1. **Background**

1.1. The Bennett Institute for Public Policy at the University of Cambridge was launched in April 2018 to conduct high-level academic and policy research. The goal of the Institute is

“... to rethink public policy in an era of turbulence and growing inequality. Our research connects the world-leading work in technology and science at Cambridge with the economic and political dimensions of policy-making.”

1.2. The institute’s research focuses on rethinking public policy in an age of disruption. It is interdisciplinary, addressing the big problems, above all, inequality. Our research proposes sustainable, innovative policy approaches under the three themes of **Place**, **Progress** and **Productivity**.

1.3. Our response draws on this body of work and focuses on three inter-related areas:

1.3.1. **Local and Regional Structures** – for local and regional structures to function effectively, they need to have a clear sense of identity, as well as sufficient capacity to deliver across a coherent economic geography. We also argue for governance structures to be developed that are based on these conditions and move from a hierarchical approach to a more networked model.

1.3.2. **Sustainable Local Growth** – for local plans for growth to be truly effective, we believe that there needs to be co-ordination between local and national strategies. We also highlight some existing policy levers that could be used to ensure that the economic recovery from COVID-19 also works towards the achievement of the government’s Net Zero target.

1.3.3. **Evidence** – the final section considers the difficulties of measuring the individual performance of local and regional structures. We also highlight the importance of ensuring that approaches to appraisal and evaluation are structured in such a way to be able to contribute to the shaping of the levelling up agenda.

1.4. We have also included two ‘lessons learnt’ case studies. The first considers the lessons that can be learnt from recent reviews of the governance arrangements and capacity of the Local Enterprise Partnerships. The second case study looks at how local, regional and national structures worked together in Greater Manchester to develop an evidence base to inform the Greater Manchester Local Industrial Strategy.
2. Local and Regional Structures

2.1. Local structures “will only succeed if they understand and address today's social and economic needs from place to place, and align with the key dynamics shaping the economy emerging in the coming decades.”

2.2. Previous approaches to regional economic development have led to the emergence of a patchwork of local structures across the country.

2.2.1. At a sub-national level there are a suite of powerhouses, engines of growth and arcs, including the Northern Powerhouse, England's Economic Heartland (the Oxford-Cambridge Arc) and the Midlands Engine.

2.2.2. Devolution in England has seen the creation of eight Mayoral Combined Authorities and two non-mayoral Combined Authorities. Completing the ‘club’ are the Greater London Authority and Cornwall, where a unitary authority has agreed a devolution deal with government.

2.2.3. There are 38 business-led Local Enterprise Partnerships (LEPs) across England which “play a central role in determining local economic priorities and undertaking activities to drive economic growth and job creation, improve infrastructure and raise workforce skills within the local area.”

2.3. Taking a wider view, there is also an ecosystem of structures and organisations whose roles will contribute to the determinants of economic growth. These include more than 135 Clinical Commissioning Groups, eight or nine sub-national transport bodies, and 31 City Deals.

2.4. These structures all sit on top of – or alongside, depending on your view – 339 local authorities in England. Of these, 25 are county councils, 188 are district councils, and 126 are single-tier authorities. Of the single-tier authorities, 33 are London boroughs and 36 are metropolitan boroughs.

2.5. Looking beyond their economic development functions, local authorities are well-placed to understand how other issues on their agenda – such as health and wellbeing, education, skills, transport – can contribute to regional growth. There is a role for local authorities to be key ‘system players’ to help join up all of the different elements that contribute to regional growth to ensure that ‘shovel-ready’ projects are not developed and delivered in isolation.

2.6. Taking the view that ‘what gets measured, gets done’ it is instructive to note that data from the Office for National Statistics is available at a similar range of different geographic levels. For example, data relating to Gross Household Domestic Income (GDHI) is available for the following geographies:

- All three NUTS areas
2.7. Examples of our research that have considered different approaches to questions of scale have included the following.

2.7.1. Our Industrial Strategy paper on regional recovery from COVID-19 focused on a regional scale (NUTS1 and NUTS2) to understand how resilient different regions were to the 2008 financial crisis. It found that the crisis had impacted different UK regions at different times and that regions had recovered different rates.

The paper concludes that “in recovery from the crisis it is important to understand the resistance and recovery of places at the local level. Timely regional metrics need to be compared to understand how places have recovered from shocks in the past.

Policies are needed that encourage reorientation and renewal for local areas in line with challenges in the government’s industrial strategy.”

2.7.2. Our working paper on economic complexity – *To them that hath* – focused on the geography of the Combined Authorities – in particular, Greater Manchester and Cambridgeshire and Peterborough – and Local Enterprise Partnerships. It concluded that even within these geographical and administrative areas there can be a significant difference between local economies.

The paper recommended that “to best account for ‘local’ needs, it may be more appropriate to target policies towards groups of local authorities that share high similarity in their industrial strengths rather than geographic proximity.”

2.7.3. Our Townscapes series has used the geography of towns to “showcase the merits of a more granular and regionally rooted perspective for our understanding of geographical inequalities and the kinds of policy needed to address them.”

Looking at the assets of each town, such as access to public services, as well as considering the difference in health outcomes from place to place has shown both the differences of towns in the same geographical area, whilst also highlighting the similarities between towns that are further apart.

2.8. Whilst there are a range of different regional and local structures in place across the country, this should not necessarily be seen as a problem. An understanding of individual places should be used to determine which scale is most appropriate for local and regional structures to work at.
The importance of sub-national governance structures

2.9. The prevailing view is that the tiers of local and regional structures are organised hierarchically starting with central government at the top and working through to parish councils at the bottom of the pyramid.

2.10. Regional and local structures can also reflect their sources of funding and strategic priorities and therefore the structures of central government. For example, the longstanding differences between the delivery of health and social care functions through different structures could be traced to the different funding and governance arrangements for the two interrelated services.

2.11. The governance arrangements in place often reflect this ‘top down’ view, with little co-ordination between different levels of government working in the same area.

2.12. Where different tiers do work together it is often through partnership arrangements. There is a risk that these types of arrangements can lead to a lack of clarity, responsibility and accountability.

2.13. For different tiers of government to work together, we believe that they need to be seen as part of a networked system of governance. This will require a “focus on building viable, legitimate and robust forms of devolution, and finding ways to ensure that the central state supports and works in partnership with the mezzanine tier.”

2.14. Our report on reforming inter-governmental relations in the UK recommended the creation of an English Leaders Forum which would meet regularly “to focus on important matters of relevance to English sub-national government such as funding, regional investment and the further devolution of powers.”

2.15. Such a body could also act as a bridge between central Government and other tiers of government.

2.16. As well as being the strategic link between regional or local areas and central government, this could also enable effective knowledge sharing between different parts of the country as well as representing England’s voice in UK-wide discussions.

2.17. A review of English governance arrangements would be one way in which further clarity could be brought to the sub-national governance arrangements in England.

Conditions for effective local or regional structures

2.18. For regional or local structures to work effectively we believe that there are three conditions that need to be met:

- “the functional capacity to deliver; a coherent economic geography; and a sense of identity rooted in place.”
2.19. The first two conditions are often met. For example, to be able to unlock local investments, devolution deals have to be framed around the centrally directed goals of “of economic growth, regeneration and concepts such as functional economic geography.”

2.20. But it is the shared sense of identity that is often missing from the creation of local and regional structures. Its absence makes it much harder to establish legitimacy, ensure wider engagement and help citizens understand how the structures relate to their everyday lives.

2.20.1. The geography of Greater London, Greater Manchester and Cornwall’s devolution deal are good examples of where these three requirements are present and so there is a clearer understanding of the role that the related organisations play in the area.

2.20.2. The Cambridgeshire and Peterborough Independent Economic Review identified three separate functional economic geographies for the Cambridgeshire and Peterborough Combined Authority area.

2.20.3. The ‘One Yorkshire’ devolution deal provides a counter example of where a coherent sense of identity existed, but with a perceived lack of functional economic geography. This led to no deal being agreed between central government and the area.

**Lessons to be learnt – the importance of governance**

2.21. The 2017 Ney Review of Local Enterprise Partnership Governance and Transparency found a sector which has a strong understanding of its responsibilities for stewardship and the need to improve its governance accordingly.

2.22. Whilst it identified a number of measures that would strengthen the assurance arrangements in place for LEPs, it also concluded that “there is on the ground recognition that strong and proportionate governance arrangements can be pursued with overall benefit and safeguarding to all involved without becoming overly bureaucratic.”

2.23. Following concerns raised by a local MP about the probity of the Greater Cambridge Greater Peterborough LEP, the Public Accounts Committee’s undertook an inquiry which in 2018 concluded that

“Greater Cambridge Greater Peterborough Local Enterprise Partnership (GCGP LEP) provides the latest example of the..."
Department [the Ministry of Housing, Communities and Local Government] devolving powers and funding to LEPs in a manner characterised by both complexity and confusion. The Department needs to get its act together and assure taxpayers that it is monitoring how LEPs spend taxpayers’ money and how it evaluates results.

The Department assures us that there was no misuse of public funds in this instance; however, this is due more to luck than effective oversight given that there appear to have been no effective mechanisms in place for identifying conflicts of interest in GCGP LEP. We are not at all convinced that the issues uncovered in GCGP LEP might not be found elsewhere in other LEPs.  

2.24. Included in the report was a recommendation “to implement quickly the recommendations of Mary Ney’s review of Local Enterprise Partnership governance and transparency, ensure that all LEPs and their boards are aware of the Nolan Principles for the standards of conduct expected in public life and ensure that they live up to these principles in practice.”

2.25. The Public Accounts Committee undertook a progress review of LEPs in 2019 which concluded that whilst there had been improvements to LEP governance and transparency, the committee “remain concerned that LEP boards are not yet representative of their local areas and business communities and that local scrutiny and accountability arrangements are not strong enough considering the significant sums of public funding that LEPs manage.”

2.26. The committee also concluded that the Ministry of Housing, Communities and Local Government’s “decision not to evaluate the Local Growth Fund means it has no understanding of what impact spending through LEPs has on local economic growth.”

2.27. The committee also questioned the capacity of the LEPs which “have also continued to underspend their local growth funding allocations every year since 2015–16, calling into question their capacity to deliver the complex projects they said were critical to economic growth in their areas.”

2.28. These are all issues that will remain relevant to the delivery of the levelling up agenda.

3. Sustainable Local Growth
Targeted regional investment

3.1. Plans for the prioritisation and targeting of regional investment need to consider initiatives within the region, the relationship between regions, and the relationship with any UK wide strategies. As Celia Wong argued at the Bennett Institute’s inaugural conference:

“The derivation of a robust development strategy for the country will require a strong grasp of functional economic geographies, rather
than an adherence to rigid administrative boundaries. Spatial development issues such as transport flows, migration and pollution seldom respect administrative boundaries and need to be addressed on a cross-boundary basis. Better understanding of functional inter-relationships can help to underpin collaborative initiatives between neighbouring local authorities and key stakeholders.”

Again, a more flexible approach to administrative boundaries is required based on ‘on-the-ground’ knowledge and evidence.

3.2. One mechanism that could be built on to support the development of priorities across different regions of the UK is the UK Industrial Strategy and the related Local Industrial Strategies. These already set out both the UK government’s priorities for industrial growth, as well as a more localised view of priorities for different areas.

3.3. Underpinning any form of prioritisation needs to be a mature relationship between central government and other tiers of government. Whitehall needs to be part of the prioritisation and decision-making process rather than the final decision-maker. Lack of a coherent ‘mezzanine’ layer of governance at which these decisions can be made may inhibit this.

3.4. Projects are currently prioritised, appraised and evaluated through HM Treasury’s ‘Green Book.’ In their article on the Imperial Treasury published in the Regional Studies Journal, Diane Coyle and Marianne Sensier have argued that the Green Book has reinforced the regional imbalance of the UK economy, with a bias towards investment in London and the South East. Reversing this bias will require a clear acceptance that “although evidence-based appraisal is important, infrastructure investments also need to be based on a strategic view about economic development for the whole of the UK.”

3.5. Any approach to prioritisation also needs to be clear and transparent. The Towns Fund is a good example of how criteria have been created and used to agree priority areas across the country. However, as the recent NAO report demonstrates, the political process has then added a degree of uncertainty around how the final list of towns were selected.

A green economic recovery

3.6. Coronavirus has provided the opportunity to align the government’s approach to levelling up with the target for the UK to be carbon neutral by 2050.

3.7. In a recent report the Bennett Institute’s Dimitri Zenghelis along with James Rydge argued that “there is mounting evidence that green investments have better prospects for generating jobs, productivity and levelling up than traditional stimuli.”

3.8. This package of green investments needs to “target investment in productive, sustainable and resilient physical, human, social, intangible and natural capital in regions that need it most.” This package needs to include:
• “Human capital investment (skills and training compatible with low-carbon resource efficient production)"

• “Intangible capital investment (the ideas, knowledge, management and technical processes, and institutions that must accompany a low-carbon transition)"

• “Social capital [investment] by restoring trust in institutions . . . to enable citizens to hold policymakers accountable for making decisions in their long-term interests.”

• “Natural capital, the resources and services provided by nature, will need to be better measured, monitored and nurtured to avert environmental stress.”

Managing the transition to a green economy

3.9. As the Local Government Association argue, “the recovery will look different in different areas of the country and only a locally coordinated response will be effective. The effective delivery of the next phase will depend on all agencies working in partnership at the local level and councils are best placed to convene this work.  

3.10. To ensure that all areas of the country are able to benefit from the transition to a green economy, it will be necessary to develop an understanding of the existing strengths and weaknesses of regional and local economies.

3.11. In a paper for the Bennett Institute, Penny Mealy and Alex Teytelboym applied the concept of economic complexity to the green economy at a national and international scale. At this scale, their work found a “strong path dependence in the accumulation of green capabilities.” Further research could be undertaken to identify whether this path dependency also exists at a sub-national level, and how it could be used to build a green economy based on the existing strengths of places.

Leading the recovery

3.12. All tiers have a role to play in providing the leadership of local net zero and skills-based priorities. As previously argued, regional and local governance should be regarded as a ‘horizontal’ network rather than a ‘vertical’ hierarchical structure.

3.13. The Recovery Plans produced by local government provide one policy lever to drive forward a green economic recovery. As the Local Government Association notes: “around 230 councils have declared a climate emergency, whilst nearly two-thirds of councils in England are aiming to be carbon neutral
by 2030, making local government well placed to support the transition to a low-carbon economy.”

3.14. Despite this, any transition will lead to ‘winners and losers’ and so needs carefully management. In a paper for National Institute for Economic and Social Research, Dimitri Zenghelis recommends that the government’s Industrial Strategy should be merged with their clean growth strategy.

3.15. To manage the transition, he also calls for
   - “enabling institutions’ to reskill, retool, and compensate affected workers
   - policies designed to compensate those who lose out; and
   - targeted ‘place-based’ employment transition policies in areas at high risk of disruption.”

3.16. Therefore another existing policy lever through which a green recovery could be pushed would be the 38 Local Industrial Strategies produced by Combined Authorities and LEPs.

3.17. He concludes by arguing that “Adjustment costs are real, but manageable, and with the right policies can be minimised. Risks are often overstated, and realised costs are often much lower than predicted. Economic history shows that economies that embrace change, and do not inhibit the flow of resources from declining, low-productivity sectors to new, more productive sectors, are better able to manage structural adjustment.”

4. Evidence Base

Measuring the performance of different tiers of regional and local government

4.1. We would argue that it is difficult to disentangle the contributions of the various tiers of regional and local government to measure their individual contributions to the delivery of economic growth.

4.2. To disaggregate the impact that these different organisations have would require us to reduce the operation of complex systems to a linear ‘cause and effect’.

4.3. Local context also matters. The very premise of levelling up is that there is not a level playing field across the regions and communities of the United Kingdom. Each community is starting from a different place and with a different legacy of previous policy decisions. Places are therefore unique in experiencing the consequences of the political, social and economic changes of the last decades. The awareness of these differences outside of policymaking circles has been highlighted by the impact of, and responses to, Coronavirus.

4.4. Reducing the performance of all tiers of regional and local government to a handful of measures also risks skewing an already skewed system. Our research into the economic complexity of Manchester, Oldham, Cambridge and Peterborough has shown that ‘one size fits all’ policy approaches could lead to the continued outperformance of places like Oldham and Peterborough by their
close neighbours Manchester and Cambridge.\textsuperscript{54} This could lead to greater inequality between places rather than the levelling up of places.

4.5. Any measurement should therefore look to take a balanced approach that understands the interactions between the different elements of the system.

4.6. Finally, regional and local government also have statutory functions that sit in tension with growth. For example, Local Authorities in England are responsible for the monitoring of air pollution and the quality of the environment.\textsuperscript{55} This sits in obvious tension with the delivery of growth if that growth is based on fossil-fuel powered transport.

4.7. We believe that a more appropriate question to ask is whether there is evidence that all tiers of regional and local government understand the roles that they can play in delivering \textit{sustainable} growth.

\textbf{Evaluating local and regional structures}

4.8. Reducing progress purely to measures of wealth and job creation risks oversimplifying a complex problem and hence creating a series of perverse incentives.

4.9. However, there is a requirement that \textit{“all public spending proposals should be accompanied by a properly developed and structured business case using the Treasury 'five case model' and the supplementary Green Book.”}\textsuperscript{56}

4.10. Despite our concerns about measuring the performance of different tiers of regional and local structures, it is theoretically possible to undertake a cost benefit analysis comparing the cost of institutions with the delivery of wealth and job creation.

4.11. Whether these analyses are completed on a regular basis is a moot point. A progress review of LEPs submitted to the Public Accounts Committee in July 2019\textsuperscript{57} concluded that \textit{“despite spending up to £12 billion of taxpayers’ money, the Department has no real understanding of the impact which the Local Growth Fund has had on local economic growth.”}

4.12. Looking back to a previous generation of regional economic development, an Impact Evaluation of the Regional Development Agency (RDA) network was completed in 2007. This national evaluation found that the RDAs had broadly been cost neutral, \textit{“but if allowance is made for the expected persistence of these benefits, then every £1 of RDA spend will add £4.50 to regional GVA.”}\textsuperscript{58}

4.13. The committee may wish to revisit these evaluations to see if they could be a useful source of evidence for levelling up.
Lessons to be learnt – the experience of Greater Manchester

4.14. As part of the Bennett Institute’s *Industrial Strategy for Tomorrow* series, John Holden of Manchester University outlined the steps taken to develop Greater Manchester’s Local Industrial Strategy.

4.15. The Greater Manchester Independent Prosperity Review was established to develop a robust and independently verified evidence base and to make recommendations regarding what this evidence means for the development of policy in the city region. The remit of the panel was to “explore what the city region needs to do to improve productivity and prosperity”. The panel also identified its own priority areas for research based on an assessment of Greater Manchester’s existing evidence base.

4.16. Holden argues that this approach led to areas being explored in depth that would not previously have been looked at – such as the linkages between health and productivity, supply chains in the digital world, and productivity at the firm level – as well as the use of new methodologies, such as concepts of ‘economic complexity’. He concludes that

“This approach led to a breadth, depth and robustness of evidence, targeted at the key issues the city region faces, which went well beyond that which would have been provided by a more traditional economic assessment. The importance of the independence cannot be overestimated: it forced GM to develop a policy response to the evidence base, rather than build an evidence base around a preconceived view of what the issues and opportunities were.”

4.17. The paper also outlines the approach to stakeholder engagement that was taken to develop the Greater Manchester Local Industrial Strategy. Holden explains:

“a high priority was placed on in-depth collaboration with a small group of local businesses and stakeholders, and consulting more widely with the business community and other interested stakeholders across GM, as well as working collaboratively with government officials to jointly identify the appropriate policy responses to the findings from the evidence base and consultation exercises.”

4.18. As a result of the approach taken a framework was co-developed that reflects local opportunities and challenges, while aligning to the national industrial strategy.
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60. John Holden is Associate Vice-President for Major Special Projects at Manchester University. In his previous role at the Greater Manchester Combined Authority, John led the Greater Manchester Independent Prosperity Review and the development of one of the UK's first Local Industrial Strategies.