

LEVELLING UP



SIGOMA Submission to the Government Policy on Levelling Up

August 2021

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1 Introduction

The Prime Ministers' speech on the steps of 10 Downing Street on 24 July 2019 gave hope to many of our council leaders that the plight in which many of them and their residents find themselves is recognised and would be remedied. It promised to "answer the plea of the forgotten people and left behind towns". A phrase that featured prominently in that speech was "levelling up". Since then, that phrase has become a cornerstone policy of government and was used no fewer than 20 times in the 2021 Queens Speech, which promises a Levelling Up white paper later in this year.

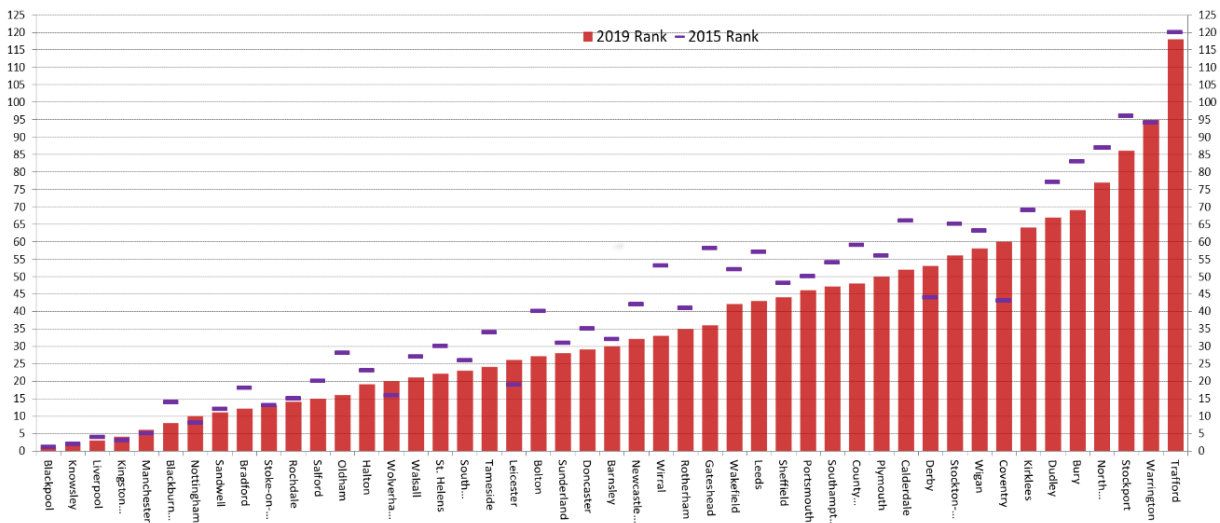
Many local government commentators have given their views on what levelling up means and the likelihood of achieving it with current known policies. This includes Councillor Graham Chapman of Nottingham City Council, a SIGOMA member, who has produced his own evaluation of the policies that support, and those that run counter to, the aims of levelling up and the changes needed to achieve levelling up. Councillor Chapman's review is available in full on the SIGOMA websiteⁱ.

2 About SIGOMA

SIGOMA represents 47 authorities across the northern, midland and southern coastal regions of England. The combined population of SIGOMA members amounts to nearly a quarter of the population of England and collectively we account for around 25% of English local government expenditureⁱⁱ.

If the government needs to know where to focus levelling up policy, they could do no better than to look at MHCLGs own measure of deprivationⁱⁱⁱ. It shows our councils are rooted in the bottom half of the deprivation ranking of all councils and have become relatively **more** deprived at the latest calculation.

SIGOMA Councils Deprivation Ranking 2019 and 2015 (where 1 is most deprived)



This is illustrated and underpinned by gaps between our members and the rest of the country in key quality of life indices, shown in the most recent measurements of health, social care, education and employment.

Life expectancy at birth

	Males	Females
	Yrs	Yrs
England	79.6	83.2
SIGOMA	77.8	81.6

Childcare interventions

Per 100k u18_YO 2015[i]	Per 100k u18_YO 2020
138.5	167.2
206.9	247.7

GCSE grades^{iv} and further education^v

Maths & English Grade 5 and above %	Continuing to further education %
43.4	86.7
38.7	84.1

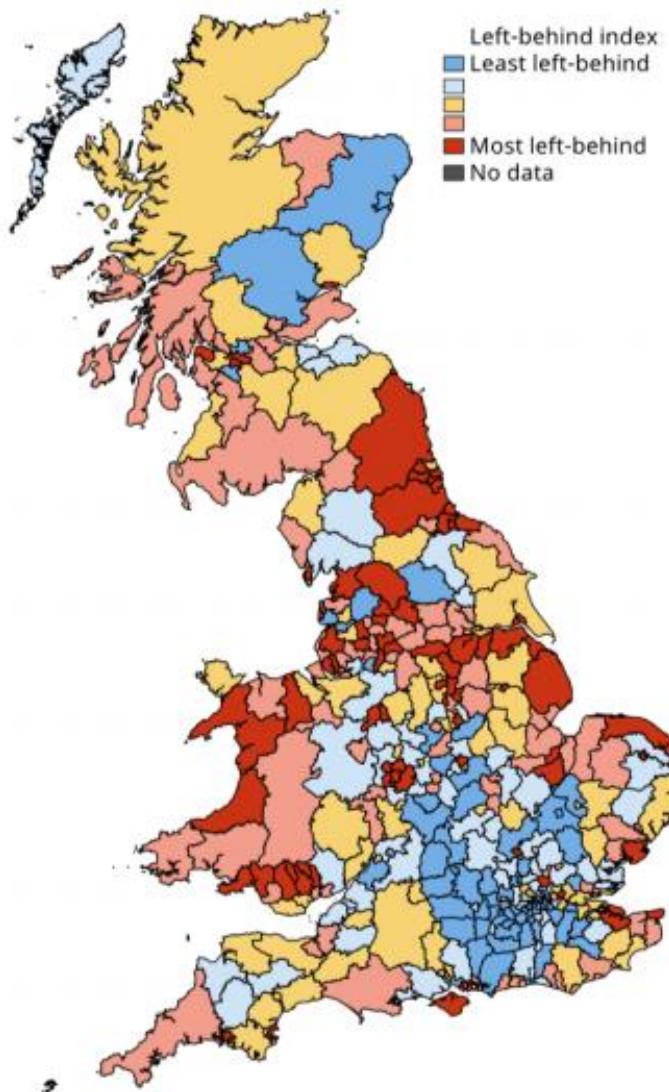
Unemployment rates^{vi}

Apr '19 to Mar '20 %	Jan to Dec 2020 %
3.9%	4.6%
4.8%	5.2%

Government should also consider the heat map produced by the IFS of “left behind” areas reflecting their left-behind-index. The IFS categorise the left behind areas as:

- Large towns and cities outside London and the South East
- Former industrial regions
- Coastal towns and regions

Quintiles of illustrative left behind index^{vii}



Any ‘Levelling up’ needs to improve such outcomes for SIGOMA areas.

3 What is needed from Levelling up Policy?

The chart below gives an overview of the areas that feed into a levelling up agenda



3 An integrated Policy, Prioritising Resource and Incorporating the Green Agenda

Various commentators have attempted to pull together the strands of policy that would constitute prioritisation of Levelling up. In their second paper on regional inequalities^{viii}, the UK2070 commission emphasise the need for a national spatial plan that sets out explicit, long term, funded priorities for all regions, that can be communicated and worked on to meet future development needs.

UK 2070 also refers to “spatial justice” reflecting the differential impacts of climate change and how the economy as a whole can transition to a net zero carbon footprint. Councillor Chapman also outlines the importance of green growth to the economy.

The importance of new green industries, the need for reducing high CO² commuter activity and the need for technology that enables this, suggests that the green agenda must feed into this national spatial policy to change the way we work and consume so as to, not only rebalance, but re-align our economic activity with the green agenda.

Covid has presented huge challenges but it may also present an opportunity, to press a restart button on the way we live and do business in ways that meets the green agenda **and** rebalances our economy

4 Prioritising of Investment Resource and Digital Infrastructure

In his paper, Cllr Chapman states that government must prioritise; that “*you cannot level up everywhere in the country*”. Seeking to raise living standards in one area whilst supporting growth in others will, at best, sustain divisions and possibly make them worse. This may mean abandoning traditional assessments of investment returns. We are pleased to see there has been some move towards this in Green Book reform and hope to see some positive outcomes.

Post covid and post Brexit there has never been a better time to re-evaluate projects for a more balanced investment appraisal. A move away from a bidding process would be welcome especially where this dissipates potentially significant amounts into smaller pots where they will be less effective at a regional and local level.

It is already clear that information technology has helped to carry us through the covid crisis in the sense of allowing many services that would otherwise have failed to continue. In doing so, it has also called into question the physical connectivity priorities being pursued by Government.

The UK2070 commission highlights the over focus on faster and faster rail journeys to London when a true levelling up agenda should focus on interconnectivity of all cities and of towns to cities and each other, a truly national infrastructure. When coupled with the IT revolution that has overcome the physical barriers presented by covid there is a clear case for rethinking physical and IT infrastructure post covid and post Brexit.

Long term strategic investment is vital to ‘level up’ current disparities in outcomes

5 Restoring and Reallocating Mainstream Funding for Enhanced Public Services

Funding Initiatives such as Levelling up and Towns Funds will have little impact if, at the same time, councils are facing huge gaps in their mainstream funding. Cuts over the last decade have impacted most heavily on the most deprived areas whilst the main funding sources that are increasing are Business Rates, and Council Tax, both of which benefit more prosperous areas. At the same time funds such as Towns fund are not focussed exclusively on the most deprived authorities

£14.6bn Real Term Cut to Local Authorities 2010-11 to 2021-22^{ix} by Deprivation Decile

Deprivation Decile	Real Term cut %
Most deprived	-32.2%
2	-30.1%
3	-28.9%
4	-26.5%
5	-23.2%
6	-22.6%
7	-15.0%
8	-16.8%
9	-12.8%
Least deprived	-10.3%

Towns Fund 2020-21 - Allocations by Deprivation Decile'

Deprivation decile	£ million	%
Most deprived decile	317.30	26.5%
2	295.10	24.6%
3	112.30	9.4%
4	154.10	12.9%
5	125.20	10.4%
6	136.60	11.4%
7	13.90	1.2%
8	44.20	3.7%
9	-	0.0%
Least deprived decile	-	0.0%
Totals	1,198.70	100.0%

Another less visible aspect of disparities in local authority funding is the impact of retained business rates growth since 2015. In the last two years alone, this has allocated funding in the order of £2 to £3 billion according to local rates growth rather than on a needs basis, without being recorded in Core Spending Power. Poorer authorities and their residents are significant losers from this distribution method which needs redressing in the next Spending Review.

The message is clear. Whilst regeneration funds are welcome, they will avail our areas little unless they are matched by funding to sustain services at a local level.

To ensure the desired impact of funding Initiatives we call for

- ***Improved funding for services using central share of business rates***
- ***A fairer distribution of funding that places needs at the centre of distribution policy.***
- ***More freedom for local elected decision makers in how funds are targetted.***

6 Education and Skills

This has been identified by many commentators as possibly the key single issue that has the greatest effect on social and economic divisions. Additional funding has been directed towards Further Education^x however there is no mainstream education strategy linked to the levelling up agenda, to address the sort of disparities we have highlighted above. Cllr Chapman quotes the Education Policy Institute which states

The school funding system in England remains progressive and pupils from low income backgrounds continue to attract additional funding [reflecting] the fact that pupils from disadvantaged backgrounds end compulsory education 18 months behind their peers But the link between funding and pupil need is being weakened by a system of levelling up which directs a proportion of additional funding towards schools with historically lower levels of funding – these schools will typically (though by no means exclusively) be serving schools in more affluent areas.

In its recent report on disadvantaged white working-class pupils^{xi} the Education committee identified underlying issues as:

- Persistent and multigenerational disadvantage
- Placed-based factors, including regional economics and underinvestment
- Family experience of education
- A lack of social capital (for example the absence of community organisations and youth groups)
- Disengagement from the curriculum
- A failure to address low participation in higher education

At least two of the factors listed above are a consequence of under investment in local education and economies as well as funding reductions to councils that have necessitated withdrawal of early intervention services such as sure start and early learning centres.

‘Levelling up’ should provide the opportunity to improve skill levels in SIGOMA areas, which could also contribute to higher wages and therefore reduced poverty and benefits reliance.

7 Targeted Investment for Local Growth

At the heart of this is rebalancing the economy, three words that are simple to write but which represent a huge challenge to any government. The potential rewards though are immense. An economy that is firing on all cylinders rather than relying on one economically overheated part of the country. Reversing the need for ever longer and faster rail connections into an overcrowded capital. Climate change benefits resulting from lower carbon emissions. World class technology hubs throughout the nation. Sustaining local pride and the desire of young men and women to live and work in the communities that have raised them and an increasing sense of wellbeing for all.

The steps are not easy, but they are clear. It requires

- Political leadership that recognises the need for rebalancing. We hope that we already see this in this administration.
- A spatial plan for the country that identifies areas of need for employment and infrastructure investment, in lockstep with a green jobs agenda for the country.
- An education and skills programme that aligns with this strategy, recognising the left behind.
- The determination and commitment to follow this through with sustained, targeted investment that is willing to rethink the established investment criteria

Three aspects of this now needing immediate consideration are:

- The newly announced freeports initiative
- The Shared Prosperity and
- Maintaining support for individuals

Nurturing and Curating Freeport and Government Relocation Initiatives

England’s 8 Freeports were announced in the 2021 Budget and are located in:

- East Midlands Airport.
- Felixstowe and Harwich.
- Humber region.
- Liverpool City Region.
- Plymouth.
- Solent.
- Thames.
- Teesside.

Freeports are an exciting innovation, should generate increased economic activity in their immediate area and may add to the wealth of the wider areas in their regions but this will not happen overnight and may potentially have detrimental effects unless oversight is maintained. As professor Catherine Barnard states:

“If the Government thinks freeports are a magic bullet that will create hundreds of thousands of new jobs, bring billions of additional pounds to the Exchequer and radically transform an area, it is mistaken.

That is not to say they should not be created but the thought that they’re going to transform the wealth and prosperity of this country is simply untrue. It will help the regions that get a freeport – but possibly to the detriment of those that don’t”^{xii}

Therefore, less prosperous towns and cities in the margins of or outside a freeport area could be further left behind, becoming worse off. This policy cannot stand alone as a levelling up initiative.

Concern has also been raised that they may become the focus of illegal activities unless proper controls and monitoring are in place.

Similarly, initiatives to move some government offices into the regions is welcome and may lead to enhanced administrative job capacity and skill retention in those areas, providing they do not become remote satellite offices with the substantive control and work remaining in Whitehall.

UK Shared Prosperity Fund (SPF)

The SPF will be an invaluable element of the levelling up agenda and must be driven by the findings of the spatial plan.

The SPF must at least match the ERDF and ESF elements of European funding. Government have committed to funding of £1.5 billion per annum which would fulfil that need. It also needs to have the same focus on disparity in regional development at its heart.

The harbinger of the SPF, the 2020 UK Community Renewal fund of £220 million has received some adverse comments, not only because it is based on competitive bids but because the prioritisation of councils by MHCLG has generated results that run counter to indications from both the IMD and the IFS rankings.

We support the LGA in their view that SPF interventions should be based on local determination and delivery and that accountability should be at a local level, with greater devolution of decision-making at the local government level^{xiii}

Exiting the EU also brings separation from EU state aid rules though of course the UK will still have subsidy obligations under WTO commitments. The SPF will need to be co-ordinated with a new subsidy regime but, as was stated in the House of Lords it would be “the largest regeneration fund for the next decade”^{xiv}

Maintaining Support for Individuals

All commentators express their concern at the withdrawal of the £20 increase in universal credit^{xv}. As councillor Chapman states:

“Should the Government not commit to making the increase in the standard allowance permanent, which looks to be the case, then the loss in spending power, not to mention the social impact, in the short to medium term, let alone the long term, will far outweigh any regeneration benefits currently proposed.”

The permanent extension of the universal credit uplift is also supported by The Centre for Regional and Economic and Social Research of Sheffield Hallam University^{xvi}.

8 Plans to Improve Housing and Health

Housing

The imbalance in the nation’s economy manifests itself most starkly and most distressingly in the availability of decent social housing. Government face an unenviable task of satisfying housing demand in affluent areas and the need for regeneration in the less affluent, which many of its current policies^{xvii} will further fuel.

In wealthy areas, housing is unaffordable because of spiralling land prices and in poorer areas because the local economy does not support wages that can sustain home ownership or rental, whilst the flagship incentive for new house build, New Homes Bonus is geared at least partly towards rewarding high value housing growth.

At the same time Homes England are mandated by Government to allocate 80% of their funding for land and infrastructure spending to areas which have higher property and land values.

This has no easy or immediate solution but the steps to be taken can be incorporated into levelling up policy. This can begin with a commitment to reduce the 80:20 split of HE investment.

This should be accompanied by directing funds currently committed to New Homes Bonus to areas of low land value, particularly those with high remediation costs.

Ultimately of course, rebalanced regional economies which can compete alongside London, backed up by regional infrastructure investment on the same levels as London will help alleviate land value pressure in the South and lift regional wages making houses affordable outside the capital.

Health

We have already highlighted the health inequalities that existed pre covid in our opening analysis. Of course, it has become a matter of common knowledge that Covid has exposed and increased this inequality.

‘Jaw-dropping’ fall in life expectancy in poor areas of England, report finds^{xviii}.

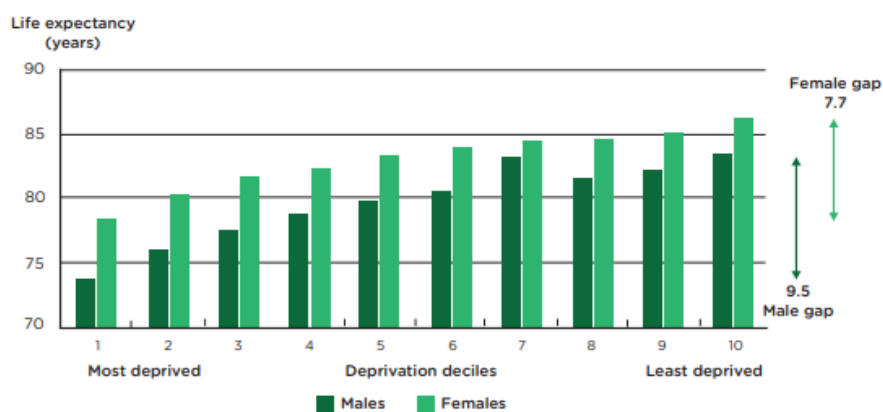
The above headline stems from recent research by Andrew Marmot, which was focussed on the Greater Manchester region, but in February 2020 he led an update on his 2010 report on health inequalities.^{xix}

The headline of the 2020 report highlighted a slowdown in the trend of increasing life expectancy and that:

- For both men and women, the largest decreases were seen in in the most deprived 10 percent of neighbourhoods in the North East and the largest increases in the least deprived 10 percent of neighbourhoods in London, and that
- In every region, men and women in the least deprived 10 percent of neighbourhoods have seen increases in life expectancy and differences between regions for these neighbourhoods are much smaller than for more deprived neighbourhoods

This is illustrated in the following chart, showing the life expectancy at birth across deprivation deciles

Figure 2.3. Life expectancy at birth by area deprivation deciles and sex, England, 2016-18



Source: ONS, 2020 (23)

Reproduced from: THE MARMOT REVIEW 10 YEARS ON

Despite the large amount of funding directed towards containing covid, underlying funding for public health has remained low and in the current year has increased mainly for issues related to sexual health, with a general increase of just 0.67%.

In their 2019 position statement on Health Inequalities, the Association of Directors of Public Health^{xx} comment that “Action is needed to improve social determinants of health that are modifiable such as the provision of good quality housing, access to healthy food, safe environments and good working conditions.

Adequate funding for Public Health is essential as is a policy to address the underlying social determinants to improve health inequalities.

End Notes

ⁱ <https://www.sigoma.gov.uk/levelling-up>

ⁱⁱ Based on 2021-22 Revenue estimate, excluding education, Police, Fire and GLA transport

ⁱⁱⁱ Index of Multiple Deprivation scores & ranks each council on deprivation measures, mainly income & employment.

^{iv} 2019_KS4_revised_local_authority_data

^v English Key stage 4 pupil destination

^{vi} From ONS M01: Modelled unemployment for local and unitary authorities

^{vii} From Levelling up where and how by Davenport and Zaranko for the IFS Budget 2020

^{viii} FAIRER AND STRONGER REBALANCING THE UK ECONOMY UK 2070 commission September 2019

^{ix} From MHCLG Core Spending Power data for those years, adjusted by GDP deflators or proxies

^x For example, offering free college courses to those without an A level and apprenticeship opportunities

^{xi} <https://committees.parliament.uk/committee/203/education-committee/news/156024/forgotten-white-workingclass-pupils-let-down-by-decades-of-neglect-mps-say/>

^{xii} Professor Catherine Barnard in UK in a changing Europe 2/3/2021 as quoted in HoC briefing 8823

^{xiii} Beyond Brexit: Future of funding currently sourced from the EU 2017

^{xiv} As quoted in HoC research briefing paper 08527 The UK Shared Prosperity Fund January 2021

^{xv} The uplift is scheduled to expire on 5 October 2021.

^{xvi} How to deliver the levelling up that's really needed, Fothergill and Gore, June 2021.

^{xvii} For example, HS2, the Oxford Milton Keynes Cambridge Arc, development of the Thames estuary

^{xviii} <https://www.theguardian.com/uk-news/2021/jun/30/life-expectancy-key-to-success-of-levelling-up-in-uks-poorer-areas-covid-pandemic> on the marmot review commissioned by the Greater Manchester Health and Social Care Partnership

^{xix} <https://www.health.org.uk/publications/reports/the-marmot-review-10-years-on>

^{xx} <https://www.adph.org.uk/wp-content/uploads/2019/05/ADPH-Position-Statement-Health-Inequalities-Revised-statement-2019.pdf>