UNIVERSITY OF BIRMINGHAM

Achieving levelling-up: The structures and processes needed

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ACHIEVING LEVELLING-UP
THE STRUCTURES AND PROCESSES NEEDED

BACKGROUND

ACKNOWLEDGEMENTS

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60 second overview

'Levelling up' refers to economic convergence between the regions—more specifically, convergence upwards. Our research (59 interviews and two workshops with practitioners, literature review and statistical analysis) focused on the structures and processes needed to achieve this. It concluded that **levelling up will be difficult but possible**, that achieving it will require strong local institutions, and that this in turn will require leadership from the centre.

We also concluded that **the existing system for managing local economic policy from the centre is dysfunctional**: in the absence of change, there is zero chance of reversing the long-term trend towards greater regional inequality that levelling up requires.

Our research also suggests **the nature of the change required**. At the moment, Whitehall exercises control through funding competitions. These lead to poor resource allocation, waste time, and create an adversarial atmosphere.

Our proposal is that they are replaced with a system in which targets for productivity, inclusivity and sustainability are set by the relevant local authorities, following strategic conversations with Whitehall. This then makes genuine long-term single pot funding possible. There would also be a rationalisation of the division of responsibilities between Combined and Unitary/County level authorities with Local Enterprise Partnerships (LEPs) retaining an advisory and convening role.

This requires Whitehall to up its game and **provide leadership rather than simply management**. It also requires strengthening local authorities' capabilities, as well as measures to engage the public more actively and create more direct accountability for this area of policy.

The report and this summary is structured as follows. We first describe the problem, and then the interventions needed to address this and the conditions that make these more likely to succeed. We then turn to the existing system for managing local and regional economic policy, setting out why it is unlikely to create the conditions for successful interventions. We then make recommendations for change.

Executive summary

The problem to be solved

1. Levelling up has been achieved in other countries. But it will be hard: the productivity gap between the best-performing and worst-performing UK regions has been widening since the early 1980s despite numerous initiatives.

2. The problem is not just inequality between regions, it is also inequality between areas within regions and persistent pockets of deprivation. These less successful areas are often stuck in a *'low skills equilibrium'* where demand for and supply of skills are balanced at a low level.

The interventions required

3. Experience suggests there are five components to a strategy designed to disrupt a low skills equilibrium:

- Identify firms and sectors with the potential to create good jobs—beyond 'growth firms' and winning sectors which often constitute a small percentage of local employment.
- Conduct focused inward investment activities based on this analysis.
- Partner with firms to boost skills demand in those firms and in the local economy, typically by helping firms to innovate and change their product market strategies.
- Tailor skills strategies to the resulting demand.
- Adopt spatial and transport policies so that people can get to these jobs.

4. The combination of interventions just described has not been widely adopted in the UK. This may explain why we have not seen much 'inclusive growth'— trajectories combining growth in productivity and growth in inclusivity – instead, there has tended to be one or the other.

5. Three things are needed to make these interventions successful:

- Coordination
- Partnership working
- Accountability

Why the existing system cannot deliver

6. The existing system cannot create these conditions and thereby facilitate the interventions needed for levelling up.

7. It has some strengths:

- Some Local Economic Partnerships (LEPs) are effective creators of strategy and convenors of partnerships.
- There are capabilities in some Combined Authorities (CAs) and local authorities.

8. However, our research suggests some serious problems. Five of these stem from confused or absent decision rights:

- Problem 1: Processes are wasteful because of time spent bidding, coordinating multiple agencies and duplication.
- Problem 2: Funds are not spent on what places need: LEPs and local authorities do not bid for what they think is needed but for what they think central government will approve.
- Problem 3: Strategy and long-term planning is difficult because funding is short-term and fragmented.
- Problem 4: Strategy is not implemented – strategising and implementing are in different agencies and in any case there may be no budget.

This problem is particularly evident in the case of skills, where the perception is that the problem is exacerbated by an inflexible approach from the Department for Education (DfE), with the problems leading to a short-term focus.

- Problem 5: The interface with business can be incoherent: there are too many agencies and schemes providing support.

9. There are two further problems:

- Problem 6: The work of LEPs and CAs is largely invisible, making real accountability to the public impossible.
- Problem 7: While many competent people work in the field, quality is uneven and there is no generally understood theory of change informing the kind of interventions that are needed.

10. Just about everyone involved in the system on the ground believes these problems exist and are serious. These problems make the necessary coordination, partnership working and accountability impossible. Given this, in the absence of change, there is *zero* chance of reversing the long-term trend towards regional inequality that levelling up requires.

Reforming the system

11. There are three options for solving these problems:

- **Fine grained improvements to the rules and structures**
  This is a labour of Sisyphus – the stone will never get to the top of the hill because the underlying problem is not being addressed.

- **Greater centralisation**
  This is the RDA/Government Offices for the Regions approach. It might work better than the current system but it throws away the benefits of Local Economic Partnerships.

- **Build stronger local institutions**
  This is our recommendation: one authority with the rights needed for strategy development and implementation.

Combined authorities, local authorities and LEPs

12. Where they exist, Mayoral Combined Authorities (MCAs) can become stronger institutions. Elsewhere, Unitary/Counties can either stand alone or combine into new MCAs where they are smaller than the functional economic area or a minimum efficient size.

13. LEPs should continue as advisors and convenors with the right to be consulted, coterminous with the decision-making institutions.

14. We have suggested a division of roles and rights between MCAs, unitaries/counties and LEPs in the report—see Table 1 on page 23.

The relationship between Whitehall and strong local institutions

15. At the moment, Whitehall exercises control over local spending and policy through a series of funding competitions, plus central funding and/or regulation of some activities. This is inconsistent with strong local institutions with real decision rights and is identified in our interviews as one of the main problems with the current system.

16. However, Whitehall needs to retain leadership of the process. An alternative would be a process of strategic conversation between mayors and a single representative of Whitehall, through which agreed objectives are set.

17. The authority develops its objectives for productivity, innovation, skills, inclusiveness and carbon (and other environmental objectives) based on its assets and its citizens' preferences – but with an awareness of government objectives – and on the basis of these, it bids for a single pot grant.

18. If the sum of objectives from different places falls short of these national objectives, the centre goes back to those areas best placed to up their game. If the sum of bids is greater than the amount available, it goes back to those areas best placed to reduce their budgets.

The end result is an agreed set of outcome targets of a kind that does not now exist.

Accountability

19. There are three aspects to this.

- Create a brand that creates expectations and support amongst the public. (Think of those policies and institutions that won love from the public and became unassailable: Lloyd George's Old Age Pension, Aneurin Bevan's National Health Service.)
- MCAs, Unitaries and Counties can then improve the way they engage with citizens, building on existing good practice.
- Existing formal accountability and scrutiny systems can be given more life with an agreed set of objectives and associated performance indicators.

Strengthening capability

20. The capability problem is solvable if a programme is instituted to develop existing talent and recruit new talent. This would involve: signalling devolution is for real; ensuring each local institution is large enough to have or to recruit core leadership; providing the resources to build out from there; setting high standards and expectations; and considering two-way secondments between central and local government.

21. In addition, local policymakers want more granular, action-oriented support than is currently available. This includes information about best practice, which in turn requires more attention to, and higher standards of, evaluation.

An eight-step plan for the Government

1. State the intention to create strong local institutions over a two to three-year period.
2. Set out a framework for decision rights and roles.
3. Identify which authorities should form the basis for these institutions.
4. Initiate a process of setting shared objectives with these authorities and organise single pot funding.
5. As part of this process, clarify the ongoing leadership role of the centre.
6. Work with these institutions to invest in capability development and in shared resources.
7. Work with these institutions to put accountability systems (including to the public) and metrics in place.
8. Work with these institutions to communicate to the public and brand the change.

1
The problem to be solved

1.1 The productivity gap between the best performing and worst performing UK regions has been widening since the early 1980s, despite numerous initiatives.[1] Simply repeating or tweaking what has been done before will not reverse this deep-rooted trend and set the worst performing regions on an upward trajectory: it is likely that more fundamental change will be needed. Our research (59 interviews and two workshops with practitioners, literature review and statistical analysis) focused on the structures and processes that might make such a change possible—and thus achieve 'levelling up', in other words economic convergence between regions.

1.2 The problem is not just inequality between regions, it is also inequality between areas within regions and the existence of pockets of deprivation.

"It's basically a bit of a patchwork so that there are really difficult localities and communities… But then… there are still good well-paid jobs in manufacturing and engineering" (Local politician)

"We have a constant issue within the region which is to kind of point out to people that levelling up is between and within regions" (LEP board member)

"There's a shared understanding there's two agendas for us, there's a levelling up within the region, there's a levelling up with the rest of the UK" (LEP staff)

"We've… got areas…. that have got very resilient economies, but those tend to be cheek by jowl with some of the poorest, most excluded, isolated places in the whole of the UK, so just a narrow focus on productivity just isn't going to change the game" (City Deal staff)

1.3 These less successful areas are often stuck in a 'low skills equilibrium', where local employers offer low skill jobs and operate in low-cost markets, meaning there is little incentive for an unskilled population to upskill.[2] Shaking these areas out of their low skills equilibria is the real challenge.

1.4 These problems can be solved: levelling up has been achieved in other countries. For example, while GDP per worker in the Ruhr Valley was 4% lower than the German national average in 2000, GDP per worker in 2012 slightly exceeded the national average.[3] This involved the regional government being given more devolved powers, which allowed better resource allocation and facilitated effective partnerships between regional stakeholders.[4] This in turn led to additional investment, and innovative production links between spatially proximate firms. More localised problems and the existence of low skills equilibria have also been addressed in several regions and cities overseas.[5] We discuss the kind of interventions used in the next section.

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1 For example, Gardiner, B. et al, Regional Disparities in Labour Productivity and Capital Stock. Presentation given at NIESR webinar 22 July 2020
2 OECD, Job Creation and Local Economic Development, 2014; Tinker R., Designing a Shared Prosperity Fund, Joseph Rowntree Foundation, 2018
3 Taylor R., A Review of Industrial Restructuring in the Ruhr Valley and Relevant Points for China, 2015 http://www.cleanairchina.org/file/loadFile/160.html
4 Bross U. and Walter G., Socio-economic Analysis of North Rhine-Westphalia, INCO-COMPERNICUS, 2000
5 Pike A., Lee N., MacKinnon D., Kempton L., and Iddawela Y., Job creation for inclusive growth in cities, Joseph Rowntree Foundation, 2017; OECD 2014 op cit

2
The interventions required

2.1 Our experience, review of the literature and interviews suggest there are five components to an effective strategy:

Component 1: Identify firms and sectors with the potential to create good jobs

2.2 This enables focussing of efforts. However, the OECD has emphasised the need to go beyond 'growth firms' and winning sectors which often constitute a small percentage of local employment.[6] This point was echoed by our interviewees:

"If you have an economic growth strategy that is entirely reliant on life sciences and precision manufacturing, you're probably going to have increased productivity… but that isn't going to lead to wider inclusion. However, what you do is complement that focus with the long tail of low productivity firms… the foundational economy" (CA Staff).

2.3 Successful city-level strategy in other countries and parts of the UK has included this activity. For example:

- Portland's economic strategy prioritises four industry clusters which are identified as being able to provide middle-wage job accessibility.
- New York targets its investment towards industries providing good quality jobs that are accessible to local residents.

- In San Antonio, the mayoral authority has undertaken sectoral analysis seeking to identify sectors where the city has a comparative advantage.[7]
- Cardiff Capital Region's City Deal identifies key sectors and supports the development of ecosystems of suppliers and entrepreneurs around them.

Component 2: Conduct focussed inward investment activities

2.4 This analysis then makes possible inward investment initiatives focussed on firms that raise skill demand both directly, and through impact on the rest of the economy.[8] These are not necessarily those at the technological frontier or with the highest productivity themselves. However, this activity should work with the grain of existing sectors (i.e. facilitating endogenous cluster formation rather than forcing things). Unfocussed subsidy schemes, like Enterprise Zones (at least those not linked to universities) or the Regional Growth Fund, are relatively ineffective, in part due to displacement.[9]

Component 3: Partner with firms to boost skills demand in those firms and in the local economy

2.5 Interventions to boost demand for skills often require firms to innovate and change their product market strategies. Firms may not want to do this:

"The number one thing that had to be done [in an innovation programme] was to convince them that being innovative was worthwhile" (Commentator)

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6 OECD 2014 op cit
7 Pike et al 2017 op cit
8 OECD 2014 op cit
9 On Enterprise zones see Centre for Cities, In the zone? Have enterprise zones delivered the jobs they promised?

2019. The Regional Growth Fund has not been effectively evaluated but for costs per job created see National Audit Office, Progress Report on the Regional Growth Fund 2014.

However, their reluctance can be countered by brokering relationships with other firms who are doing things well. For example, we were told that:

"SMEs and firms that are less good at doing these things learn from those who are doing the same thing but are able to do it well…. with government acting as a broker." (Advisor to LEP)

A Chamber of Commerce confirmed that contact with successful role models was particularly effective. Knowledge exchange between universities and firms is also an important part of the mix.

2.6 The shoe industry in the Brenta region of Northern Italy was revived and created higher level, more skilled jobs than it had done as a result of an industry-wide initiative to market the region internationally as a provider of top quality shoes; this involved partnership between firms, industry bodies, educational institutions and local government.[10]

2.7 It may also be possible to influence innovation and product market strategy through national and regional procurement (the most famous, well-documented example being DARPA in the United States). [11]

2.8 All this will require extensive coordination. For example, cluster management teams employed by the Government of Hamburg act as contact points for the city's eight economic clusters. By providing support they increasingly see themselves as long-term partners and stimulators of new thinking, not just decision makers or funders.[12] There are examples of something similar in the UK. For example, in Wales, the Cardiff Capital Region's City Deal, which brings together ten local authorities in the decision-making Cabinet, works closely with business leaders and universities.

Component 4: Tailor skills strategies to the resulting demand, to enable people to access the jobs created and to progress

2.9 This is also a key part of the city strategies already cited: in 2014, San Antonio formed a Talent Pipeline Task Force to better join-up education and training to the labour market in three main targeted industries, while Hamburg's labour supply policy, including initial and further training, is tailored towards its eight clusters. In Wales, personal learning accounts launched in 2019, are designed to address skills gaps by supporting employers in priority sectors to recruit new employees who need upskilling.

2.10 Trade unions can also play a role. The Welsh Government provides funding through the Wales Union Learning Fund for trade unions to employ staff to deliver training and skills development. This is flexible—for example, during the coronavirus pandemic there was a focus on health and safety and a drive to reskill people made redundant by the aerospace industry to work in the test and trace system.

2.11 This kind of intervention requires funding streams and performance management targets to reward and encourage the necessary activity—for example, it is difficult if further education funding is simply based on training places delivered.[13] LEP staff we interviewed felt that "LEPs and LAs need the power to commission particular skills from educational institutions" – in other words

10 OECD 2014 op cit
11 Uyarra E., Zabala-Iturriagagoitia J. M., Flanagan, K. & Magro, E., Public procurement, innovation and industrial policy:, Research Policy, Feb 2020

12 Pike et al 2017 op cit
13 OECD 2014 op cit

they felt they needed to take a more proactive role.

2.12 However, some firms can also act as leaders. One LEP board member described the way it had worked in Derby in the past:

"For every Rolls Royce apprentice Rolls Royce took on, for every ten, only three or four would stay in Royce's and the rest would be fed into the wider engineering ecosystem in and around Derby and that worked."

The suggestion was that incentivising this kind of behaviour in large firms with a commitment to skills and quality would be a good use of the apprenticeship levy, as well as other parts of the training budget.

"Look at the people who are properly committed to training, give them the incentives to really drive the sort of skills we want to see… they can then feed the sector"…. [this should be done by the LEP]

The type of skills development is also important. One trade union interviewee pointed to the risk that employees develop specific skills required to produce a specific product for their employer, rather than being encouraged to develop transferable skills.

2.13 A proactive approach does not mean a top-down system in which local and national government specifies the number of places FE colleges are to provide in each subject. Apart from anything else, the students themselves have to decide to apply for and take up places (as one FE College principal pointed out to us). Course provision planning needs to be 'joined-up' with careers advice, as well as initiatives to address more fundamental blockages to course take up:

"There is very low knowledge amongst teachers and parents about the shape of the changing job market." (Workshop for LEP, CA and LA staff)

"We need to inspire more people through careers advice." (Local politician)

"There needs to be a joined-up, well-funded and local attempt to tackle social problems which significantly limit the supply of skilled labour." (LA staff)

"We need to look longer term and we need to increase worker voice in decision-making around the skills agenda." (Trade union representative)

2.14 Finally, this activity must extend to people of all ages: "given uncertainties, lifelong learning is an essential part of the mix", as we were told by one Chamber of Commerce.

Component 5: Adopt spatial and transport policies so that people can get to the jobs

2.15 Many of those we spoke to emphasise the need to make it possible for those living in relatively deprived neighbourhoods to access jobs being created in other areas. This confirms existing research:

"Residents in low-income neighbourhoods are willing to travel to work but find commuting options constrained by unaffordable or unreliable public transport, especially when combined with the prospect of low-paid or insecure employment."[14]

Residents may be willing to travel to work, but we were told that in some areas, people would not be willing to travel very far. Planning infrastructure and job opportunities may need to take this into account if attitudes are entrenched.

14 Crisp R., Ferrari E., Gore T., Green S., Mccarthy L., Rae A., Reeve K., Stevens M., Tackling Transport-Related Barriers To Employment In Low-Income Neighbourhoods. Joseph Rowntree Foundation, 2018

"Trains are full… and this constrains employment. Businesses should be located where people are." (Government official)

2.16 This priority has influenced infrastructure decisions in overseas cities. For example, in Cleveland, transit lines were re-routed to provide better connections between inner suburban welfare households and outer suburban entry-level employment. When Nantes developed an extensive tramway system in the 1980s, steps were taken to ensure that the trams linked to the more deprived parts of the city.[15]

The combination of interventions just described has not been widely adopted in the UK.

2.17 Our research suggests that this combination of interventions has not been the norm in the UK. "Good quality, well paid jobs" (Local politician) may be a widespread objective; however:

- Relatively little effort has gone beyond growth firms.

"On the non-tradable foundational economy stuff, there's less thinking." (CA staff)

"We are not going into hairdressers, construction companies… but we are going into space and satellite companies… talking about how they can accelerate their growth even though they're on a high-growth trajectory." (LEP staff)

"It doesn't have sufficient reach. It does a lot of very good work with local companies in terms of increasing their process innovation, but they are operating with 20/30/40 companies at most." (Advisor)

- Stimulating demand for higher quality skills is neglected.

"Tacit acceptance of low-skills equilibria, and focus of effort overwhelmingly on getting people into employment…. Skills demand issues were covered in the majority of [LEP] reports, but in comparison with skills supply, discussions were often not well developed…. the skills remit is primarily understood in terms of skills supply."[16]

- Sometimes this is because of the need to respond quickly to problems, which can crowd out efforts to raise skills demand.

"The idea…. is to get people who have lost their jobs into other jobs as quickly as possible, but the quality of those jobs is never really addressed." (Trade union representative)

- There *are* supply/demand schemes – designed to stimulate demand for and supply of skills at the same time – but not many.

They are a cottage industry, with poor evaluation and not much roll out.[17] Indeed, more generally, there is a lack of evidence for precisely which interventions work in different contexts.[18]

- Even skills supply management is patchy.

While some LEPs we spoke with placed great emphasis on this (for example the North East LEP), we were also told by Chambers of Commerce in other regions that the LEP tended to "focus on the here and now" when it came to skills, or even that the skills agenda was "a bit of an afterthought".

2.18 The result is that demand and supply of skills are not matched up in the way described above:

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15 Pike et al 2017 op cit
16 CIPD, Productivity and Place, 2019.
17 Examples include: Employment charters, Construction gateway (West Midlands), Apprenticeship subsidy scheme

(Humber), Citizen's Education Curriculum (13 pilots), Manchester's Working Well scheme, Birmingham's Network rail Charter for Jobs
18 Tinker 2018 op cit.

"Demand and supply are not matched up. FE colleges get people through apprenticeships, but is it the type of apprenticeships that are needed?" (Commentator)

"We do it [matching supply and demand]— on paper." (CA staff member at Workshop)

2.19 This may explain why the general pattern of development has not been '*inclusive growth*', that is trajectories where growth in productivity is associated with growth in inclusivity. Our research collating metrics of prosperity and metrics of inclusivity across 53 LEPs/CAs in the UK suggests that there was little correlation between growth of prosperity and growth of inclusivity in 2013-2018. Further analysis underway suggests that this is because some LEPs have focussed on high productivity sectors in their regions: where this has happened, then inclusivity has not generally increased (and has sometimes reduced). By contrast, other LEPs have focussed on *low* productivity sectors in their regions, and inclusivity in those regions has generally tended to increase, particularly in those regions where productivity was already high. However, these LEPs have generally failed to increase productivity significantly.[19]

2.20 Our recommendations for structural change are designed to facilitate interventions of the type described in the previous paragraphs. They will have little effect on levelling up on their own.

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[19] LIPSIT project research in progress

3
Three things needed to make these interventions successful

3.1 Local institutions need to facilitate effective coordination, partnership working and local accountability.

Coordination

3.2 Many levers need to be pulled to make interventions of the kind described: inward investment incentives and marketing, business support activities, facilitating technology transfer, procurement as a driver of innovation and skills demand, skills supply investment, careers advice, transport infrastructure—and many others. It is implausible that long-standing, entrenched problems – relative economic decline and low skills equilibria – can be solved without this kind of coordination.

3.3 This is a well-recognised observation, and as our interviewees reminded us, has led to several half-hearted attempts to facilitate integrated decision making and funding over the years.

Partnership working

3.4 Many of the interventions just described add up to a process of coordinated behaviour change: changing business demand for skills and innovation, changing the supply of training to meet this demand, and changing the demand from students and firms for training in order to make this supply possible.

3.5 If you wish to change behaviour, it is not enough to know and understand the economics of the area, you have to know and understand the people. You need to know what is needed and what can be done:

"Whitehall does not understand the culture – how it will land. You have to work with the weft of the place. Culture is not as recognised as people may think."[20]

This is uncodified knowledge: you need to be there to have it.

3.6 What is more, the evidence from the international examples suggests that change comes about when effective partnerships are formed. In the words of one leading student of the skills system: "at the heart of many of these approaches is effective partnership working"[21]. Many types of organisation may be involved: firms, trade associations, further and higher education institutions, trade unions, social enterprises and NGOs. Local and national government and development agencies have a key role as they can facilitate and incentivise the necessary collaboration and networking, as well as providing planning and other analytical expertise.

3.7 These partnerships can – self-evidently – only be formed by the people on the ground. The need for partnerships also explains why US economists Rodrik and Sabel have written recently that creating good jobs requires "governance arrangements that sustain public-private collaborations under conditions of uncertainty and learning."[22]

20 Industrial Strategy Council Webinar, 17 July 2020
21 Green A., Low skill traps in sectors and geographies: underlying factors and means of escape, 2016

22 Rodrik D. and Sable C., Building a Good Jobs Economy, 2019

Accountability

3.8 Finally, there is also a strong case for local democratic accountability: because it is right in itself, because it could be a driver of more effective performance by policymakers and because citizens are not simply passive recipients of policy but decision makers themselves about what training and jobs to take, or encourage their children to take. As one of our interviewees put it:

"Coming back to my children it's about their quality of life… it's about experiences and if we can develop an offer within [name of city] that actually satisfies that hunger for those types of experiences, then that is something that we should be trying to achieve". (LA staff)

This was recognised by the Government in the Queen's Speech last year:

"…enabling decisions that affect local people to be made at a local level… With more powers and funds must come more local democratic responsibility and accountability." [23]

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23 Queen's Speech, October 2019

4
Why the existing system cannot deliver

4.1 In this section we will argue that, for all its strengths and achievements, the existing system cannot deliver the coordination, partnership working and accountability needed for levelling up. Our evidence is largely the views of those involved operating it. This means our argument depends on the premise that those operating a system 'on the ground' are likely to understand its defects, and that their views should be taken seriously.

4.2 But first, we set out some of the strengths of the existing system, given the role described in the previous sections.

Strength 1: Some LEPs are effective creators of strategy and convenors of partnerships.

4.3 As the Industrial Strategy Council (ISC) reported, some LEPs have been effective at using data to create agreement and have built good working relationships.

"Developing the LIS (Local Industrial Strategy) was generally viewed as a useful and constructive exercise. LEP staff are well embedded locally, are aware of local strengths and challenges and have good working relationships with key local stakeholders... [they] bring together stakeholders constructively to agree priorities based on evidence....

There was a widespread appreciation of how data can drive prioritisation processes alongside stakeholder engagement. It also acted as a foundation for... ensuring

24 Industrial Strategy Council (ISC), Understanding the policy-making processes behind local growth strategies in England, 2020

discussions were not dominated by any individual or organisation."[24]

4.4 This was our impression too, based on interviews with LEPs themselves and Chambers of Commerce.

"We have got the resources to do the scenario planning and analysis... Really good evidence based investigation into how our economy works... You can forward plan ... for a set of skills that will be adaptable, going forward." (LEP staff)

"Bringing people together to enable things to happen... lead and facilitate." (LEP staff)

"Everybody together around that board table is aligned around the economic plan.... we always come back to data and evidence to inform any decision making ... [even if] ultimately the politics are still there." (LEP staff)

4.5 LEPs may have had a rocky start, but generally, business and local authorities can now work well together. The more successful LEPs are really are partnerships, and as such can contribute to the partnership working that international experience suggests will be needed for levelling up.

"The first few years were really hard ... the private sector personnel round the table ... didn't quite get it, in terms of their role or democratic accountability.... I think the last four, five years, everything has settled down and the board genuinely work well together...." (LEP staff)

"I think there's probably less difference [between business and local authorities on the LEP] than people might think. Everybody is going to be looking for the same ultimate goal which is more jobs economically." (Local politician)

"When I looked to get investment in special education needs I had no problem getting

support for capital investment from the LEP and I got it mainly from the businesspeople." (LEP member, College Principal)

"Some of the business people on that are absolutely fantastic, really interesting." (Trade Union official)

4.6 Having said this, not all LEPs are well-regarded, and some are clearly under-resourced.

"I think they're past their sell-by date, definitely past their sell-by date." (LA staff)

"They're not supposed to be Freemasons anymore but they must all go to the same golf club." (Commentator)

"Are they all encompassing or are they serving themselves?" (LA staff, LEP member)

"I don't have an analyst in my team." (LEP staff)

Strength 2: Capabilities in some Combined Authorities and local authorities

4.7 While capability is universally recognised as a problem across the system as a whole (we return to this below), we were told that there were many capable people working in local government in this area, particularly in the Combined Authorities. This was also our impression based on our interviews and workshops:

"In those areas that have enjoyed more significant devolution deals (e.g. Manchester) capability has been built" (Workshop)

"Because of the potential of combined authorities, you're seeing a lot of people running towards them, good, high quality people" (CA staff)

"This is from what I know of the individuals, if you put together the best people from the [unitaries and counties] plus some of the

really quite good people at district council level you've got a pretty good core team. (Commentator)

4.8 However our interviews revealed a series of problems which between them make the system incapable of facilitating the interventions needed.

Problem 1: Processes are wasteful

4.9 A great deal of senior level time and energy is spent bidding for funds and then attempting to stitch together the proceeds—a poor use of time.

"All other areas in the country were travelling up and down to London to get these small amounts of grant." (LA official)

"A lot of LEP time I think is spent, in my experience, bidding." (Local politician)

"A lot of time and resource have been wasted on projects that are never funded." (LA staff)

4.10 In some areas efforts are duplicated and time is wasted on multi-agency coordination.

"Duplicated staff between the combined authority… and the LEPs." (CA staff)

"If people want to do their own stuff in their own council area that's problematic, because they want their capability as well as the capability sitting at the regional level." (Local politician)

"Quite a lot of duplication." (Chamber of Commerce)

"If everybody was in one organisation, it would probably be so much easier and more efficient."(LEP official)

"I think again one of the problems, is lots of different players." (Local politician)

4.11 This is associated with a confusion of roles. As interviewees told us:

"It would really help us in the devo white paper if there was real clarity about who does what." (CA staff)

"If the white paper does anything, it needs to clarify who does what, roles and responsibilities." (Local politician)

"Knowing who has the purse strings can be quite challenging." (Chamber of Commerce)

As the ISC has also reported, there is a need to clarify roles, including that of central government.[25]

Problem 2: Funds are not spent on what places need

4.12 LEPs and local authorities do not bid for what they think is needed but for what they think central government will approve.

"The priorities are defined by central government and the strategies need to get sign-off from central government. So local needs and wants get diluted…" (Workshop)

"Because our money comes from government, we've got to spend it in a way that they say is fine instead of being able to club together and really work out what our priorities are and almost put ourselves at risk a little bit more." (CA staff)

"The three cities had to put in three separate bids. That money was almost certainly not spent on what the three cities would have regarded as their priority transport bids." (Commentator)

"Local Authorities and LEPs to some extent, just respond to that because it follows the food chain, it follows where the money is." (Commentator)

This point was also made during an ISC webinar and in an ISC report.

"Danger that areas with good LEPs or authorities get money they don't need—and not even appropriate to their needs because of the design of scheme—while areas that need funds don't get them."[26]

"Requiring strict alignment to the national Industrial Strategy makes it difficult for some areas to make LISs truly place-specific. This is particularly challenging in places which rely on low-productivity sectors (e.g. agriculture)."[27]

4.13 In addition, there is a perception that the Green Book methodology does not prioritise levelling up and favours the short term.

"The Green Book prioritises ROI: it is higher in wealthy places." (Workshop)

"The UK govt has valued productivity at expense of inclusivity." (Workshop)

"The [target of] 5% GVA is not as important as doing something over the next 25 years by systematically tackling some of the issues." (LA staff)

Problem 3: Strategy and long-term planning is difficult

4.14 This is partly because funding cycles are short-term.

"We can barely have a one year plan, let alone a three or a five year plan with any confidence" (CA staff)

"An R&D partnership with the university was not funded because there were no short-term impacts" (LEP staff)

"We need… single investment pots over a long period of time and the certainty there is so we can make plans" (CA staff)

4.15 Longer term cycles would make private sector partnerships easier.

25 ISC 2020 op cit
26 Industrial Strategy Council Webinar, 17 July 2020

27 ISC 2020 op cit

"[Then] we can borrow and we can give the private sector confidence." (CA staff)

"We had a small infrastructure of three staff that delivered that, fantastic programme, Careers and Enterprise Company didn't fund it after a year… we've got a fantastically supportive business community but you've got to feel for them when they do get on board and then all of a sudden the grant that supports these activities just disappears overnight." (LA staff)

"Trust is eroded by consultation on projects that do not get off the ground." (LA staff)

4.16 But it is also because fragmented funding streams makes stitching together strategy very difficult.

"You want to have the ability locally to have a coherent strategy, so I think having it all divided up is not very helpful at all and the attempt to run things separately has historically been a problem." (Commentator)

4.17 This is made worse by the way multiple Whitehall departments are involved.

"LAs have to combine funds from different departments for single projects." (LA staff)

"The DfE for example isn't always as connected with the BEIS agenda, so where you are driven by national programmes it makes it more challenging to coordinate at a local level." (CA staff)

Problem 4: Strategy is not implemented.

4.18 The power to make local industrial strategy and the power to implement it are sometimes in different agencies.

4.19 The authorities that create a strategy may not have and may not be able to obtain budgets to implement it. Problems

with the Local Industrial Strategies were identified at an ISC webinar and in an ISC report:

"Budgets not attached to LIS – so how will they be implemented? We are good at making plans – rubbish at getting them into practice… What do you do with your strategy? No funds attached."[28]

"Securing stakeholder engagement was at times challenging due to a lack of clear vision of how the LIS would translate into funding."[29]

However, the budget problem is wider than that:

"Have we got the resources to respond to [the strategy]? Well no…. I'm not sure that any of the local agents have, unless the government unleashes those." (LEP staff)

"We don't hold significant economic development funds within the combined authority, so it makes it very hard to realise regional economic strategy." (CA staff)

4.20 Indeed, both we and the ISC found that authorities may not even have the decision rights to implement strategy.

"If we really want to go to net zero, we need ambitious plans around modal shift. It's really difficult to do that if we don't know if we have access to all of the levers we might need." (CA staff)

"The research also highlights questions about whether areas have the appropriate powers to design and deliver the policy required to improve local productivity… Many interviewees felt greater devolution of powers is needed to enable LEPs/MCAs to promote productivity in a sustainable and inclusive way. They considered current local powers as limiting their ability to address multi-faceted policy problems driven by long-standing and ingrained social and economic issues."[30]

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28 Industrial Strategy Council Webinar, 17 July 2020
29 ISC 2019 op cit

30 ISC 2019 op cit

4.21 The problem is particularly evident in the case of skills – the strategy is often not implemented and funding is fragmented.

"FE is fragmented… If you had a [county] colleges group you've got alignment of geography, you can align strategy." (LEP staff)

4.22 In the case of skills, the perception is that the problem is exacerbated by an inflexible approach from the DfE.

"The rules are very inflexible… around apprenticeships and qualifications" (LEP member and college principal)

"The DfE seems? to adopt a one size fits all approach." (Local politician)

4.23 The result is strategic bodies without the power to implement in this area.

"So we have the 19+ powers but not enough 16-18 powers. I think because of the different institutions that are involved, you would be able to have a much more strategic skills commissioning provision environment" (CA staff)

"We have a reasonably well-worked through model of student as customer [of the skills system] but a less well developed way of thinking about how to encourage those organisations to have a civic agenda" (Official)

"[LEPS] don't have enough power in the skill sector" (Local politician)

"I am sick of going to meetings at which skills are discussed but nobody has the power to do anything about it" (Chamber of Commerce)

"I've sat in numerous meetings where people have waxed on about mismatches of skills and what's needed" (Local politician)

"We don't have any influence over the colleges anymore." (LA staff)

"No power over skills is a real weakness of LEPs" (Chamber of Commerce)

The problem exists in Wales as well as England. Wales has three voluntary Regional Skills Partnerships that bring together businesses, local government, trade unions and other organisations to discuss economic developments and to make recommendations to the Welsh Government on future skills. While these provide a framework for coordination, the partnerships are voluntary, meaning that they are resource constrained and have limited effectiveness.

4.24 This leads to a skills policy with a short-term focus.

"There's too much of a focus on existing businesses… they respond to immediate demand from businesses. That partly comes from… institutional fragmentation" (CA staff)

"The landscape is very fragmented which makes it tricky to have that really clear pipeline all the way from early years through to apprenticeships and then long-term careers" (CA staff)

Problem 5: The interface with business can be incoherent

4.25 We were told that there are too many agencies and schemes providing support.

"The LEPs have growth hubs… and then local authorities often have their own programme of engagement with businesses." (CA staff)

"There are too many agencies…. The boroughs do their own business support … don't create another network [to compete with us]" (Chamber of Commerce in non CA area)

"Knowing who's leading on business support… local authority… LEP growth hub… Combined Authority?" (Chamber of Commerce in CA area)

"Business Wales has 30 skills and apprenticeship schemes, presenting an opportunity to increase accessibility by

simplifying the structure, access requirements and application process."[31]

"It would help business navigate what is going on if there was a joined up ask from the public sector…. This is what we want from good corporate citizens and this is what we will offer you…. Here are all the programmes – [instead of] chaotic funding and policy environment… so many piddly little bits" (Chamber of Commerce in CA area)

Problem 6: Lack of local visibility and accountability

4.26 The work of LEPs and CAs is largely invisible, making real accountability to the public impossible.

"The public don't really notice [the LEP] is there, I just think you need something with visibility" (Local politician)

"In fact, I would go as far as to say… there's a democratic deficit to it… I don't think that people really are that enthused by it [the work of the LEP]" (Commentator)

"There is a need to ensure that the work of LEPs and the benefits of local economic development are more visible to local people. (Workshop)

"[We need] transparency on what money is spent on and what it has delivered" (Chamber of Commerce)

"Much higher quality and early engagement with residents [at LEP and LA level is needed] to ensure that councils are working on the things that matter most to local people." (Workshop)

"More emphasis should be put on accountability locally with the people it affects" (Local politician)

"Some combined authority bodies have been criticised for not involving more of civil society. I think it would be relatively

straightforward to do that." (Local politician)

Problem 7: Capability

4.27 As already noted, many competent people work in the field, but we were told quality is uneven.

"The quality of [local] political leadership is dire" (Workshop)

"So, I'm going to be really candid with you, there are plenty of local authorities and plenty of LEPs I wouldn't give them 50p, yes, they're not competent, they're not competent." (LA Staff)

"[LEP1] is fairly highly regarded, [LEP2] isn't. The local authority's abilities in economic development do vary considerably" (Commentator)

"What's a LEP, sorry?" (LA Cabinet member)

4.28 In addition, there is no generally understood theory of change, informing the kind of interventions that are needed to make a difference – while some policymakers may have a sophisticated understanding of how to drive change, not all do. As already noted, there is little point changing structures if this does not lead to a coherent programme of intervention.

"The Local Industrial Strategies are supposed to be driven by productivity. They didn't, and I still think don't, understand what that really means… if I was to say, "What are you going to do specifically that is going to make innovation better in the area?" That is something that they wouldn't be able to cope with." (Commentator)

"Grasping what [increasing local productivity in line with national strategy] meant in practice was more challenging."[32]

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31 Tilley T. and Johnson C., Planning for Economic and Social Recovery from the Coronavirus Pandemic, Wales Centre for Public Policy, 2020

32 ISC 2019 op cit

"At a local level people don't actually really understand the structure of the economy" (Commentator)

4.29 Uneven competence and resource may reinforce economic inequalities – as both our interviews and the ISC report suggest:

"The report also notes large differences in the number of employees in LEPs and the consequences of this in terms of LEPs securing funding for local programmes and interventions…. Regional disparities are not only visible in gross value added (GVA) figures, but also in LEP capacity. Larger LEPs have more capacity to secure new funding, whereas small, rural LEPs struggle the most."[33]

"Our lack of resources means we are at a disadvantage against better resourced LEPs, creating a downward spiral." (LEP staff)

A grouping of these problems

4.30 The first five of these problems stem from division of, or lack of, decision rights. The problems arise because there are no single institutions with the right to develop and implement strategy. Just about everyone involved in the system on the ground believes this. This means that, in the absence of change, there is zero chance of reversing the long term trend towards regional inequality that levelling up requires.

4.31 The sixth and seventh problems also need to be tackled, but are distinct problems, each with their own solution.

33 ISC 2019 op cit

5
Reforming the system

Three options for addressing problems 1 to 5—connected to decision rights

5.1 In principle, there are three ways of doing this:

- Fine grained improvements to the rules and structures. Decision rights still largely split, but with some streamlining.

This is a labour of Sisyphus – you will never roll the stone to the top of the hill because you are not addressing the underlying problem.

"We have been involved in this kind of thing at least since probably the late 70s/early 80s… we have gone through the various cycles, we probably do it better… but we are still scraping at the edge of the problem rather than tackling it head on." (Commentator)

Instead, you may well reinforce cynicism.

"I think there is a bit of a deceit about this devolution… I think it is organisations which are… essentially doing what the government would like but doing it in a more sensitive way to the locality. There's no way that they want to stop implementing what they want to do… Let's slim it down, mash it all together and we'll call it devolution." (LEP staff)

"National government likes devolution if it allows more effective delivery of national objectives." (CA staff)

- Greater centralisation

This is the RDA/Government Offices for the Regions approach. It might work better than the current system, but it throws away benefits of Local Economic Partnerships – which, as we have argued, are potentially an excellent vehicle for the kind of

partnership working needed. It also re-creates problems of accountability and bureaucracy.

- Build stronger local institutions and therefore remove the need for the baroque architecture.

This is our recommendation, in line with overseas examples of success, and in order to facilitate coordination and partnership working as described above. This would mean one authority has the rights needed for strategy development and implementation (see Table 1 below).

The role of LEPs given this approach

5.2 Even the best LEPs cannot be 'strong local institutions'. They would lose their point if too much weight were put on them. They should continue as advisors and convenors with the right to be consulted, coterminous with the decision-making institutions and with their own identity/network. LEP staff and members and others we discussed this with agreed:

"If the Shared Prosperity Fund were managed by LEPs there would be a democratic deficit." (LEP Staff)

"The point on democratic accountabilities is valid which is why a combined authority with a directly elected mayor is a far better structure and you can see LEPs as a stepping stone towards that." (LEP member)

"They have a sort of business nose… they're much more agile than local authorities… but that is down partly to their size and they're not trying to wield and awful lot of organisation and service delivery." (Chamber of Commerce)

5.3 The opportunity should be taken to look at the appointment's procedure – to ensure all LEPs are as good as the best, and that they all act in the public interest.

Combined authorities and local authorities

5.4 Where they exist, Mayoral Combined Authorities (MCAs) can become these stronger institutions – and we understand this is broadly the direction of travel intended by the Government.

Elsewhere, Unitary/Counties can either stand alone or combine into new MCAs where they are smaller than the functional economic area or a minimum efficient size.

5.5 The Government should avoid abolishing or merging Unitaries or Counties (as opposed to creating MCAs above them), unless there is a very strong case.

POLICY AREA	UNITARY/COUNTY	MCA	LEP	CENTRAL GOVT.
Adult education, FE colleges, business skills, careers advice	Consultation Rights	Decision rights	Advice, stakeholder engagement	Sets standards / principles, advice
Schools	Decision rights	Consultation rights		Sets standards, advice
Inward investment	Consultation rights	Decision rights (with supra-regional bodies)	Advice, stakeholder engagement	Co-ordination, sets principles, advice
Business support, innovation		Decision rights	Advice, stakeholder engagement	Sets principles, advice
Spatial planning and housing	Decision rights	Consultation rights		Sets standards/principles, advice
Transport, infrastructure	Consultation rights	Decision rights (with supra-regional bodies)	Advice, stakeholder engagement	Co-ordination, sets principles, advice

Table 1 | Roles and Rights of Unitaries, Counties, MCAs, LEPs and central Government

5.6 On the other hand, the Government should not make formation of MCAs dependent on political roulette, on all parties agreeing, and on the party political calculations that inevitably influence such decisions. Instead, we need clear direction from the Government that minimises political game-playing.

5.7 The roles and rights of the different bodies should be as set out in Table 1. Where there is no MCA, the Unitary or County authority would adopt its role and rights.

The role of Whitehall

5.8 Strong local institutions require a strong centre. This is partly because the UK and England will continue to have national objectives and programmes, which in some cases can be delivered locally if Whitehall provides appropriate leadership (for example climate change mitigation, national levels of innovation), and which in other cases will need to be delivered centrally (for example overseas trade relationships or NHS investment in UK based innovation). It is also because local and regional policy will need co-ordinating (to reduce unproductive competition) and guiding (for example

through standards for skills and innovation programmes, public consultation and policy evaluation).

5.9 These functions add up to a leadership role – as opposed to management. Table 2 provides a generic set of definitions, contrasting leadership with management. The relationship between Whitehall and strong local institutions.

5.10 At the moment, Whitehall exercises control over local spending and policy through a programme of funding competitions, plus central funding of some activities, and regulation of others. This – we have argued – has produced the mess we are in. It is incompatible with strong local institutions, with the power to develop and implement strategy.

5.11 An alternative – more in line with a leadership role – would be a process of strategic conversation through which agreed objectives are set. At the moment, this does not happen (at the right level).

"[They] don't create the conditions for collaboration which would engender success." (CA staff)

"[There is a need to] establish shared local and national objectives for the strategies." (ISC report)

Leadership Produces change and movement	Management Produces order and consistency
1. Establishes direction 　• Creates a vision 　• Clarifies the big picture 　• Sets strategies **2.** Aligns people 　• Communicates goals 　• Seeks commitment 　• Builds teams, coalitions and alliances **3.** Motivates and inspires 　• Energizes 　• Empowers subordinates & colleagues 　• Satisfies unmet needs	**1.** Planning and budgeting 　• Establishes agendas 　• Sets timetable 　• Allocates resources **2.** Organizing and staffing 　• Provide structure 　• Make job placements 　• Establish rules and procedures **3.** Controlling and problem solving 　• Develop incentives 　• Generate creative solutions 　• Take corrective action

Table 2 | Leadership and Management Roles

"They don't talk to local authorities about looking to the future and so on." (Local politician)

"When devolution deals came around, there was no sense of here's a place with a really special capacity to do certain things, how do we enhance it for the good of all?" (Commentator)

"We'd be very interested in working very closely with DWP around youth unemployment… but at the minute we have a complete mismatch of those conversations… with DWP doing its own thing." (LA staff, LEP board)

"Q: You are saying BEIS are not managing that competition [between regions]?" "Yes, right, that is exactly it." (LEP staff)

"The existing system has no real feedback mechanisms. Local government cannot tell central government that things are not working." (Workshop)

"We were in those conversations in the Treasury, talking to, no disrespect, very junior civil servants trying to shape a political economic future for the largest economy in the UK outside of London." (LA staff)

"The result is a 'strained relationship." (Workshop).

5.12 One striking way in which there is a failure to coordinate is around carbon. Many local authorities have set long-term carbon targets, but these are not coordinated with the national carbon budgets, and LEP industrial strategies are not obliged to contribute to these.

5.13 In Germany, there is collaboration between locality and centre. Regional policy in Germany is mainly the responsibility of the regions. This includes designing and implementing regional economic strategies, including selecting projects, setting aid rates and establishing

priorities. The federal government is precluded from the direct delivery of most programmes. The main role of the federal government is to coordinate activity between different regions. This is achieved through the Joint Taskforce for the Regional Improvement of Economic Structures—a consensus-based coordination framework. Activities are jointly financed by federal and Länder authorities.[34]

Creating this relationship

5.14 The interlocutors would be MCA mayors and the Leaders of Unitary/County councils that remain independent on the one hand, with a single senior interlocutor, representing all Whitehall to each authority on the other. The ideal would be a pooled national budget and set of objectives – we have not researched how best to organise this.

5.15 The interlocutors then conduct strategic conversations to set objectives. The authority develops its objectives for productivity, innovation, skills, inclusiveness and carbon (and other environmental objectives) based on its assets and its citizens' preferences – but with an awareness of government objectives, e.g. national carbon budgets – and on the basis of these, they bid for a single pot grant.

5.16 The centre acts as an advisor in the first instance, including on what different agencies can contribute. If the sum of objectives from different places falls short of national objectives, the centre goes back to those areas best placed to up their game (*"climate targets are easier in Bucks than in Burnley"*—LIPSIT Stakeholder Workshop). If the sum of bids is greater than the amount available (as is likely) it

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34 OECD, Regional Development in Germany, 2019

goes back to those areas best placed to reduce their budgets.

5.17 The end of this negotiation is an agreed set of outcome targets—a comprehensive set for every part of the country that does not currently have these standards.

5.18 In addition, there would be processes to advise on policies, provide guidance on standards and review progress/change course if need be. For example, these would probably need to cover skills policy. As one local politician put it:

"[If the local authority had control of FE] there would still need to be some very clear [national] guidance and so on. I'm being very honest with you here, it's not going to be a panacea. Education is a very powerful part of any local authority and develops a very powerful set of interests." (Local Politician)

Addressing problem 6—weak accountability

5.19 Problem 6 was weak accountability. Steps are needed to engage the public to complement improvements to the national-local government relationship. The entire process is much more likely to work if there is public pressure on local and national politicians to ensure that it succeeds.

5.20 One aspect of this is an overall brand for levelling up and devolution that creates expectations and support. Think of those policies and institutions that won love from the public and became unassailable: Lloyd George's Old Age Pension, Aneurin Bevan's National Health Service. A reversal of 40+ years of relative regional decline is just as big a deal and deserves just as big a brand. It is important to remember though that an effective brand communicates a reality, and has genuine brand values. It is more

than a name or slogan, and it lasts for decades.

5.21 MCAs, Unitaries and Counties can then improve the way they engage with citizens. As one of our interviewees put it:

"The CA has their ideas… that sometimes conflicts with the needs of the community." (LEP member)

This builds on existing good practice.

"We just went out for major consultation on a vision going forward to 2030 which actually thousands of people contributed to and quite rightly looked at some of the things that would be required, not just in terms of good jobs but things like the green economy." (Local politician)

5.22 The importance of accountability is a reason for retaining identity-led boundaries where possible (even where there may be economic reasons for changing them). Several of our interviewees pointed this out:

"The places people identify with should be an important element in industrial strategies, but is not always factored in." (Workshop)

"A slightly higher premium should be placed on regions that make sense to people in terms of identity, people saying this is where I live, than you might say was economically entirely rational." (Commentator)

Formal accountability

5.23 Formal accountability to Parliament and local citizens can be based on the objective setting process already described. The objectives need to be translated into a limited number of KPIs.

"Need for appropriate metrics to assess progress against the priorities but not too many requirements—or it will collapse." (Workshop)

These metrics can then be publicised – and bring life to formal scrutiny processes which currently fail to garner much attention.

"The combined authority in the North East has developed some of those [scrutiny] structures, it's just that no real notice is taken of them and there's very low engagement." (Local politician)

5.24 Interviewees generally recognised the need for robust accountability.

"I think it's absolutely right that government provides money based on outcomes. The Treasury says, in order to give you X amount of money, we expect this amount of houses built, this amount of people in work, etc…. a single, flexible pot for a defined set of outcomes." (CA staff)

"I think we have to be specific in what we're asking for, we have to demonstrate the outputs and the outcomes… we could definitely be held to account in more robust ways." (Local politician)

Addressing problem 7—capability

5.25 Problem 7 – capability—is entirely solvable if a programme is instituted to develop existing talent and recruit new talent. The following steps are needed:

- Signal devolution is for real.

"You're not going to build up the capacity and the expertise until there's a point in having the capacity and the expertise." (Commentator)

"Substantial people aren't going to do jobs which haven't got some substance about them." (LEP member)

"It's a chicken and an egg problem, in as much as without giving big flexible budgets, you're not going to attract leaders." (CA staff)

- Ensure each local institution is large enough to have or recruit core leadership

As already noted, the MCAs have already managed to attract talent, and groups of Unitiaries/Counties may have sufficient talent to form a core leadership group. There may be a problem, however, if every Unitary and County council has to develop its own leadership team – this is one factor in deciding whether to create a higher tier MCA.

"I think if you try and look at those as five or six local authorities they are all a bit thin." (Commentator)

- Then provide the resources to build out from there —including by ring-fencing the single pot grant.

"There's probably enough senior expertise in the system if they've got the resource to build… [but] as long as local authorities are going to be dragged to the brink every two months by social care bills and COVID bills then that's going to be very difficult." (Commentator)

- Set high standards and expectations.

"So, their expectations of us are crap and they treat us badly, so they don't create the right conditions for competency." (CA staff)

"If you hold them to really high standards, even if they undershoot your really high standards, they'll be better." (CA staff)

- Consider two-way secondments between central and local government.

"It would improve both sides if there was more interchange between the two, undoubtedly." (Commentator)

"More central government officials could work for local government." (Workshop)

5.26 Another aspect of the capability problem is provision of data and analysis. Local policymakers want more granular, localised and action-oriented support than they currently receive.

"We've got endless data sets… [but] I would really welcome an evidence base which is

granular, current and user friendly enough to challenge received wisdom… and actionable." (CA staff)

"A lot of the statistics are not local statistics because they find it hard to get hold of that data, so they are using ONS aggregate information rather than being able to drill down into exactly what strengths and weaknesses do we have in our area." (Commentator)

"The piece that is missing is 'what does it mean?'" (Chamber of Commerce)

This includes information about best practice…

"There should be something more done around best practice… some sort of policy champions that are employed, that can go round spreading best practice." (Commentator)

…but this in turn requires higher standards of evaluation.

"We produce a lot of outcome-based information but not a huge amount of output data about particular programmes or investments." (CA staff)

"We don't have our own system to understand what the added value of what we do is." (LEP staff)

The ISC identified a similar set of needs.

However, gaps in local data at the LEP level was highlighted as a challenge. There is also a need for a publicly available research depository… Access to up to date LEP-level and LA-level data needs to be improved.[35]

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35 ISC 2019 op cit

6
An eight step plan for the Government

6.1 This summarises our recommendations

1. **State the intention to create strong local institutions over a 2 to 3 year period.**

2. **Set out a framework for decision rights and roles** (See Table 1 on page 23).

3. **Identify which authorities should form the basis for these institutions.** These will be Mayoral Combined Authorities (MCAs) where they exist. Elsewhere, they will be Unitary/Counties unless they are smaller than the functional economic area or a minimum efficient size, in which case new MCAs can be set up (avoid abolishing or merging Unitaries or Counties unless there is a very strong case).

4. **Wind down funding competitions, initiate a process of setting shared objectives with these authorities and organise single pot funding.** The process should involve a single senior interlocutor representing all Whitehall to each authority, with a pooled national budget and set of objectives. The authority develops its objectives for productivity, innovation, skills, inclusiveness and carbon (and other environmental objectives) and bids for a single pot grant. If the sum of objectives from different places falls short of national objectives, or the sum of bids is greater than the amount available, the centre goes back to those areas best placed to revise their objectives or reduce their budgets.

5. **As part of this process, clarify the on-going leadership role of the centre.** The UK and England will continue to have national objectives and programmes, which in some cases can be delivered locally (for example climate change mitigation, national levels of innovation), and which in other cases will need to be delivered centrally (for example overseas trade relationships or NHS investment in UK based innovation). In addition, local and regional policy will need co-ordinating and guiding (for example through standards for skills and innovation programmes or public consultation).

6. **Work with these institutions to invest in capability development and in shared resources.**

7. **Work with these institutions to put accountability systems (including to the public) and metrics in place.**

8. **Work with these institutions to communicate to the public and brand the change.** We need an overall brand for levelling up and devolution that creates expectations and support amongst the public, comparable to Lloyd George's 'Old Age Pension' and Aneurin Bevan's 'National Health Service'. A reversal of 40+ years of relative regional decline is just as big a deal and deserves just as big a brand—based on reality and with genuine brand values.

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