LEVELLING UP

Sizing the prize, seizing the prize

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APRIL 2022

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On 2 February, the UK government published its long-awaited white paper on 'levelling up'. At 325 pages, 80 charts and 443 footnotes - to say nothing of the 50-page technical annex - you'd be forgiven for not having digested every last word.[1] My focus is on two or three issues in the white paper which are central to its success as a long-term programme of change, designed to reshape fundamentally the UK's economic geography.

First, I want to discuss the definition and success criteria for levelling up. What exactly is the prize being sought by levelling up? Second, I want to size that prize. What are the potential benefits - for individuals, economies, societies - from success in levelling up? And third, I want to examine how these benefits might be seized. What elements in the programme of change should give us confidence this time might be different than the past?

Defining levelling up

First, what is levelling up? The term levelling up was first used by the Prime Minister in a speech to parliament on 25 July 2019. But its etymology appears to long predate that speech. Levelling up can be traced back at least as far as another Johnson - the English writer and lexicographer Samuel Johnson, writing in his diary on 21 July 1763.[2] You might say that the term levelling up was invented by Johnson and Johnson. Writing in the 18th century, Dr Johnson was himself quite sceptical of the 'levelling doctrine', believing it would be resisted by those at the top of the pyramid fearing they may be levelled down. Plus ça change.

The everyday definition of levelling up is simple to understand. It captures, simply and crisply, the desire to raise the fortunes of those towards the bottom to the levels of the very best. Indeed, this is a large part of the attraction of the term, just as it was in the 18th century. Nonetheless, after it was first used by the Prime Minister two and a half years ago, there was a desire among external commentators to add greater precision to its meaning. What exactly was being levelled up? To what level? And how would we know we were making progress?

These are reasonable questions. The white paper was intended to provide some clear and concrete answers to them. Unlike in some other areas of public policy, such as climate and monetary policy, there is no simple or singular definition of levelling up. There is no equivalent of net zero for carbon emissions policy or 2 percent inflation for monetary policy. Rather, the success criteria for levelling up are plural and complex. That is because the underlying determinants of local growth and wellbeing are themselves plural and complex.

Local growth is a classic complex systems problem.[3] Success in growing an economy, just like success in baking a cake, comes from combining the right ingredients, in the right amounts, at the right time and in the right order. For eggs, sugar, flour and milk when making a cake, read skills, infrastructure, finance and culture when making cities and communities. Failure to achieve strong and sustained local growth arises when any one of these raw ingredients is missing or is combined in the wrong amounts or at the wrong time.

1 Levelling Up the United Kingdom (February 2022), Department for Levelling Up, Housing and Communities.
2 James Boswell (1791), The Life of Samuel Johnson. With thanks to Sally Mapstone, principal of the University of St Andrews and a member of the government's new Levelling Up Advisory Council, for providing this history.
3 For example, M Newman (2010), Networks: An Introduction, Oxford University Press.

The complex system nature of local growth explains why diagnosing the ills of a place is never easy. Successful places are easy to diagnose. Like Tolstoy's happy families, they tend to be all alike, having all the right ingredients combined in the right way. By contrast, unsuccessful places, like Tolstoy's unhappy families, are notable for their differences. Failure can arise because any one or more of the key ingredients are missing from the recipe. And, for the most left-behind places of all, often all of the key growth ingredients are in short supply.

In the white paper, the local growth recipe is set out clearly and explicitly. This recipe is defined by six key ingredients, what are called 'the six capitals'. They are human capital (the skills and experience of the workforce), physical capital (such as machines, buildings and materials), intangible capital (such as ideas, innovation and IP), financial capital (such as loans and equity capital in SMEs), institutional capital (such as local leadership and capability and civic institutions) and social capital (such as local trust, relationships and community power).

The six capitals provide a comprehensive, and analytically and empirically congruent, answer to the question: what is needed to make a success of local growth and levelling up? Or put differently, the six capitals provide a robust framework for defining, and for developing success metrics, for levelling up. In the white paper, this framework was used to define some preliminary success metrics for levelling up, though with a plan to develop these further in partnership with the Office for National Statistics (ONS), thinktanks and academics.

Although robust and rigorous, the six capitals framework is not especially user-friendly for those for whom levelling up matters most - local people in local places. That is where the white paper's 'missions' come in. These 12 missions are listed in Table 1. They are intended to provide an everyday explanation of what success in levelling up looks like and why it should matter to everyone: from boosting living standards and longevity to raising the quality of housing and education, from improved access to transport and broadband to the restoration of local pride and wellbeing, from an increased sense of local safety to an increased sense of local agency.

TABLE 1: LEVELLING UP MISSIONS

FOCUS AREA	MISSION
Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging	
Living standards	By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing.
Research and development (R&D)	By 2030, domestic public investment in R&D outside the Greater South East (GSE) will increase by at least 40 percent, and over the Spending Review period by at least one third. This additional government funding will seek to leverage at least twice as much private sector investment over the long term to stimulate innovation and productivity growth.
Transport infrastructure	By 2030, local public transport connectivity across the country will be significantly closer to the standards of London, with improved services, simpler fares and integrated ticketing.
Digital connectivity	By 2030, the UK will have nationwide gigabit-capable broadband and 4G coverage, with 5G coverage for the majority of the population.

FOCUS AREA	MISSION
Spread opportunities and improve public services, especially in those places where they are weakest	
Education	By 2030, the number of primary school children achieving the expected standard in reading, writing and maths will have significantly increased. In England, this will mean 90 percent of children will achieve the expected standard, and the percentage of children meeting the expected standard in the worst performing areas will have increased by over a third.
Skills	By 2030, the number of people successfully completing high-quality skills training will have significantly increased in every area of the UK. In England, this will lead to 200,000 more people successfully completing high quality skills training annually, driven by 80,000 more people completing courses in the lowest skilled areas.
Health	By 2030, the gap in healthy life expectancy (HLE) between local areas where it is highest and lowest will have narrowed, and by 2035 HLE will rise by five years.
Wellbeing	By 2030, wellbeing will have improved in every area of the UK, with the gap between top performing and other areas closing.
Restore a sense of community, local pride and belonging, especially in those places where they have been lost	
Pride in place	By 2030, pride in place, such as people's satisfaction with their town centre and engagement in local culture and community, will have risen in every area of the UK, with the gap between top performing and other areas closing.
Housing	By 2030, renters will have a secure path to ownership with the number of first-time buyers increasing in all areas; and the government's ambition is for the number of non-decent rented homes to have fallen by 50 percent, with the biggest improvements in the lowest performing areas.
Crime	By 2030, homicide, serious violence and neighbourhood crime will have fallen, focused on the worst affected areas.
Empower local leaders and communities, especially in those places lacking local agency	
Local leadership	By 2030, every part of England that wants one will have a devolution deal with powers at or approaching the highest level of devolution and a simplified, long-term funding settlement.

This mission-based approach to public policy has a strong and long historical pedigree. It is often traced to John F Kennedy's moon-landing mission in 1962.[4] Since then, it has been successfully used to tackle a wide range of grand societal challenges, from net zero to the United Nations Sustainable Development Goals. Although the details differ, in each of these cases missions served as a galvanising force and catalyst for transformative action, spanning multiple actors (public, private and voluntary) and lengthy periods of time.

4 For example, M Mazzucato (2021), Mission Economy: A Moonshot Guide to Changing Capitalism. United Kingdom, Penguin Books Limited.

Levelling up has many of the self-same characteristics. It too will require transformative change if geographic inequalities, deeply entrenched since at least Dr Johnson's time, are to be sustainably reversed. It too will require action to be galvanised and coordinated across multiple actors (public, private and voluntary) working in partnership in place. And it too will require this effort to be sustained consistently over a lengthy period of time.

For levelling up, missions are effectively serving double-duty. They provide a clear, everyday *narrative* explanation of what levelling up is and why its success should matter to everyone. They serve as a story-telling device. But they also serve as a *quantitative* medium-term target for policy. They specify the end-state being sought and the critical path needing to be followed to achieve each mission. As such, they serve as an anchor for action and ambition, today and especially tomorrow.

The levelling up missions were calibrated in a way that sought to balance ambition and transformation on the one hand, and deliverability and feasibility on the other. The technical annex to the white paper sets out in detail how this trade-off was calibrated. There is a legitimate and healthy debate to be had about whether this trade-off has been struck in the right place. That healthy debate has already begun, with some of the missions being criticised for being undeliverable, others for being unambitious.

The degree of quantitative clarity around the missions enables this debate about their ex-ante calibration to take place, openly and constructively. This degree of clarity also means it is possible for policymakers to be held to account for meeting the missions (or not) ex-post, transparently and rigorously. This is likely to include scrutiny by the public and parliament, sharpening policymaker incentives to remain on the critical policy path and thereby increasing the credibility of the overall policy regime.

In most cases, the levelling up missions seek explicitly to reverse disparities between the top and bottom performing places across the UK - for example, differences in living standards and lifespans, education and skills, innovation and infrastructure, safety and housing. As these differences have been widening since at least the Second World War, this is no small task. At root, the missions are an attempt to turn this secular tide, to reverse spatially centrifugal forces and replace them with spatially centripetal ones.

While broadly endorsing the mission-led approach, a number of commentators have raised good questions about their specification.[5] The missions themselves are intended to be dynamic, evolving over time in the light of analysis and experience. Nonetheless, let me offer a few words about some of the questions, and perhaps some of the misconceptions, about the mission-led approach raised so far.

One criticism has been that the missions are not backed-up by a clear delivery plan. To be clear, missions are not delivery targets in the government sense. They provide a means of galvanising action across a wide range of actors, governmental and non-governmental. These actions cannot be fully costed and planned in advance as that would stymie the very innovation, experimentation and learning-by-doing necessary for mission success. Had Kennedy asked for a costed delivery plan for a moon landing, the Apollo mission would probably never have made it off the ground (actually or metaphorically).

A second criticism has been that a dozen missions is too many and risks a lack of focus and prioritisation when it comes to policy choices. Truth be told, I would have liked nothing better than if levelling-up could be condensed into a simple, singular mission, like net zero. But doing so would ignore everything we know, empirically and theoretically, about the recipe for local growth. This recipe involves multiple ingredients. A missing ingredient or missing mission, as history tells us, would guarantee failure.

5 For example, see Institute for Fiscal Studies at:
www.google.com/url?q=https://ifs.org.uk/levelling-up&sa=D&source=docs&ust=1645802412573537&usg=AOvVaw12ydpB47ESTkPtzbuHnySE
and Institute for Government at:
www.google.com/url?q=https://www.instituteforgovernment.org.uk/sites/default/files/publications/levelling-up-white-paper-ifg-view.pdf&sa=D&source=docs&ust=1645802412573365&usg=AOvVaw0ue8R2fkaPR20G2-OYJVvU.

Missions are a tool for prioritisation, but prioritisation *within* places. Not all failing places lack all the raw ingredients. In many cases, it may be only one or two of the capitals that need to be replenished. The missions, and the accompanying capitals framework, provide the recipe book for determining where to prioritise action to replenish those capitals that are depleted. So, while policy prioritisation is absolutely key, where that prioritisation is needed is within place, not by placing artificial constraints on the scope of the overarching missions.

A final criticism is that there is insufficient new public money committed to levelling up to make good on these missions. Some context is important here. First, missions are a long-term commitment, spanning multiple spending events by government out to 2030. So, it is unrealistic to expect *existing* spending commitments to be sufficient for mission success. Indeed, one of the real benefits of the mission-led approach is that it sharpens the incentives placed on *future* governments when it comes to spending choices.

More importantly, however, it is a misthink to view success or failure of levelling up through the lens of public monies and government actions alone. Success will depend every bit as much on improvements in the quality of public services. It will also depend crucially on crowding-in *private sector* finance and catalysing action by both the private and civil society sectors, both of which I discuss further below.

Sizing the prize

Let me turn from defining the prize to *sizing* it. And let me start with the most important conceptual point of all when it comes to sizing the prize from levelling up. Levelling up is about growing the pie, economically and socially, not re-slicing it. It is about expanding opportunity for people and places whose potential is not being fully realised. It is, in the technical jargon, about improving the allocative or Pareto efficiency of the economy, improving outcomes for some without doing anything to worsen outcomes for others.

To be clear, a case can be made for levelling up on purely social justice grounds, re-slicing the pie to correct disparities in opportunity and outcome across people and places in the UK. But this case is stronger still when it is associated with a larger overall pie, and higher levels of income and wellbeing, for everyone. Whether you call this Pareto efficiency (some better off, no one worse off) or cakeism (having it, eating it) is a matter of taste.

Many public policies have largely re-distributional effects. For example, many fiscal policy tools are re-distributional, transferring resources either between people at a point in time (such as choices around specific tax and spending measures) or between people over time (such as choices on aggregate tax, spending and associated levels of debt). Indeed, these redistributions are often precisely the way in which fiscal policies have an impact on the aggregate economy and society.

On the face of it, levelling up has a re-distributional feel to it too. Superficially, it can give the impression of being about robbing Peter (in London) to pay Paula (in Liverpool). This narrative can be seen in some of the commentary around levelling up today. And these concerns are hardly new. They are what caused Dr Johnson to be sceptical about levelling up 18th century England. Back then, he sensed the rich would resist attempts to level the playing field through redistribution – and he was right.

But this characterisation of levelling up is a misleading one in the 21st century. Far from being about Robin Hood-like redistribution, levelling up is about growing the economic pie in a way that stands to benefit Peter and Paula, London and Liverpool. Levelling up is about unlocking potential in individuals, and Pareto efficiencies. In the language of economics, it is about correcting not one but two distinct and significant market failures.

The first of these market failures arises in places locked in a low-growth trap, places with low and depleted endowments of the six capitals. These are often called 'falling behind' places, because they are places where both the level and growth rate of incomes, activity and wellbeing are low. These places are not only capital-poor, but are getting relatively poorer over time. They include former industrial towns and cities, often in the North and Midlands; struggling coastal towns scattered around the UK; and areas of rural and urban deprivation.

For these places, the key is to unlock them from the low and slow-growth equilibrium in which they are trapped. That means releasing constraints on their levels of pay and productivity, living standards and lifespans, skills and education, connectivity (physical, digital, social) and wellbeing. Correcting those inequalities of opportunity grows the pie for individuals living in these places, often substantially. And by lifting the tail of poorly performing people and places, the size of the pie at the national level is increased too.

The second market failure arises as a side-effect of having too much activity in some places, rather than too little. It arises in 'steaming ahead' places with high levels and growth rates of income and activity. In those places, the forces of agglomeration mean too many people are often chasing too few resources. That causes pressures on housing and transport, green spaces and the natural environment. It shows up in over-priced and over-congested housing and transport, over-polluted streets and, ultimately, lower levels of life satisfaction.

These are the reasons why, despite being top of the UK income league table, London is firmly rooted to the bottom of the wellbeing league table. Releasing the pressure on places like London and other congested inner cities would correct this second market failure. This would show up in shorter and cheaper commutes, cheaper and higher quality housing, less congestion and pollution and, ultimately, a levelling up of levels of life satisfaction for people in these steaming ahead places.

These two market failures demonstrate that the costs of the UK's spatial inequalities are double edged. The costs of these inequalities are felt both by falling behind *and* steaming ahead places, rich as well as poor, London as well as Liverpool. By implication, then, correcting those inequalities or market failures would deliver two-sided benefits, growing the pie for everyone. But how large are these benefits? And how much larger is this pie?

External estimates have recently been provided of the benefits of levelling up the less well performing parts of the UK. For example, PricewatersCoopers (PwC) and the Confederation of British Industry (CBI) have suggested gains to GDP as large as £80-200bn per year from lifting the lower tail of places across the UK. The Centre for Cities have estimated the gains from levelling up the UK's second cities to be around £180bn per year.[6] Given the assumptions these studies make, these are probably best considered upper-bound estimates.

An alternative way of sizing the prize from levelling up comes from looking at the prospective benefits that might arise from each of the missions being met - from improved living standards, longevity, education, safety, connectivity, wellbeing etc. These estimates can be constructed by drawing on existing evidence and studies as they relate to each of the missions. They too are based on strong assumptions and are likely to be partial. The Annex sets out in greater detail how these estimates have been constructed.

Because missions speak to different dimensions of levelling up, it is important to resist the temptation to simply add together these estimates. In some cases the estimates probably overlap so adding the estimates together would overstate the gains. For example, the missions for skills, education and connectivity are key enablers of the productivity mission, not distinct from it. In other cases, the effects of meeting the missions may be cumulative and more than additive. For example, the wellbeing and productivity missions are distinct but are likely to be mutually supporting and amplifying in their impact.

Table 2 summarises some illustrative estimates across 10 of the missions.[7] The benefits have been converted into a common currency - a GDP or GDP-equivalent uplift per annum in £bns. These estimates range from modestly-sized single-digit billion gains (for example, from improved digital connectivity and crime), to mid-range income uplifts (for example, from transport and education) to large-scale benefits running to tens of billions of GDP or GDP-equivalent increments (for example, from health, productivity and wellbeing).

6 PwC (2019), UK Economic Outlook; Curca, A (2021), Levelling up: the gains from empowering local economic clusters to play to their strengths, CBI; and Centre for Cities (2020), Cities Outlook.

7 For the devolution and pride in place missions, it is unclear there is a strong enough evidence base to map them to GDP-equivalent figures, although there is evidence strong leadership and high civic pride do contribute to good economic outcomes.

TABLE 2: ANNUAL GAIN IN GDP FROM MISSION SUCCESS[8]

MISSION	ANNUAL GAIN IN GDP
Productivity and living standards	~£40 to ~£50bn
Research and development	~£3bn
Transport	~£4bn
Digital	>£1bn
Education	~£5bn to ~£10bn
Skills	~£5bn
Health	~£50bn and rising
Wellbeing	~£50bn to ~£100bn
Housing	~£4bn
Crime	~£3bn

The smallest of these individual benefits is around 0.05 percent, and the largest around 5 percent, of annual UK GDP. These estimates probably understate the true per period benefits. For example, the estimated benefits of digital connectivity only arise from improved employment rather than improved productivity while in work. And most estimates are based on average responses of the population, which might understate the effects felt by those most in need.

A more important reason why these estimates understate the all-in benefits of levelling up is because they only capture the per period boost to GDP or GDP-equivalents. Unlocking the potential in places would be expected to generate *permanent* gains to the level of income, activity and wellbeing. Correcting market failures leads to permanent gains in the size of the pie. The all-in benefits of levelling up are then the *cumulative* value of these gains, suitably discounted, or net present value (NPV).

Perhaps the simplest and most all-encompassing measure of the benefits of levelling up (financial and non-financial, in both left behind and steaming ahead places) is wellbeing. While it is implausible to think of equalising productivity and pay across every part of the UK, it is plausible to think that levels of wellbeing might be broadly equalised. Were that to happen, Table 2 suggests the annual GDP-equivalent gain would lie between £50 and £100bn. Taking these as bounds, how large might be the NPV of this uplift?

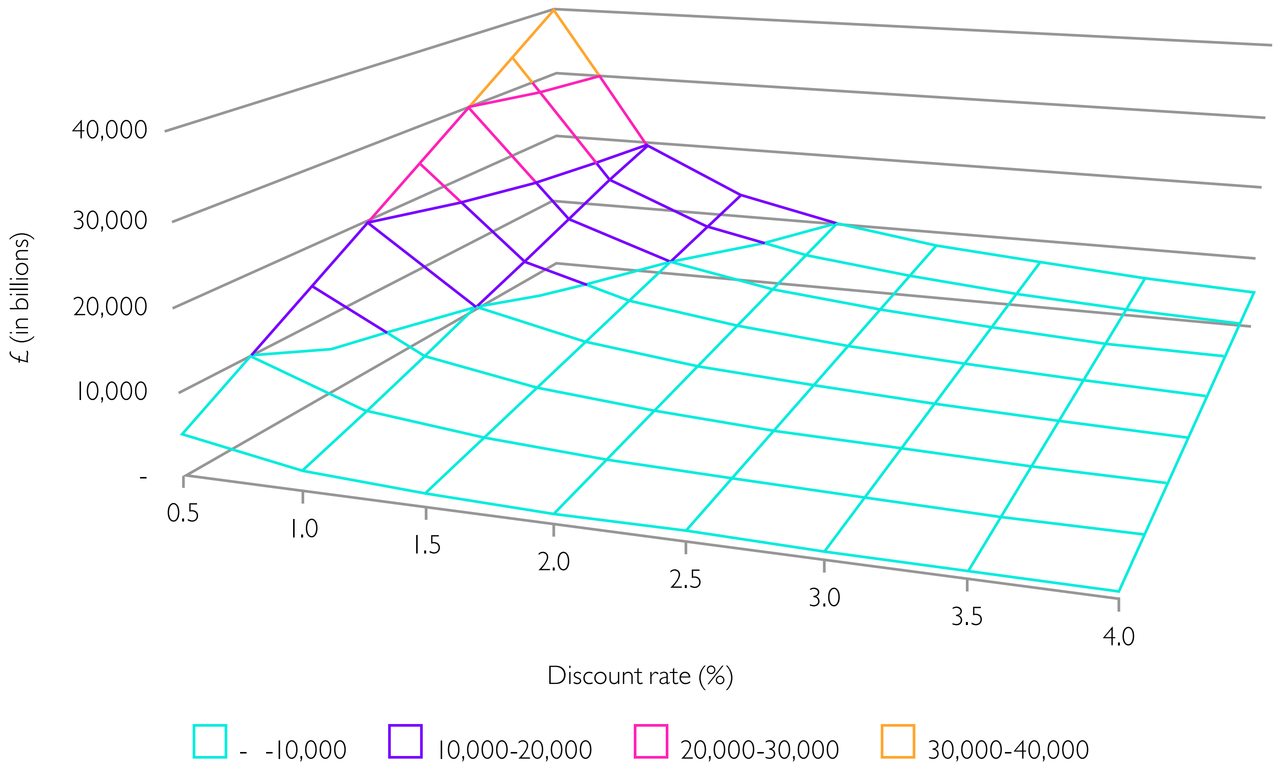
That depends on the assumptions we make about the rate at which future gains in GDP are discounted (r) relative to the growth rate of the economy (g). With a discount rate of 4 percent and a growth rate of 2 percent, you effectively apply a 50-times multiple to any per period GDP uplift to arrive at the NPV of the boost over the long run.[9] That would put the NPV benefit of levelling up the UK between £2.5 and £5trn, or between one and two years of annual UK GDP.

8 These estimates are illustrative and indicative, drawing on published sources of data and evidence.

9 The multiplying factor, asymptotically, is $1/(r-g)$.

Figure 1 provides a range of estimates of NPV gains based on different assumptions about annual uplift and discount factors (r-g). Clearly, the range of potential NPV gains is large and sensitive to discount rate assumptions. Nonetheless, all of the estimates are large and the skew of possible gains is weighted to the upside. If levelling up boosted the long term growth rate in the economy, these upside skews would be larger still. All of these gains from levelling up are astronomical in quantitative terms.

FIGURE 1: RANGE OF ESTIMATES OF NPV GAINS BASED ON DIFFERENT ASSUMPTIONS ABOUT ANNUAL DIVIDENDS AND R-G



Seizing the prize

If the prize from levelling up is this big, how is it to be *seized*? At one level, the answer to this question is easy - by putting in place an appropriate set of policies and programmes to unlock potential across all parts of the UK. This is not a pipe dream. International experience demonstrates that levelling up left-behind places is feasible. Many places - from Saxony to Detroit - have shown that levelling up struggling regions and cities is possible with determined and sustained policy effort.[10]

The UK itself has not lacked for regional policies. As the white paper made clear, there have been more than a dozen distinct regional policy regimes in the UK over the past 70 years. And therein, of course, lies the problem. There has been an accompanying lack of longevity and consistency in these UK policy regimes. Because deeply entrenched spatial differences can only be closed through a long-lived programme of change, this stop-start approach to regional policy has pretty much preordained failure.

10 See for example: industrialstrategycouncil.org/sites/default/files/attachments/What%20does%20it%20take%20to%20%E2%80%9Clevel%20up%E2%80%9D%20places.pdf.

This mixed historical track record has led to some scepticism about whether this time's attempts to level up will be successful (though Dr Johnson's diary suggests this scepticism long predates today's efforts). In a Public First poll ahead of the white paper, less than a quarter of the general public believed the government would be successful in levelling up their area over the next 10 years. This is a yawning credibility gap. So how is the gap to be closed and why might this time be different?

While nothing can guarantee policy longevity, the white paper did plant some important stakes in the ground - legislative, practical and operational stakes. By design, these will be difficult to uproot. Durable success in levelling up will come from changing *how* and *where* decisions are made. It also needs changes to the *information*, the *incentives* and the *institutions* on which decisions are made. And all of this requires nothing less than a new model of *government* and a new model of *governance* in the UK. What exactly is meant by that new model and what is needed to make it a success?

These new models of decision-making are underpinned by the missions. These are intended to give both credibility and longevity to the programme of policy change. This longevity and credibility will be strengthened by the fact that the missions will be enshrined in statute. There will also be a statutory obligation on government to report on progress against these missions on an annual basis, adding transparency and credibility to the policy process.

Statutory underpinning, and transparency of reporting, provides powerful incentives for action. In effect, government will, in future, be required to comply or explain on whether policy is on the critical path necessary for mission success. External commentators and parliament now have a clear baseline against which to assess policy, pressing for any necessary course-correction if needed to meet the missions. As in other domains of public policy, transparency and accountability, coupled with clear targets, can provide a powerful cocktail of incentives for keeping to the path of policy righteousness.

When it comes to decision-making in central government, the aim is that levelling up should become a golden thread laced through all decision-making, a re-wiring of Whitehall. This is what I mean by a new model of *government*. That is plainly not the case at present with many government departments lacking spatial awareness about their spending plans. We know that because many government departments lack the data they would need to understand their geographic footprint; they are effectively operating 'place-blind'.

That might explain the strong tilt in some department spending towards already well performing parts of the UK. For example, spending on transport, culture, R&D and housing is far higher per capita in the South East of England than elsewhere across the UK - a phenomenon sometimes called the Matthew effect. This is a recipe for amplifying, not reversing, geographical disparities; it suggests a lack of spatial awareness when it comes to central government policy choices.

Making a success of levelling up needs, then, to reverse these trends in how government allocates its money spatially. That needs to start with every government department understanding its own geographic footprint through improved data. As a result of the white paper, that process is now underway. This greater spatial awareness then needs to extend into decision-making, with a re-tilting of departmental spending over time towards the UK's less well performing parts most in need, including poorer parts of London.

That process, too, is underway. For example, all of the almost £100bn announced in the recent Integrated Rail Plan will be spent in the North and Midlands. All the additional spending by Arts Council England announced in last year's spending review will go outside the South East. More than half of the increment in R&D spending announced in the spending review will go outside the Greater South East. And scrapping the 80/20 rule will mean more housing building will in future take place outside London.

It is early days for this new model of government, one in which spatial considerations are front and centre in decision-making across Whitehall. A weekly cabinet committee on levelling up is already providing momentum for delivering this fundamental re-wiring of Whitehall, with explicit coordination across departments in their actions in place. The government's Places for Growth programme, which will see an extra 22,000 civil servants re-located outside London by 2030, is providing support for this re-wiring. And so too will the new levelling up directors who will serve as key intermediaries between local places and central government.

But perhaps the most transformative set of system-wide reforms in the white paper lay outside of government. These were about empowering and enabling local leaders, whether local government, local businesses or local members of civil society. The heavy lifting of levelling up will come from these actors being empowered to take more local decisions than in the past, acting with better local information and with increased local agency. That is what I mean by a new model of local *governance*. This new model is as much a change in philosophy as policy.

When it comes to empowering local government, the white paper signalled a significant further step forward on devolution. By inviting nine areas to begin talks to agree new county deals, as well as taking forward talks for further and expanded mayoral combined authority devolution deals, an additional nine million people across England will take increased control over spending choices in their regions. This new wave of devolution, once completed, will result in around two-thirds of the UK population being covered by devolution, with a mission to reach 100 percent by 2030.

Alongside this widening of devolution, the white paper signalled moves to deepen existing devolution deals, led by Greater Manchester and the West Midlands. This is a first step in the broader mission of ensuring everywhere in England has London-style powers by 2030. The true ambition of this mission is, I think, yet to be fully appreciated. If realised, this mission would deliver the greatest decentralisation of powers in a century. It would also be accompanied by a radical simplification and lengthening of local funding arrangements.

If they are to be deployed effectively, increased local powers will need to be accompanied by increased local accountability for the discharge of those powers. Enhanced local data is a key part of the answer here, allowing local citizens to assess the progress being made in their community. So too is the new local government body announced in the white paper, enabling peer comparisons of performance across different places. These measures will sharpen incentives to improve local performance and to learn from others' experience.

My personal view is that we still have only half a loaf when it comes to UK devolution. While the mission commits the UK government to devolving further spending powers, it does little, if anything, to extend tax-raising powers to local places. As long as this is the case, the UK will remain an international outlier in terms of its degree of centralisation. It will also leave the UK devolution model in a slightly unstable equilibrium, with local areas still reliant on central government to fund local projects. This will lead to a rising chorus of demands for increased central government financing as local spending powers are extended.

Granting local tax-raising powers is the way to square this circle. That provides local areas with the fiscal means of financing local projects. And by aligning tax and spending powers at the local level, it provides powerful incentives for local leaders to only pursue priority projects that they can justify to their local electorate. This would align powers and accountabilities at the local level and help silence the rising chorus of demands for increased local financing. The next phase of the UK's devolution debate needs to confront these issues head on.

But placing more decision-making in local hands is not just a question of empowering local government. Just as importantly, it is about empowering and enabling the *private sector* and *civil society.* As levelling up must be an all of government endeavour, it must also be an all of society endeavour - public, private and voluntary sectors acting in partnership. This, too, is a new model of governance, indeed a new philosophy of government. This model is one in which the role of government is to co-design not control, enable not emasculate.

Starting with *civil society*, the white paper contained proposals that would take powers and decision-making from the local to the *hyper-local* level. This is a step further than devolution; it is *double* devolution. This includes making it easier to set up parish councils and transfer control of community assets to local residents. It also means undertaking pilots to empower local community groups, allowing co-design and co-delivery of local regeneration schemes. This would put further powers in the hands of those best able to make local decisions.

To be effective, local powers need to be backed up with local monies. The white paper signalled a shift here too. This includes building on the experience of the Community Ownership Fund, reconsidering the role and objectives of the National Lottery Community Fund and consulting on the appropriate deployment of the estimated £880m of dormant assets available in the second wave. One possibility for this second wave is the creation of a permanent endowment or Community Wealth Fund.

The double devolution agenda, with hyper-local powers and monies, is a large and a potentially significant one. It is striking, and not a little surprising, that it has been relatively little commented on so far externally. It will be essential that government gives this issue the prominence it deserves, given the importance attached to it by local citizens. It is also important double devolution is approached in a way that enables local experimentation, design and delivery.

When it comes to the *private sector*, a key theme running through the white paper is that success in levelling up cannot occur without thriving and innovative local businesses, creating jobs and driving productivity. Private sector success is the foundation stone of levelling up and, without it, policy is pushing water uphill. The good news is that there are already 30 or more existing or emergent clusters of innovative business activity, spanning a wide range of industries and sectors and covering all four corners of the UK. This is a sound foundation.

Looking ahead, the trick will be to turn embryonic clusters of innovation and industry into actual ones, and existing clusters into *super-clusters* spanning an even greater range of industries and geographies. The key issue for government is how to enable and empower this mass flourishing of private sector activity and productivity. This, too, will require a new model of governance, with less command-and-control from the centre and more co-design with local businesses and other key anchor institutions, such as universities and colleges.

The three new Innovation Accelerators announced in the white paper - in Greater Manchester, the West Midlands and Glasgow - will be trailblazers of this new approach of co-design and co-delivery among anchor institutions. These accelerators will bring together universities, research institutes, businesses and local government to ignite innovation in these regions, hopefully turning these existing clusters into the sorts of super-clusters seen in Greater Boston/MIT on the east coast, and the Silicon Valley on the west coast, of the United States.

There are similar private sector initiatives efforts underway right across the UK: straddling the banks of the Humber through the private sector-led Opportunity Humber to develop an offshore wind/net zero cluster; transforming the area around Bristol Temple Meads as a quantum computing super-cluster led by the University of Bristol; and positioning Belfast as a world-leading cyber-security hub led by Innovation City Belfast. These clusters are built around local anchor institutions with strong private sector leadership.

In each case, the role of government is likely to be different. In some cases, seed-corn financing may be needed to de-risk and crowd-in private finance; in others, enabling measures may be needed to grant local powers or remove local restrictions; in others still, government may be needed to act as a coordinating hand among local players. None of these are the traditional model of government and governance. They are a new model, one requiring new skills, including business knowledge. This new model will be another of the acid tests of the success of levelling up looking ahead.

Conclusion

Success in levelling up will come from delivering visible improvements in people's everyday lives. This calls for clarity about what is to be delivered, when, to whom and how. The mission-led approach is intended to provide answers to these questions. If these missions were to be met, they would deliver large gains to wealth, health and happiness across all parts of the UK. Historically, UK regional policy has failed to deliver these gains. Only time will tell whether history repeats itself. But the set of system-wide reforms put in place in the white paper, strengthening information, incentives and institutions, provide grounds for believing this time could be different.

The ongoing cost of living crisis has squeezed the budgets of governments, households and businesses. That has led some to question whether levelling up might slip down the policy priority list looking ahead. Given the way the burden of the cost of living crisis will be distributed, hitting hardest those people and places that can least afford it, my sense is that the opposite will be true. The importance of the levelling up missions – economically, socially, politically - will be amplified, not diminished, by the cost of living crisis.

To be successful, levelling up needs to be cross-sectoral and cross-generational. Ideally, it should also be cross-party. Levelling up is the economically efficient, socially just and politically expedient thing to do. There is an unusual alignment of the stars. This means it is not unrealistic to expect different political parties to be competing for virtue about the speed and seriousness with which levelling up is pursued. That would be a sign of success. And the prize – economically, socially, politically - could scarcely be larger.

ANNEX 1: ILLUSTRATIVE ESTIMATES OF GDP-EQUIVALENT ANNUAL GAINS FROM THE MISSIONS

Productivity and living standards	This estimate has been calculated by uplifting the lowest performing regions by GVA per hour worked to the UK average (in 2019). We then multiply this estimate by the number of hours worked to get the additional GVA from uplifting productivity.
	Assumptions Due to the impact of Covid-19 on the economy, for simplicity we estimate the uplift in GDP from reducing the spatial gap between the lowest performing areas to the UK average in 2019, rather than using more up to date estimates.
	Sources Estimates of productivity (GVA per hour worked) and hours has been taken from the **ONS Subregional productivity: labour productivity indices by UK ITL2 and ITL3 subregions. GDP deflators** were used to turn estimates into 2020 prices.
Research and development	This estimate has been calculated by taking the higher share of R&D in the non-Greater South East, implied by the 2030 mission, and translating this into a productivity uplift based on estimateda non-GSE R&D multipliers (every £1 spent on R&D would yield a productivity benefit of over £0.20).
	Assumptions We assume that the additional GVA gains on R&D spending is the same for all types of R&D spend.
	Sources Estimates of the share of R&D spending outside the GSE have been taken from the **Autumn Budget and Spending Review 2021 documents**. Estimates of the multiplier have been taken from the **'From ideas to growth' report by NIESR**. **GDP deflators** were used to turn estimates into 2020 prices.
Transport	This estimate derives from research (commissioned by the National Infrastructure Commission) from Stephen Graham and Dan Gibbons, published **here**. This research analyses how effective density is constrained by poor public transport (intra-urban transport) for ~20 major UK towns and cities. It then estimates the additional productivity (and GDP) that would be unlocked if the density of these towns and cities were to increase through better connectivity.

Digital	The Department for Digital, Culture, Media, and Sport produces estimates of the benefits of superfast broadband coverage, including the reduction in the unemployment claimant count. This finds that '32 extra people are employed for every 10,000 premises upgraded'. If coverage reached 99 percent across all local authorities, this would reduce the claimant count and increase employment. We multiply the additional employment created by UK median earnings (minus job seekers allowance) to get the total economic value of increased employment.
	Assumptions We assume that the reduction in the unemployment claimant count would lead to an equal increase in employment, and that all those employed would earn UK median earnings. We also assume that the coverage of broadband reaches 99 percent for all local authorities. The estimates do not include the wider economic benefits, such as increased productivity, from increased connectivity and so should be considered a lower bound.
	Sources The **Superfast Broadband Programme Evaluation: Key Benefits and Impacts** report provides estimates on the benefits of superfast broadband coverage'. Estimates of UK median earnings can be found here (**Annual Survey of Hours and Earnings**).
Education	This estimate takes an average of the distance those not at the expected standard are away from being at the expected standard and assumes that all pupils improve by that same average. This improvement to the expected standard is then mapped against likely GCSE attainment using a high and low estimate for progression from KS2 to KS4 and thence into an estimate of lifetime earnings uplift. This lifetime earnings estimate is then translated into an equivalent annual uplift across the population cohort.
Skills	This estimate does not make any assumption on the types of training and is based on 200,000 extra people achieving skills each year by 2030. This represents a c18 percent increase in skills achievement compared to Academic Year 2018/19. This is then translated into monetary estimates using the DfE's published NPV of FE **paper**, which estimates the lifetime benefits of further education and skills courses starting in 2018/19 at £26bn. This is a combination of direct benefits to those gaining new skills (increased future lifetime earnings) and some wider productivity spillovers, assumed to be 35 percent of lifetime earnings. The estimate is based on applying the 18 percent increase in achievement to this total value of £26bn estimate.
Health	See Annex 2
Wellbeing	This estimate is based on increasing the lowest 25 percent of local authorities for life satisfaction to the average life satisfaction level of the UK. Monetary estimates for the value of life satisfaction have been based on the WELLBY approach. These are UK-wide monetary values of the willingness to pay for a one percentage point increase in life satisfaction.
	Sources Life satisfaction ratings at the local authority level can be found here (**Annual personal wellbeing estimates**). Information on WELLBYs can be found here (**Wellbeing Guidance for Appraisal: Supplementary Green Book Guidance**).

Housing	The estimate for housing is based on a wider 'cost of poor housing' per household which was developed by the Building Research Establishment. This looks at multiple dimensions of risks/harms associated with poor housing (fire, crime, damp, pests, falls etc) and provides a cost estimate for the impact based on the cost of repairs after hazards, wellbeing, health impact and costs to the NHS. We calculate a 50 percent reduction in non-decent social and private rented homes and use the cost of poor housing per household to get an estimate of the societal benefit.
	Assumptions We take a 50 percent reduction of non-decent social and private homes at the national level and assume this representative of all regions in the UK.
	Sources Estimates of the wider cost of housing comes from the BRE: **The cost of poor housing in England**. Estimates of non-decent, social and private rented homes comes from the English Housing Survey (EHS).
Crime	The estimates of crime are based on the 'economic and social costs of crime' produced by the **Home Office**. These estimates include the money spent on the anticipation of crime, the consequences of crime and the response to crime. We estimate the economic and social benefits of crime from a 20 percent reduction, either at the police force level or UK level where appropriate, and includes homicides, serious violence, and neighbourhood crime (robbery, theft from the person, domestic burglary, theft from vehicle, theft of vehicle, and vehicle crime).
	Sources Estimates of neighbourhood crime have been taken from the **ONS Crime Survey**. Estimates on homicide are taken from the **ONS Homicide in England and Wales**. Estimates on **hospital admissions for assault with a sharp object amongst under-25s** can be found on NHS Digital.

ANNEX 2: ESTIMATED ANNUAL BENEFIT FROM ACHIEVING THE HEALTH MISSION

Definition of healthy life expectancy

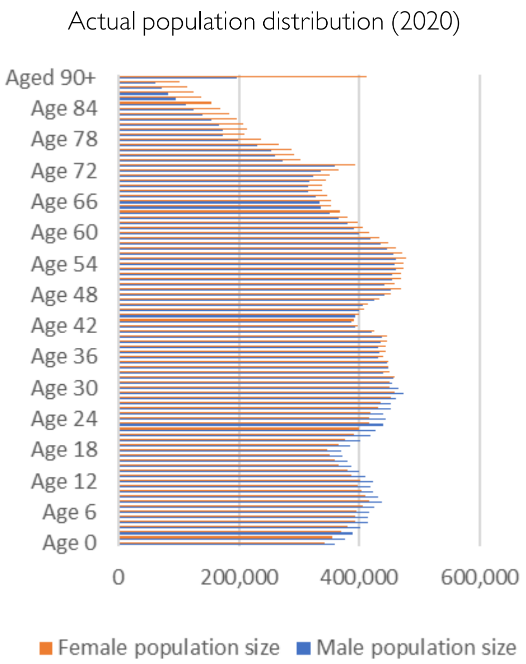
The mission is measured using HLE at birth. This is an estimate of the average number of years a person would live in a state of 'very good' or 'good' health, based on how individuals perceive their general health.

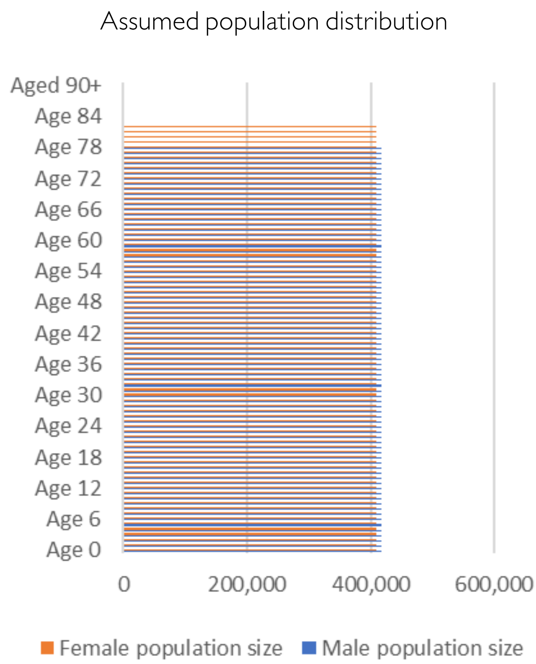
METHODOLOGY

1) **Estimate the value of one year in good health**
   a) Assume that the value of one year in good health relative to one year not in good health is equal to 1 QALY (assumption 1).

2) **Make assumptions about the distribution of the population**
   a) Assume that all females/males have HLE and LE equal to that of the average female/male. In 2022, HLE is equal to HLE in 2017-2019 (assumption 2). By implication, everyone lives past 63. By implication, there are the same number of individuals in each age group.
   b) Assume population size is constant (2020 levels) (assumption 4).
   c) Estimate the number of people in each single year age group. The number of people in each single year age group is equal to the total number of people divided by LE.

FIGURE 3: ACTUAL/ASSUMED POPULATION DISTRIBUTION 2020

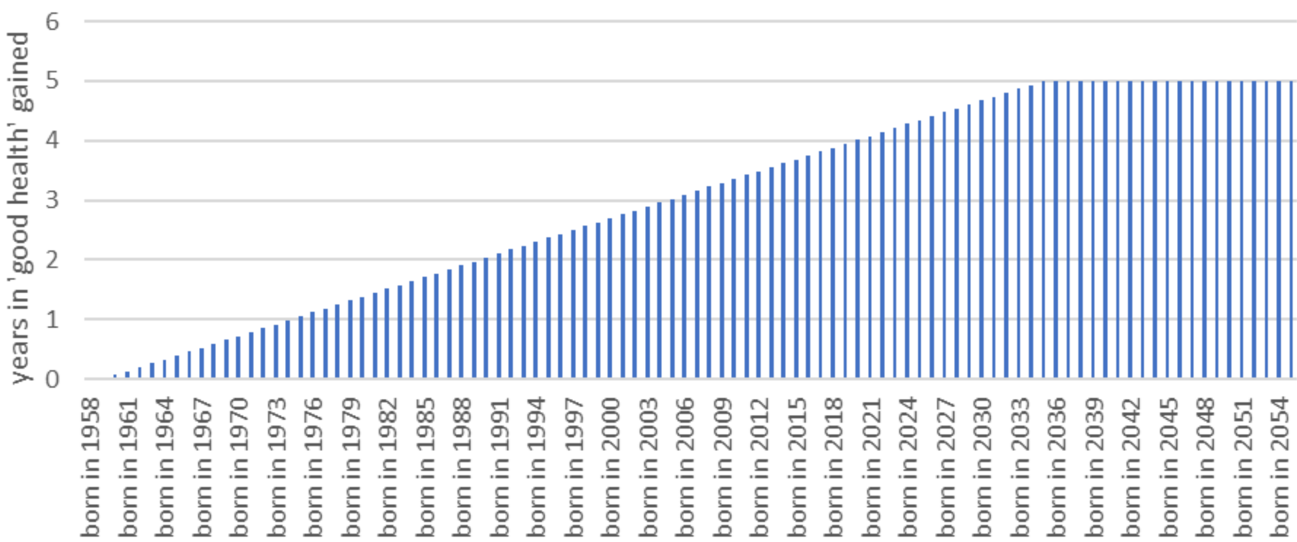




3) **Estimate the years of healthy life gained for individuals born before 2035**

   a) Assume that for cohorts born before 2035, the number of healthy years gained increases proportionally from 0 for those at HLE age in 2022 to five for those born in 2035 (assumption 5).

FIGURE 4: YEARS IN GOOD HEALTH GAINED FOR DIFFERENT COHORTS



4) **Estimate the total benefit from improved health in each year**
   a) Assume that health always deteriorates with age, meaning that all individuals live a number of years in good health (HLE years), followed by a number of years not in good health (LE – HLE years) (assumption 6). This means improvements in health accrue at HLE age for all individuals.
   b) For each year, multiply the assumed number of people aged 63, 64, 65, 66, 67 (using assumed population structure) by the expected benefit from health for the cohort.
   c) For each year, add up benefits for improvements in health of individuals of all ages. The annual benefits will increase up until 2098. This is because cohorts born prior to 2035 experience different levels of health improvement, with the improvement increasing the later the cohort is born. As a result, the annual benefits from the mission will increase each year up until 2098, when those born in 2035 reach HLE age. From then on, cohorts benefitting from improved health will experience the full improvement in HLE and the annual benefits from achieving the mission will stay constant.

ASSUMPTIONS

TABLE 3: LIST OF ASSUMPTIONS

NO.	ASSUMPTION TYPE	ASSUMPTIONS
1	Valuation	The value of one year in good health relative to one year not in good health is equal to 1 QALY. (See note below).
2	Simplifying assumption	All females/males have HLE and LE equal to that of the average female/male. In 2022, HLE is equal to HLE in 2017-2019.
3	Simplifying assumption	Life expectancy stays constant in time (2017-2019 level). This means all HLE gains are from spending more years in good health (not from living longer). (See note below).
4	Simplifying assumption	Population size is constant (2020 levels).
5	Simplifying assumption	For cohorts born before 2035, the number of healthy years gained increases proportionally, from 0 for those at HLE age in 2022 to five for those born in 2035.
6	Simplifying assumption	Health always deteriorates with age, meaning that all individuals live a number of years in good health (ie HLE years), followed by a number of years not in good health (ie LE - HLE years).

Note: Whilst assumption 1 is likely to cause us to overestimate the benefits of achieving the mission, assumption 3 is likely to cause us to underestimate these benefits. Another way to frame our methodology is that we have assumed that the benefit of a five year increase in HLE (from any improvement in health during life and/ or any increase in life expectancy) is equal to the value of 5 QALYs.

TABLE 4: RESULTS

Value of national improvement in health accruing in 2035	£52bn
Annual value of national improvement accruing from 2098 onwards	£306bn

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