

LEVELLING UP AGENDA

BREAKFAST BRIEFING

24th November 2021



INTRODUCTION

First coined during the 2019 general election, 'Levelling Up' is now at the core of government departments, evidenced in part by the change of The Ministry of Housing, Communities & Local Government to The Department for Levelling Up, Housing and Communities, with Michael Gove as its new Secretary of State.

However, Levelling Up has not yet been defined which has led to different, and sometimes conflicting, definitions of what the agenda comprises.

This note explores the Levelling Up agenda and seeks to understand key themes emerging from the rhetoric; and particularly the relationship between Levelling Up and London.

The story so far - Levelling Up and London

The relationship between Levelling Up and London has already been the subject of scrutiny and as such will be a key issue to address in the Levelling Up White Paper, which is still awaited.

At the Conservative Party's conference, Boris Johnson said 'the UK has one of the most "imbalanced societies and lop-sided economies" when compared to other richer countries and stated the Conservative Party's mission is "to promote opportunity with every tool we have".'

To date however, there has been a lack of detail on London's specific role in Levelling Up. This has led to suggestions that it could imply London will not be part of the Levelling Up Agenda, or even that London will be 'Levelled Down', i.e. it will have resourcing reduced in order to focus spending on other regions.

Recent speeches by the Prime Minister potentially support the latter. For example, in his speech to the Conservative Party conference in Manchester, the Prime Minister confirmed "those areas that have felt left behind" will be helped through the utilisation of opportunity and wealth (Levelling Up) from the "overheating south east". Whilst this is not explicit, there is reason to believe there will be a focus on Levelling Up in northern regions by Levelling Down London.

The term Levelling Up was first used by former education secretary Justine Greening, who discussed it in the context of opportunities for education, and identified it should be available "no matter **where** they are or **what** their background"².

The position in respect of Levelling Up in London is therefore less than clear. However, the government has already announced some policies that shed light on the Levelling Up agenda. The flagship policies are summarised and analysed below.

It is clear from the government's flagship policies that Levelling Up is not simply about raising incomes. Opportunities, skills, connectivity and infrastructure improvements are at the fore of its commitments.

There is however a focus away from London, through policies including the civil service relocation, which seeks the movement of some civil service jobs away

from London; and the £3.6 billion Towns Fund, which did not allocate any funding for areas in the capital. Additionally, analysis of the first round of the Levelling Up Fund is presented below.

Levelling Up Fund round 1 - key themes

The chancellor revealed in his Budget speech that the first round of the fund, around £1.7 billion, has been earmarked for 105 areas across the UK. RPS analysis identifies London had six successful bids; equating to just 5.7% of the total successful bids, or 3.8% of the c.£1.7 billion total. Notably, that 63-minute Budget speech only contained three references to London – this led to Mayor Sadiq Khan stating the Budget "takes the capital for granted".

Our analysis indicates the North West has been awarded the largest number of projects, totalling 12. Combined with the North East, Yorkshire and The Humber and Midlands, the total rises to 48 projects, or 54.2% of the first tranche of funding.

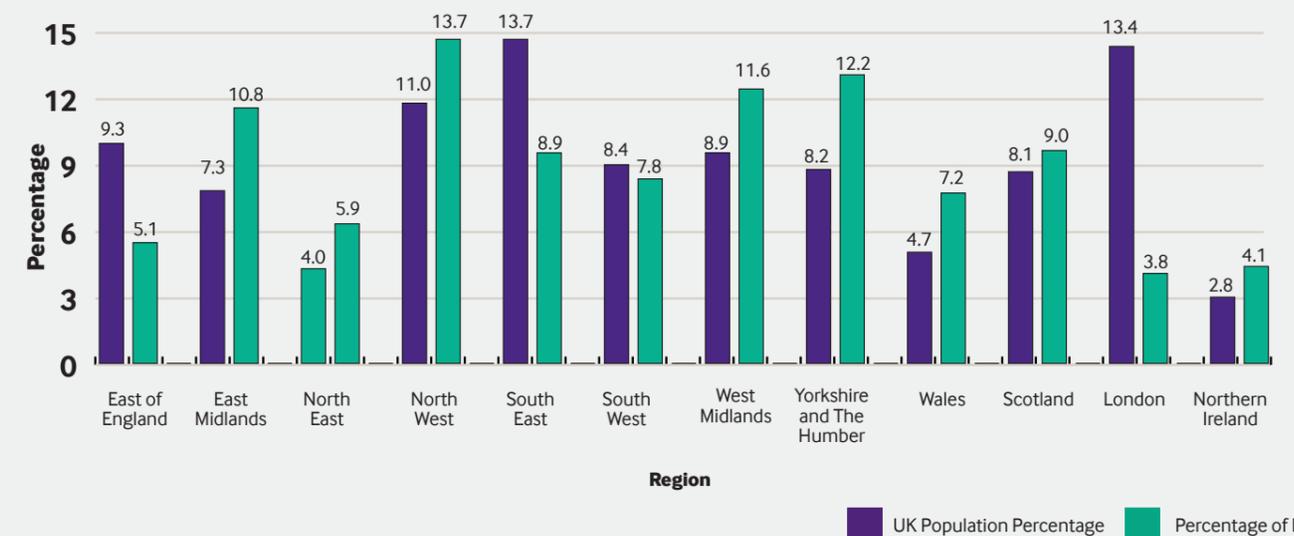
Scotland has been awarded 6.7% of the total successful bids, or 9% of the funding; Northern Ireland has been awarded 11.4% of the total successful bids, or 4.1% of the funding; and Wales has been awarded 9.5% of the total successful bids, or 7.2% of the funding.

RPS has undertaken analysis of the regional funding levels against the Office for National Statistics' latest population data⁴, which is set out in the graph below. The difference in the level of funding for northern and Midland regions when compared to London is stark. Generally, Northern and Midland regions have received higher per capita funding, with funding in London significantly lower relative to its population.

It can therefore reasonably be considered that Levelling Up Fund investment is weighted towards northern parts of the country and the Midlands, with focus clearly away from London and the south east.

Policy	Description
Levelling Up Fund	A £4.8 billion fund for 'shovel-ready' infrastructure projects across the UK. This money will be spent up to 2024/25. Analysis and themes from the first round of the fund are considered in more detail below.
Towns Fund	A £3.6 billion fund for towns in England, including money for the regeneration of high streets. Funding was announced in July 2021 ³ and will focus predominantly on urban regeneration, skills and enterprise, infrastructure and connectivity. The July 2021 announcement saw 101 towns outside of London eligible for up to £25 million each for Town Deals. Areas of London were not included within the Towns Fund.
Community Renewal Fund	The UK Community Renewal Fund will provide £220 million additional funding to help places across the UK prepare for the introduction of the UK Shared Prosperity Fund. This Fund aims to support people and communities most in need across the UK to pilot programmes and new approaches. The Fund will invest in skills, community and place, local business, and supporting people into employment. All places across the UK are eligible for pilot funding.
Skills Fund	A £2.5 billion fund for adult skills, including a guarantee of free access to level 3 qualifications and funding for skills boot-camps.
Freeports	Low-tax and low-tariff business zones, announced in the March 2021 budget.
UK Infrastructure Bank	A new government-owned bank that will be able to finance infrastructure projects. The bank will have £12 billion of capital for lending and investment, and the authority to issue up to £10 billion of guarantees.
Civil Service Relocation	The movement of civil service jobs away from London and the south-east of England, with a target to move 22,000 jobs by 2030 .

Funding Vs. Population



BUT IS THIS APPROACH JUSTIFIED?

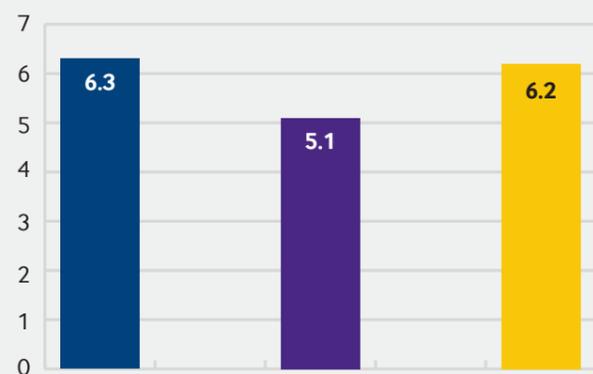
Localis' Local London and Levelling Up (2021)⁵ research report observes there is extensive disparity of wealth, business opportunities and access to education between different London Boroughs.

The first graph below⁶, which is replicated using data from that report, relates to the percentage of people of working age with no qualifications.

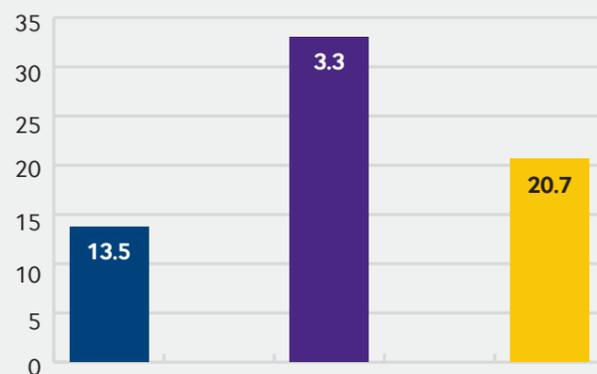
The first graph below represents a potential misconception that London is in less need of Levelling Up governance intervention than the rest of the UK. Paradoxically, the evidence outlines that in some London Boroughs, namely Barking and Dagenham, Bexley, Enfield, Greenwich, Havering, Newham, Redbridge and Waltham Forest, there is a higher proportion of the working ages with no qualifications when compared to the rest of England.

And the same is true for other socioeconomic indicators, as demonstrated by the second graph below⁷, which refers to the percentage of employment in knowledge-intensive services. The graph identifies the percentage of people in employment in knowledge-intensive services in some London Boroughs is significantly lower than the national average. As acknowledged above, opportunities and skills are recognised as forming a key part of the government's Levelling Up agenda and this data therefore points to the need for London to be included within it.

Percentage of people with no qualifications of working age



Percentage of people in employment in knowledge-intensive services



■ Barking and Dagenham; Bexley; Enfield; Greenwich; Havering; Newham; Redbridge; Waltham; Forest

■ Other London Boroughs

■ England

Ultimately, these charts demonstrate that London should not and cannot be viewed as a homogenous economic powerhouse, but rather as an urban landscape comprising a mass of unique character identities, all possessing their own individual socioeconomic challenges. Therefore, dynamic localised responses are crucial within the Levelling Up agenda to ensure key areas of London are not forgotten.

This data is not ground-breaking. The London Plan at paragraph 2.10.1 identifies, for example, there are parts of London where the impacts of inequality and deprivation are particularly concentrated. Based on the Index of Multiple Deprivation, many of the city's neighbourhoods lie within the 20 percent most deprived areas in England. These areas are defined in the London Plan as Strategic Areas for Regeneration.

The first figure to the right presents the London Plan's Strategic Areas for Regeneration and supports the contention that London is not a homogenous region of universal prosperity.

Additionally, the London Plan establishes key locations with development opportunities to accommodate new homes, jobs and infrastructure (of all types), known as Opportunity Areas. These areas are identified in the second figure to the right. As can be seen, the Opportunity Areas broadly align with areas of deprivation identified in the first figure. Policy SD1 of the London Plan sets out that Boroughs, through Development Plans and decisions, should encourage the growth of Opportunity Areas, and the Mayor seeks to ensure that Opportunity Areas fully realise growth and regeneration potential.

But, if London as a whole is being pitted against other regions, can these Strategic Areas for Regeneration and Opportunity Areas see the change they need to?

A recent survey for the Centre of London think-tank found, for example, that 44% of London adults⁸ already consider the city is not getting the attention it requires.

Figure 1

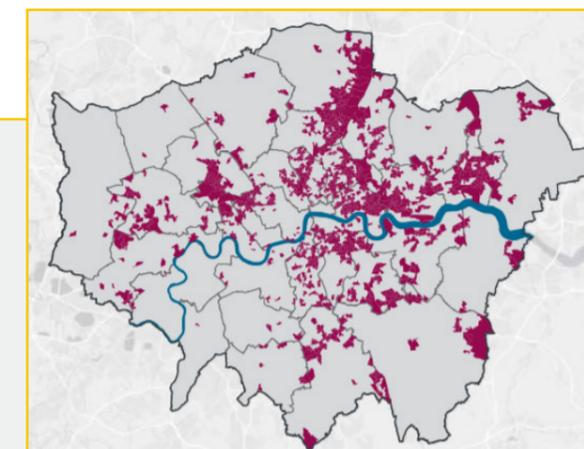
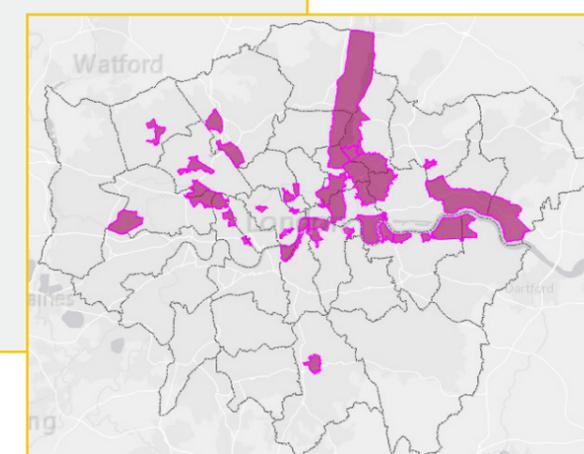


Figure 2



The problem with regional comparison

There is a common assumption that London must be compared with the rest of the UK, particularly against northern regions. When considering the respective cost of living indexes and the London Living Wage however, this assumption potentially leads to conflated and inequitable comparisons.

As identified in the table to the right, a cost comparison between London and Manchester, the city with the second highest GVA in the UK behind the capital, pertinently represents the incomparable nature of these two areas.

There is a risk therefore, that direct comparison of London's regional economic status against the northern regions perversely underrepresents the severity of localised socioeconomic challenges within London and consequently, may unjustly fuel calls for focus to be shifted away from London, or for London to be Levelled Down.

Manchester and London costs comparison

- **£4,941.23** would be needed in London to provide the same standard of living provided as **£3,400** in Manchester
- Consumer prices (including household rent) are **45.33%** higher in London than in Manchester
- Household rent is **116.35%** higher in London than in Manchester
- The cost of groceries is **6.93%** higher in London than in Manchester
- Local purchasing power in London is **4.02%** lower than in Manchester

1 2 3

THREE CONCLUDING THOUGHTS

1

Regional comparison and need in London

In the context of our research, we consider it is important that London is viewed less as a homogenous economic powerhouse and more as a diverse region, comprising areas of unique character identities which all possess their own individual socioeconomic challenges. Our research undoubtedly shows that there are areas of London that are as deserving of 'Levelling Up' as the more focused upon northern and Midland regions. There is a significant risk that high level regional comparison will result in these key areas being missed from the Levelling Up agenda. It is clear from our research that London cannot afford to be Levelled Down or forgotten as the Levelling Up agenda gathers steam.

2

A defining metric for Levelling Up

Intervention is required to ensure that areas most in need are targeted as part of the Levelling Up agenda. These areas should not be prioritised on the basis of their geographic location, but on a common framework that benchmarks deprivation and need. A standardised metric approach would ultimately ensure that key areas, including areas within London, are not missed from the Levelling Up agenda. We consider that a metric for defining need should be based upon more than crude GVA comparison. Instead, a metric should be based upon a broader scope of categories, which could include, for example, barriers to services and employment, education, health care and cost of living. This list is not exhaustive but seeks to demonstrate the need to look beyond simplistic economic regional comparison. We consider the Levelling Up White Paper must present a metric for defining areas of need that is not regionally weighted outside of London, but based objectively on localised requirements. That metric should be objective, transparent, and measurable.

3

The role of subnational government

There is already recognition within the London Plan that there are areas of deprivation that must be subject to investment and regeneration. But to date, this has not permeated into the central government's approach. This points to a potential conflict in approach between central and subnational governance. The analysis undertaken in respect of the government's flagship Levelling Up policies identifies a trend of central government decision making. The Towns Fund and the Levelling Up Fund for example both allocate funding based on bids that local areas submit. In the context of the research set out within this note, there is an argument to be made that subnational tiers of government should be given more autonomy to target key areas in need of Levelling Up through the plan-led system. Here, we point to the need for central government funding to be matched by dynamic localised responses. The awaited White Paper ultimately presents the government with an opportunity to clarify its intentions on the role of subnational tiers of government in the Levelling Up agenda.

¹ Johnson, B 'Keynote Speech', speech delivered to Conservative Party Conference 2021, 6 October 2021, <https://www.conservatives.com/news/prime-minister-boris-johnson-speech-conference-2021>

² Greening J, 'Teacher development key to school improvement', speech delivered to the Association of School and College Leaders Conference, 10 March 2017, www.gov.uk/government/speeches/justine-greening-teacher-development-key-to-school-improvement

³ Ministry of Housing, Communities and Local Government, 'Town Deals: full list of 101 offers', 15 July 2021, www.gov.uk/government/publications/town-deals-full-list-of-101-offers/towndeals-full-list-of-101-offers

⁴ Office for National Statistics, Estimates for population for the UK, England and Wales, Scotland and Northern Ireland, 25 June 2021

⁵ Localis, Local London and Levelling Up, 3 November 2021

⁶ Office for National Statistics, Business Register and Employment Survey, 23 August 2021

⁷ Office for National Statistics, Business Register and Employment Survey, 23 August 2021

⁸ Hill, D, What do Londoners think about 'levelling up'?, 26 October 2021, <https://www.onlondon.co.uk/what-do-londoners-think-about-levelling-up-new-poll-findings-shed-light/>

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