and devolved by default.

At whatever scale, competitive funds are typically resource intensive to administer, both for the sponsoring department – which must decide criteria, develop prospectuses, and evaluate applications - and for bidders, who must research the funds they are eligible for and invest time and effort to work on bids. This difficulty is felt more keenly by smaller, more informal, and more time-poor bidders – which may be more commonplace in more deprived places.

Often, this means that local authorities most in need of levelling up funding face the greatest barriers to preparing a successful bid. Yet while departments can certainly lend additional support to those who lack capacity – to mitigate against the risk that competition favours

<sup>23</sup> Cabinet Office, *Guidance for General Grants*, 2021.

better resourced local bodies – this can be costly, create uncertainty, and introduce delays into the bidding process.<sup>24</sup>

For example, resources from the Towns Fund were distributed through a competitive process in which the Ministry of Housing, Communities and Local Government initially selected 101 towns to form ‘Town Deal Boards’ – responsible for developing ‘Town Investment Plans’. Capacity funding, to help lead councils convene these Boards and consult outside expertise on their plans, began at £140,000 per town.<sup>25</sup>

There is a legitimate question of whether it represents good value for money to have small towns, such as Stainforth in South Yorkshire or Cheadle in Greater Manchester (with populations of less than 7,000) use scarce resources, and £140,000 of central Government funding, to develop Town Investment Plans – rather than simply empowering local government to decide how resources should be allocated to most effectively meet local investment priorities.

Moreover, even when local bodies submit a successful bid, competitive processes can reduce the time available to deliver projects. For example, an independent evaluation of the Transforming Cities Fund, intended to enable local areas to invest in sustainable transport improvements “over several years”, found that the process of developing a bid often took bidders “between 2 and 2.5 years” of the five-year window available for delivery.<sup>26</sup>

Given the long-term approach required by each of the levelling up missions, building sometimes multi-year delays into local areas’ access to funding for regeneration – and excluding local authorities from being able to set these timeframes – is likely to have a direct impact on the outcomes they can achieve. It also, as the National Audit Office rightly notes, “limits the amount of learning that can realistically be understood and applied” by central Government and bidders once a funding round is complete.<sup>27</sup>

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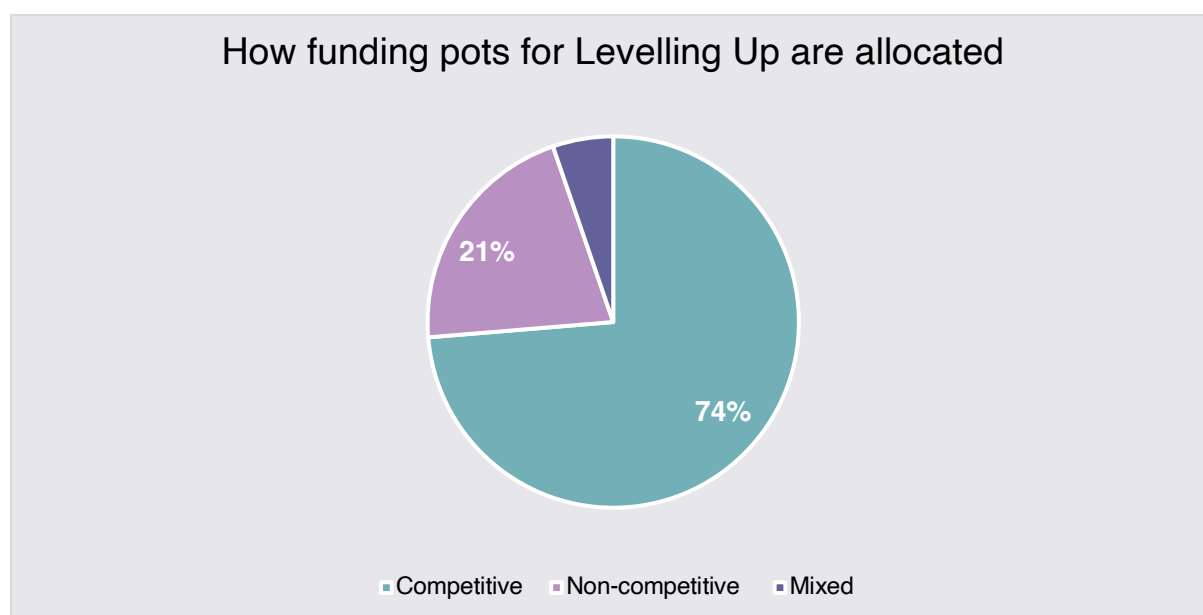
<sup>24</sup> National Audit Office, *Supporting Local Economic Growth*, 2022.

<sup>25</sup> Ministry of Housing, Communities & Local Government, *Towns Fund: Prospectus*, 2019.

<sup>26</sup> Transport for Quality of Life, Sustrans, and University of the West of England, *The Co-Development Process: National Evaluation of the Transforming Cities Fund* (Department for Transport, 2021).

<sup>27</sup> National Audit Office, *Supporting Local Economic Growth*.

**Figure 7: Funding pots for levelling up that involve competitive bidding**



## SHORT-TERMISM

The Levelling Up white paper was ambitious in setting out six “capitals” that would need to be targeted to close spatial disparities in the UK:

- Physical capital (infrastructure, machines and housing)
- Human capital (skills, health and experience of the workforce)
- Intangible capital (innovation, ideas and patents)
- Financial capital
- Social capital (communities, relationships and trust)
- Institutional capital (local leadership, capacity and capability)

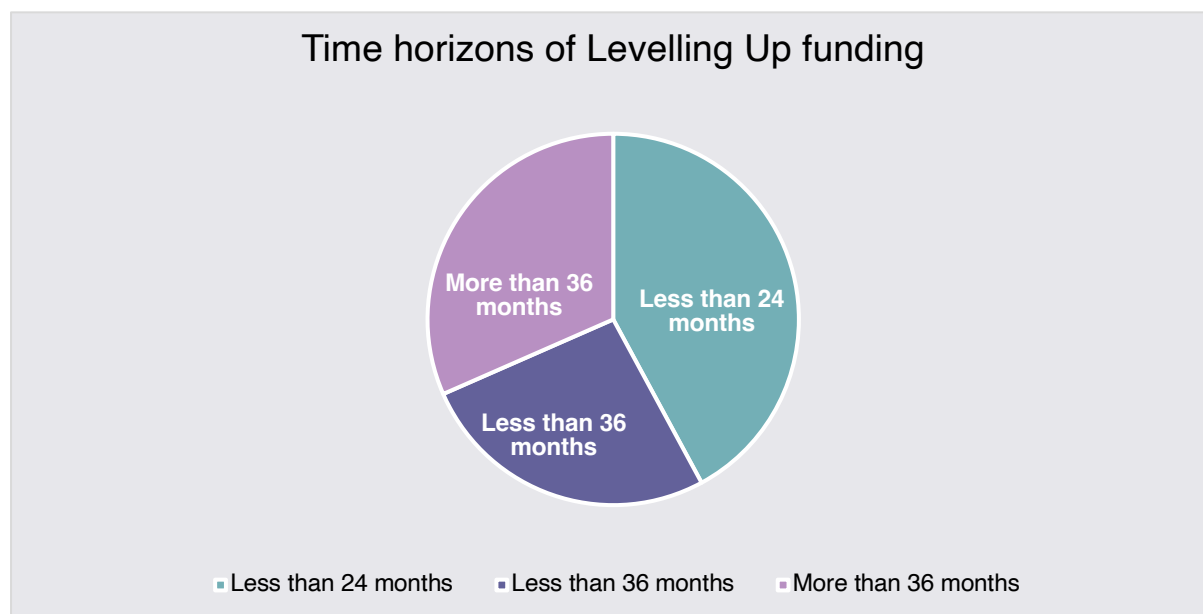
The white paper also convincingly argues that when these capitals combine, they can lead to virtuous or vicious cycles of prosperity that have resulted in spatial disparities persisting for “much of the last century”.<sup>28</sup>

Despite this and encouraging recognition from the white paper that improving these capitals across the country will require sustained investment over a number of years, nearly half of the levelling up funding pots (42 per cent) set spending limits of less than two years, and over two thirds of pots (68 per cent) must be spent in less than three years.

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<sup>28</sup> Department for Levelling Up, Housing and Communities, *Levelling Up the United Kingdom*.

**Figure 8: Timescales on levelling up funding**



Although these spending limits may suit discrete and typically smaller, one-off projects – the Levelling Up Fund Prospectus cites case studies including a new “state-of-the-art bus station” in Lincoln, a new railway station in East Kent and the development of Inverness Castle<sup>29</sup> – long-term funding settlements, providing greater flexibility to local bodies, are more likely to enable genuine transformation and growth.

Notably, a significant proportion of levelling up money – including funding initially bid on by local authorities – will ultimately be spent by organisations beyond central and local Government. For example, the Create Growth programme is aimed at creative businesses, and the Social Housing Decarbonisation Fund relies on the involvement of Housing Associations and Private Registered Providers of Social Housing.<sup>30</sup> These organisations, for whom (un)certainly is a crucial factor in decision making, may then be deterred from working with local authorities on levelling up projects – making joint commissioning harder, and resulting in poorer value for money and worse outcomes.<sup>31</sup>

## FRAGMENTATION

Clearly, economic growth, and closing spatial disparities, cannot be accomplished by siloed policy making. It requires a focus on people and public services as much as businesses and physical infrastructure. For example, a left behind community cannot take advantage of new skills training or a growing jobs market unless it also has a healthy population and transport connections for people to reach work. This is likely to be a key determinant of whether new

<sup>29</sup> HM Treasury, *Levelling Up Fund: Prospectus*, 2021.

<sup>30</sup> Department for Digital, Culture, Media & Sport, *Create Growth Programme: Guidance for Applicants*, 2022.; Department for Business, Energy & Industrial Strategy, *Social Housing Decarbonisation Fund Wave 2.1*, 2022.

<sup>31</sup> See, for example, Local Government Association, *Fragmented Funding: The Complex Local Authority Funding Landscape*, 2020.

Investment Zones are able to fulfil their ambitions. As the Levelling Up white paper says, improved coordination “means that decisions in one domain, such as transport, take proper account of decisions in another, such as education, health or business”.<sup>32</sup>

The multitude of funding pots for levelling up, including many that are relatively small and focused on narrow objectives, such as releasing council-owned brownfield land or supporting the introduction of zero-emission public buses outside London,<sup>33</sup> presents a significant barrier to local areas’ ability to develop a single, cross-cutting strategy for regeneration.

For example, local bodies might be successful in one of their bids but not others, and by splitting levelling up into these smaller projects, the trade-offs involved in spending decisions are harder to grasp – while funding is ultimately less likely to meet complex local needs. Perhaps even more so than in other policy areas, simplifying and pooling funding pots for levelling up would result in a more locally oriented, coordinated and higher impact approach.

## **DISTANCE FROM CENTRAL GOVERNMENT**

Underpinning each of the above barriers to more efficient and impactful levelling up funding, is the distance between the grant maker – central government – and the local bodies that are ultimately best placed to understand local priorities and needs. When bids to these funding pots are locally processed by the local or combined authority, they will often have their funding priorities re-ordered by Whitehall, creating gaps in local efforts and directing resources to projects that people within those communities have deemed to be less urgent.

The resource-intensiveness of preparing competitive bids is partly a consequence of having to demonstrate one-size-fits-all criteria set by government departments. The short timeframes in which funding pots must be spent are inseparable from electoral cycles – and the prioritisation of short-term benchmarks over long-term transformation. Meanwhile, fragmented funding pots can be explained by the incorrect assumption that granting local bodies more autonomy over their spending requires a trade-off against accountability for specific policy outcomes.

As a result, the number of competitive, short-term and fragmented funding pots – rather than encouraging the coordinated, joined-up approach called for by the Levelling Up white paper, across the six capitals it identifies – creates incentives for local authorities to develop separate strategies for each of these areas.

Clearly, the way forward must be to move away from an opaque and wasteful system that places significant capacity and spending constraints on local authorities, to one where local people and places are empowered to use their much deeper understanding of the challenges they face to design the policies needed to create transformation and growth.

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<sup>32</sup> Department for Levelling Up, Housing and Communities, *Levelling Up the United Kingdom*.

<sup>33</sup> See Local Government Association, ‘One Public Estate: Brownfield Land Release Fund Details’, Webpage, 8 July 2022.; Department for Transport, *Zero Emission Bus Regional Areas (ZEBRA) Scheme: Phase 2 Business Case Development Guidance*, 2021.

#### **4. POLICY PRIORITIES: A FUTURE PATHWAY FOR LEVELLING UP**

This short paper is intended to kickstart a different kind of conversation about levelling up, once again placing devolution at the heart of this agenda as attention turns to the Investment Zones strategy.

Below we offer three possible elements for an alternative model, encompassing how we might centre evaluation on the prospects of less prosperous neighbourhoods, the way we should reinvent devolution to match the ambition of the levelling up 'missions', and the nature of an alternative funding model.

##### **DEFINING SUCCESS BY OUTCOMES IN PLACES LIKE EAST BIRMINGHAM**

The path of least resistance for achieving the 'missions' set out by the Levelling Up white paper will always be to focus efforts in places with lots of pre-existing social capital. While this is important – these are areas where work should be done too – it cannot become the sole focus of this agenda as attention turns to Investment Zone and local growth.

But levelling up will be meaningless if, for example, hyper-targeted efforts in a particular part of the West Midlands leads to greater average prosperity for the area as a whole, while a place like East Birmingham is nevertheless left to never reach its full potential. This would be an example of an evaluation framework once again diminishing the chances for a more impoverished place to 'catch up': levelling up in name only.

Central and local government should be under no illusions. Making a difference in places like East Birmingham will require significant investment. But the prize would be enormous: a genuine rebalancing of economic prosperity and human flourishing, and an invigorating new sense of pride in places that badly need it – building resilience for whatever the future holds.

##### **EMBRACING 'SUBSIDIARITY DEVOLUTION'**

The levelling up agenda, as propounded by the White Paper, is the epitome of good intentions. It is an entire domestic agenda, deeply oriented around improving conditions across the country. But however well-intentioned, Whitehall cannot achieve its aims through micromanagement. The difference for local places will be made locally.

Working locally allows for direct collaboration and coproduction with communities and local institutions. This is a scale of action that allows escape from political polarisation in order to work toward urgently needed change, creating an effective community of interest to tackle self-evident need in places like East Birmingham. None of this can be arranged from the distant perch of central government.

This means a new approach to devolution and decentralisation, one that goes beyond bespoke deals with combined authorities and understands that some powers and responsibilities should unquestionably sit at smaller scales of organisation. These organisations are often best placed to understand local nuance, operate in a contextually sensitive way, and build the ongoing relationships that will be necessary to transform public services and level up. Where tensions arise – for example, between the need for operating fiscal devolution at an economically sensible scale and the need for more hyperlocal powers to facilitate direct community engagement and coproduction – it is regional self-governance, operating in line with a principle of subsidiarity, which should decide the best distribution of powers and accountabilities.

This will become doubly important if Investment Zones become the primary mechanism for the levelling up agenda, or if levelling up funding is effectively consolidated and devolved in another way. To make this work, new (more democratised) models of accountability will also be required, so actors at every scale can have confidence that public money is being well spent. For example, Mayors could assume more direct accountability for how locally devolved resources are spent, becoming directly answerable to Parliament;<sup>34</sup> meanwhile, local spending decisions could be subject to periodic, bottom-up review by citizens.

A reimagined approach to devolution would also involve fiscal autonomy that goes beyond the ideas currently floated in relation to Investment Zones. Local authorities with the ability to vary their approach to taxation themselves could progressively generate resources for their strategic investments, incentivise shifts in local behaviours, and stimulate the local economy in a targeted way.

The ‘street votes’ concept, which is keenly discussed as a way to alter local planning, could also be broadened as a platform to mobilise communities of place: deliberatively selecting priorities, establishing local plans and covenants, and building the precursor structures for more lasting self-governance in deep collaboration with local authorities.

## **A NEW RESOURCING APPROACH**

The fiscal autonomy mentioned above is important. But assuming that the resources used for levelling up will generally be allocated directly by central government, there remains enormous room for improvement over the system that this paper briefly set out in the previous section. If Investment Zones will genuinely shift how levelling up is funded, this will be cause for celebration – but reform should go further, simplifying the funding model even for places where no Investment Zone has been announced.

The core thing to recognise here is a simple principle: bringing resources – their organisation and governance – closer to where they are ultimately needed is a way of achieving efficiency and realising more impact from them. The current system is opaque, complex, and leads to wasted effort – not only on the part of the communities and local actors who are bidding for funds, but for those who are required to administrate them too.

Moreover, the current funding model for levelling up disincentivises the core goal of the agenda, which is to work across the full complexity of local variables in a concerted way in order to improve outcomes in a complex system. Local priorities are lost in translation as plans and reports are filtered up through tiers of government, and so is any attempt to coordinate projects or align objectives.

In the short term, the system should shift to develop processes that allow bids for levelling up funding to occur more locally: consolidating the many pots currently available into a larger and more flexible place-based fund, administered jointly by upper and lower-tier authorities. Local government will be better placed to operate in a more innovative, collaborative, and locally nuanced way. Competition for funds into these consolidated and devolved funds, if sustained as an allocation mechanism, should as simple as possible, to enable funds to meet specific local needs and reduce the impact of capacity constraints on under-resourced areas to make successful bids.

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<sup>34</sup> Adam Hawksbee, *Give Back Control: Realising The Potential Of Mayors* (Onward, 2022).



In the medium term, funds should be consolidated and directly devolved to the control of local and combined authorities, where the most appropriate local priorities and allocation processes can be agreed in direct coproduction with communities, and over whatever timescales are most appropriate. In practice, this could mean a major, unified new fund with a draw-down access mechanism: a common pool resource around which localities like East Birmingham can organise their levelling up efforts.

## **5. CONCLUSION**

Places like East Birmingham will feel the effects of soaring inflation and diminishing economic growth earliest, and with the worst effects. In times like these, the downstream costs for our public services in places that lack resilience, social infrastructure, and local opportunities will unquestionably dwarf the investments that are required to build such resilience in the first place.

This is an old lesson, and an important one. We hope that government will learn it before levelling up is dismissed as just another policy pipe dream.

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