

ICE submission to the Levelling Up, Housing and Communities (LUHC) Committee's inquiry on Funding for Levelling-Up

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Introduction

Established in 1818 and with over 95,000 members worldwide, the Institution of Civil Engineers exists to deliver insights on infrastructure for societal benefit, using the professional engineering knowledge of our global membership.

It focuses on three of the key questions the Committee is exploring within this inquiry.

For more information, please contact:

Laura Cunliffe-Hall, Policy Manager, ICE
policy@ice.org.uk

Summary

First and foremost, the narrative underlying levelling up is not new – addressing regional inequalities is a long-standing challenge in the UK and around the world. Clearer outcomes from levelling up must be defined in order to make progress from the policy for communities requiring much-needed investment.

Figures published by the Office of National Statistics (ONS) for 2018 showed that London and the South East outperform other parts of the UK on measures of productivity and earnings.¹ According to IPPR North, average public spending on transport per capita for 2009/10 to 2019/20 was £349 per person in the North, compared to £430 for the UK overall and £864 per person for London.²

While regional imbalances are well documented, the government's approach to levelling up has been criticised for lacking a clear definition, strategy or desired outcomes and metrics to measure success. In February 2022, the Johnson government published the Levelling Up White Paper which goes some way to addressing these concerns. The paper sets out 12 medium-term levelling up missions intended to increase pay, employment and productivity and boost well-being across the UK by 2030.³ It provides a framework against which investment can be directed and monitored, with a new independent advisory council to be established and a statutory duty to publish an annual progress report. There is a renewed focus on local empowerment, with a new devolution framework and pathways to extend, deepen and simplify local devolution in England. The UK remains highly centralised, even though subnational decision-makers are often best-placed to ensure infrastructure investment delivers the greatest economic, social and environmental benefits to their regions. Getting devolution right will be essential to delivering on the vision set out in the White Paper.

¹ [ICE \(2020\) 'Levelling up' and the role of infrastructure: ICE discussion paper](#)

² [IPPR North \(2021\) Transport spending gap](#)

³ [DLUHC \(2022\) Levelling up white paper](#)

In 2018 the National Infrastructure Commission recommended additional powers for Mayors to deliver “ambitious, integrated strategies for transport, employment and housing”. In addition, the White Paper pledges to simplify the funding landscape for subnational authorities. Currently, funding from national government for subnational infrastructure projects is highly fragmented and tends towards short-term grants awarded through competitive bidding.

We have based our submission around the questions outlined by the Committee where we can, highlighting where we believe improvements can be made or are necessary.

The ICE is ready to support the Committee in addressing these weaknesses and moving towards a more credible and deliverable plan to allocate the funding to level up communities.

How does levelling up funding integrate with other funding streams such as the Towns Fund, the High St Fund, the Sustainable Transport Fund etc?

It is necessary for there to be much stronger integration between funding for levelling up and similar funding streams developed to regenerate communities, including the Towns, Future High Streets and Sustainable Transport Funds. This will ensure that funding is allocated equitably between communities, and clear empirical data outlines which areas bids are successful and why – councils have argued that this has not necessarily been carried out to provide a clear rationale for rejection.

There should be also clearer alignment between levelling up and net zero and this should be realized through integrating related funding streams. The UK has the appropriate top-down commitments to net zero and levelling up in place, but there is little formal alignment between the two.

The Levelling Up White Paper references the net zero transition, acknowledging that the structural shift to net zero could have significant and wide-ranging impacts on the economy, including jobs and skills, infrastructure and technology, and investment and innovation.⁴ It also warns of the potential disproportionate effect net zero could have across various parts of the UK, highlights the need for new skills and reflects on some opportunities it can bring. However, there is little alignment between the Levelling Up White Paper and the Net Zero Strategy, and notably there is no mention of net zero or other environmental outcomes in any of the 12 levelling up missions.

As it stands, the lack of alignment separates net zero and levelling up into two individual problems, when in reality the outcomes from the two should be heavily linked. The net zero transition can bring greater prosperity, job creation, healthier lifestyles and improved well-being – all outcomes linked to the levelling up missions. Not aligning the two agendas risks missing opportunities to deliver the best outcomes for communities, and also risks contradictory outcomes where net zero policies do not deliver on levelling up, and levelling up policies actually increase greenhouse gas emissions. Almost three-quarters of local and combined authorities have declared climate emergencies, recognising the urgency of acting on net zero.⁵

Alongside this, the Climate Change Committee has estimated that the majority of emission cuts to achieve net zero rely on decisions made at local and individual levels.⁶ A UK Research and Innovation (UKRI) report found that poorer and more vulnerable groups in society are likely to disproportionately gain from the benefits of decarbonising the economy.⁷ For example, targeted investment in parts of the green economy can create a skilled workforce and supply chain, investment in energy efficiency can decrease fuel costs and improve life expectancy, while investment in transport systems can

⁴ DLUHC (2022) [Levelling Up the United Kingdom](#)

⁵ ICE (2021) [The Role of Subnational Leadership in Achieving Net Zero](#)

⁶ Climate Change Committee (2020) [Local Authorities and the Sixth Carbon Budget](#)

⁷ UK Research and Innovation (2022) [Accelerating Net Zero Delivery](#)

improve access to services and deliver wider health benefits. However, these benefits will only be realised if there is a just transition.

Historically, industrial change has been the catalyst for increasing regional inequality, so therefore a transition to net zero must be designed fairly and a coherent narrative developed to ensure there is public support for policies aimed at both climate change and levelling up. All of this indicates the importance of a place-based approach to delivering net zero while simultaneously levelling up. The UKRI found that a place-based, bottom-up approach to net zero delivery saved more than half the investment cost compared a 'place-agnostic' approach, while doubling the social benefits.⁸

The Resolution Foundation has also pointed to green investment as a key factor in levelling up.⁹ The highest share of green patents is from organisations and individuals based in lower-productivity areas, such as Durham and the Tees Valley, Nottinghamshire and Derbyshire.¹⁰ There are other risks in not having a joined-up approach around climate resilience. Levelling up policy implementation that does not consider investment in climate resilience and adaptation could further exacerbate loss and damage from climate impacts.

Coastal communities, in particular, will value investment in resilience and adaptation projects that will not only provide development and jobs, but also protect their communities. The links between levelling up and climate change must therefore be made more explicit. Levelling up policy needs to be integrated into decision-making around funding, and not be a bolt-on. The 2020 Green Book review, the remit for the National Infrastructure Commission and the remit for the UK Infrastructure Bank (UKIB) all reference levelling up and tackling climate change. The UKIB has also developed an advisory service for local authorities and other project sponsors to support project development, with pilots currently taking place.¹¹ This advisory service plans to address capacity gaps among many local authorities, who may not have the expertise to develop, structure, finance and deliver complex infrastructure projects. The fact that existing institutions and frameworks join levelling up and climate policy together provides solid foundations to build on and should also be a model for funding streams to follow.

The government has already indicated it will start to move away from competitive funding rounds for levelling up.¹² By granting greater economic freedom to local and combined authorities, they will not only have the autonomy to pursue interventions and programmes specific to their local needs but, in doing so, they will be able to support levelling up and net zero as an inherent part of local growth strategies.

Levelling up and the transition to net zero must be mutually reinforcing if either is to be a success. The government is due to publish its updated Green Finance Strategy in 2023. Through the Green Finance Strategy, the government should outline an integrated approach to investment in net zero and levelling up, aligning the net zero transition with the outcomes from the wider levelling up missions. This will in turn ensure longer-term sustainable economic development.

How are Levelling Up projects being measured in terms of value for money and for their contribution to Levelling Up?

An initial set of topline and supporting metrics for measuring and tracking progress against levelling up outcomes was published alongside the White Paper.¹³ The Government has confirmed that a longer suite of supporting metrics will be developed for each mission.

As there is limited detail on how most of the missions will be met, and less detail on available funding, there is little sense of prioritisation which in turn risks ambition and resource being spread thin around individual Levelling Up projects.

⁸ Ibid.

⁹ Resolution Foundation (2022) [Growing Clean](#)

¹⁰ Ibid.

¹¹ HM Treasury (2021) [UK Infrastructure Bank Policy Design](#)

¹² Ibid.

¹³ Department for Levelling Up, Housing and Communities (2022) [Levelling Up the United Kingdom: Missions and Metrics](#)

Without this prioritisation and more detailed metrics, the investment directed towards addressing regional inequalities could be misallocated, as could the opportunity to support delivery of other, complementary national objectives such as net zero greenhouse gas emissions.

There are currently missing and vague metrics that, unless addressed, will make it harder to deliver the levelling up missions. The ICE has recommended metrics for measuring progress on levelling up that are geared towards local outcomes.

In general, more weight should also be attached to the whole life benefits of projects and programmes, as opposed to a fixation on achieving lowest capital cost in delivery. ICE's work on this has shown that 68% of British adults think politicians should talk to the public more about the benefits of major infrastructure projects rather than the costs and this is particularly important when it comes to highlighting what levelling up can do for communities.

Responses to a 2020 ICE discussion paper on infrastructure and levelling up identified the need for the development of a set of metrics to help determine how the levelling up agenda should be positioned, and its impact measured.¹⁴ These could include, for example, indicators related to transport access and connectivity, the provision of digital infrastructure, levels of fuel poverty and the condition of assets and networks and could be applied on a project-by-project basis.

Others have identified that Government should track a wide number of indicators to measure levelling up. Different metrics can show completely different trends; excessive focus on just one indicator could skew policy.¹⁵

Metrics for measuring progress on levelling up should be geared towards local outcomes to ensure there is sufficient value for money. There are currently missing and vague metrics for levelling up that, unless addressed, will make it harder to deliver the missions outlined in the 2022 White Paper.

Numerous papers highlighted the need for appropriate granularity when considering inequalities between areas. Focusing on larger areas can conceal significant inequalities at very local levels, which become more acute in large urban areas such as London or Manchester.¹⁶ Some papers also identified that the public tend to identify with smaller scales of region as opposed to cities as a whole, though focusing on inequality at smaller scales may require different metrics and result in different outcomes compared to focusing on inequality at a regional level.¹⁷

Granularity also has an impact on the suitability and accuracy of certain metrics: some metrics were described as being more suited to smaller-scale analysis and more tightly linked to policy.¹⁸

There is also a risk that broad metrics, such as on productivity growth, will result in outcomes in already high-performing areas lagging in comparison to the lowest-performing ones. We must avoid 'levelling down', especially when the public mood may be in favour of it, taking the view that 'levelling down' closes the gaps between regions. This is a particular risk where targets are unambitious. For example, the missions state that productivity should increase in every region by 2030, with the gap between the top-performing and other areas closing. London has seen higher than average productivity growth in the last decade. This growth could stall but London's productivity could still grow somewhat by 2030, thus meeting the target. To make sure levelling up occurs, and not levelling down, the missions should set specific targets for high-performing areas as well as the lowest-performing areas. This will also ensure that projects provide a better value for money for communities and can accurately be measured on how they are helping to level up specific areas.

It is welcome that the government is defining what success looks like for levelling up in measurable terms. However, there are data gaps that the government will need to fill to make sure it is measuring all relevant outcomes at the right regional level.

¹⁴ ICE (2020) [Influencing the Government's 'Levelling Up' Agenda](#)

¹⁵ Onward (2020) [Measuring Up for Levelling Up](#)

¹⁶ Bennett Institute for Public Policy (2021) [Levelling Up: An Anthology](#)

¹⁷ Onward (2020) [Measuring Up for Levelling Up](#)

¹⁸ Institute for Government (2021) [Inside Briefing Podcast: Levelling Up or Spreading the Jam?](#)

Local needs assessments should also be required to achieve optimum outcomes. Prior to defining the infrastructure interventions that can help achieve levelling up, regional and local social needs must first be identified. The more that is understood about what is needed at a micro-level, the more local governments can understand exactly what interventions are required.

Local authorities should undertake local needs assessments to ensure that there is a good understanding of the inequalities that levelling up investment in infrastructure should address, and to ensure that the benefits of investment reach those who are in most need. With the right evidence, investment can be correctly targeted at the right outcomes and this in turn will make money and ensure projects are playing their part in making levelling up a reality rather than a rhetoric.

Will the Government's approach to funding for levelling up achieve its objective of levelling up the country?

At the heart of levelling up is the ambition to remove inter-regional disparities in productivity. There is a need to drill down the 12 missions and identify the main parts of the puzzle that will help to achieve a truly levelled up UK. Unlocking infrastructure is one of the key components to accelerate the pace of change and help bridge the regional divide.

The various components of the infrastructure sector are significant contributors to economic growth.^{19 20}

Without knowing how levelling up can be effectively measured and its outcomes addressed through infrastructure interventions, the investment directed towards it could be wasted, as could the opportunity to support delivery of other, complementary objectives such as net-zero greenhouse gas emissions.

Government should give more thought to UK content in net zero industries like offshore wind, to ensure that local communities that host such infrastructure benefit from it.²¹

The current system, based on competitive bidding, discourages cooperation between areas and leads to authorities submitting bids based on government criteria rather than local needs.

One solution would be for sustainable, multi-year funding settlements that provide a clear direction of travel to all stakeholders. Building the capacity and capability of local authorities will be a long-term undertaking, but it should be addressed and not used as a reason by central government to withhold powers and funding.

¹⁹ Energy UK (2020) [Energy in the UK](#)

²⁰ ICE (2020) [Infrastructure as a Stimulus – Laying the Foundations for the New Normal](#)

²¹ ICE (2022) [Presidential Roundtable Summary: What is the role of infrastructure in ensuring success for levelling up?](#)