

# Quantifying levelling up

CCN annual conference 2021 – Grant Thornton roundtable

2022



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# Introduction

The levelling-up agenda has been on the forefront of the minds of leaders in local government for some time, but many questions remain as to how it is being defined, how it will be delivered, and how progress will be monitored. In order to help councils navigate some of the challenges Grant Thornton has designed a new ‘Levelling-Up Index’ (the Index).

The Index provides unique analysis which aims to help local authorities by providing a toolkit that brings multiple datasets together and allows them to explore how their places are performing and suggesting what type of interventions might be necessary to help them level-up their places.

To explore what the index means for them, and explore the challenges and opportunities facing local authorities in the context of levelling up, Grant Thornton UK LLP held a roundtable with Leaders and senior officers from county authorities at the County Councils Network (CCN) Annual Conference in November 2021.

This paper sets out:



the context surrounding the levelling-up agenda



key points arising from the roundtable discussion



reference to some of the recommendations arising from previous Grant Thornton reports



policy and practice priorities as a result of the discussion

## Scene setting

Levelling-up has been in the Government psyche since 2019 when it was introduced in the Conservative Party manifesto. The manifesto pledged that investment would be made across the country, including rural and coastal areas and stated that this wouldn't just be about investment 'but giving them far more control of how that investment is made'.

Since that manifesto pledge, £4.8 billion was announced at the 2020 Spending Review for a Levelling-Up Fund for interim capital investment in local infrastructure. Two other funds were also announced – the £220 million Community Renewal Fund, which provides interim funding to bridge the gap between European Structural Investment Funds and the UK Shared Prosperity Fund, and the £3.6 billion Towns Fund for investment in town centres.

Levelling-up has been intrinsically linked to devolution and it was announced in May 2021 that the long-awaited Devolution White Paper would be replaced by the Levelling-Up White Paper which is anticipated in early 2022. In July 2021, the Government announced its intention to introduce county deals that would 'empower strong local leaders by taking a more flexible approach to devolution'. This will provide a vehicle to deliver devolution in county and rural areas, and it is hoped that these deals will offer similar powers and flexibilities to the devolution deals that have been on offer to city regions.



## Place-based growth

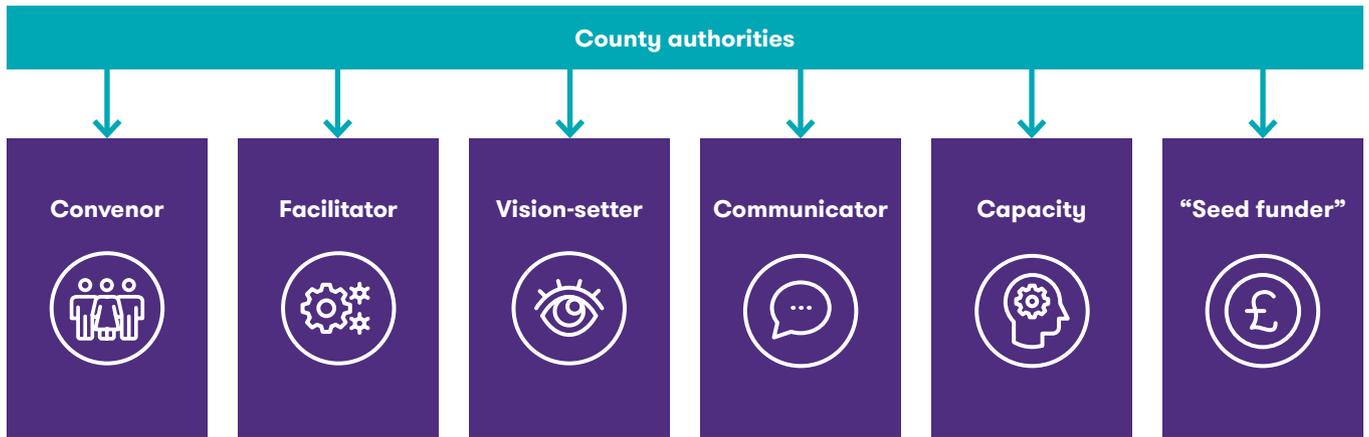
Grant Thornton has worked with CCN and their members authorities extensively over recent years, and have produced a number of reports on the role of county councils including place-based growth<sup>1</sup> and place based recovery<sup>2</sup>. This work highlights that CCN's county and unitary areas account for 46% of England's population, 47% of its homes and 48% of its businesses. It also highlights that CCN councils play a key role in economic growth, making a significant contribution to growth related expenditure, and acting as place-leaders in their areas by being:

- **Convenors** – regularly taking the lead in bringing together different parties and stakeholders to create and then deliver the strategic vision for a place.
- **Facilitators** – removing barriers to growth through local leadership or strategic investment.
- **Vision-setters** – leading on clear and unified place-based strategies and taking the lead role across multiple partners in establishing the vision and clarity of purpose.
- **Communicators** – playing the lead role in communicating about the place, including engaging and communicating with Members about individual projects, leading on the discussion with government around investment and promoting the strengths and opportunities that exist within a particular place.
- **Capacity-builders** – providing additional capacity around delivery, such as providing resources to support the development and delivery of key projects and programmes or drawing on personal and political networks to engage with Government.
- **Seed-funders** – using their limited financial resources to enable strategic leadership by using capital programmes to fund projects, release wider opportunities or unlock latent potential.

1 Place-based growth: The role of Counties in Levelling-Up England - <http://www.countycouncilsnetwork.org.uk/download/2798/>

2 Place-based recovery - <http://www.countycouncilsnetwork.org.uk/download/3114/>

**Figure 1: The influence of county councils in growth**



Despite playing a significant role in growth, the work has shown that growth, as measured by Gross Added Value (GVA), in county areas has lagged behind the rest of the country by 2.6% over the last five years.



**30/36**

county authority areas have **productivity levels below the England average**, as well as slow business growth with counties averaging 7.9% growth over the last five years which is almost half that of the rest of the country's figure of 15.1% between 2014 to 2019.

Most recently we worked with CCN on an update report on place-based recovery as county councils grapple with the economic fallout from the COVID-19 pandemic. The report set out new analysis that showed that almost six million employees in county areas are working in 'at risk' job sectors. Modelled GVA estimates suggest that the impact of COVID-19 could cause a marked decline in annual GVA output in England, but its impact will be felt the most in county areas, declining by 15%.

Our work found that the level of risk can vary hugely within individual authorities, highlighting the need to coordinate growth and recovery strategies at scale to work across areas of lower and higher risks within a county geography.

It has also revealed that there is no north-south divide in the context of growth with some of the counties experiencing the lowest economic growth being in the South East and South West.



# The Levelling-Up Index

In order to succeed in delivering the levelling-up agenda, we believe that the Government must consider the following principles in order to succeed.

Government must:

- genuinely understand places
- prioritise and focus investment
- align local and national delivery priorities
- enable local government to deliver.

The Levelling-Up Index has been designed to help do exactly that and is made up of several ‘baskets’ as shown in Figure 2 below. These baskets bring together relevant socio-economic datasets to provide an in-depth analysis of how a place is performing.

**Figure 2: The factors that matter**

## Prosperity

An economy that is producing wealth and creating jobs

## Inclusion and equality

Everyone benefits from economic growth, there are opportunities for all and the gap between richest and poorest narrows

## Resilience and sustainability

The economy has a neutral impact on the natural environment and the built environments are places people want to live in

## Dynamism and opportunity

An entrepreneurial and innovative economy with skill sets that can drive future growth

## Health, wellbeing and happiness

People are healthy and active, leading fulfilling lives which provide individual prospects

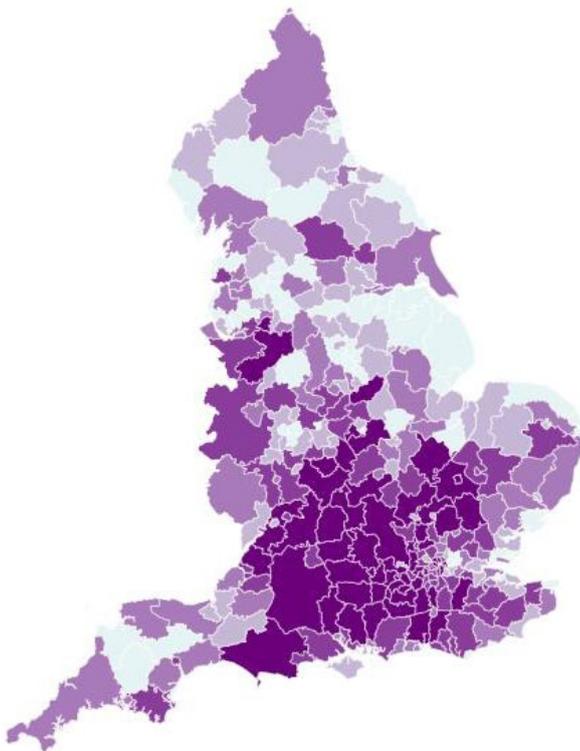
## Community, trust and belonging

A lively and creative cultural life, and a clear identity and sense of community alongside places people feel safe in

Levelling up

Once the analysis has been run for a place, a score is provided for each basket in addition to an average score, which is shown at Figure 3 below. The darker the colour, the higher the score, indicating that it is performing well on some or all of the baskets that make up the index.

**Figure 3: Scoring of the Levelling-Up Index at a County and Unitary geography**



The Index aims to highlight the disparity between places, but also within places, which bolsters calls for a place-based approach to Levelling-Up rather than a centralised approach.

The financial capacity of local authorities will of course also be a key role in the success of levelling-up, and our analysis provides three recommendations to improve the financial capacity of local authorities. This includes:

- simplification of public sector funding programmes – places are competing and bidding for funds when everywhere should have access
- the scale of private sector funding is not being maximised, and the Government should work with those funders across a larger geography rather than having place by place competition
- leveraging assets more effectively – making the most of public assets to reinvest in communities.

**Figure 4: Enhancing local authority financial capacity**



Finally, we have used our Financial Foresight model to forecast county authorities financial vulnerability against their score on the levelling-up index. This helps to give some indication of the type of intervention that would be appropriate for each local authority, and helps to demonstrate that the response to each area will need to be different and require different interventions.

For example, for those authorities that have a high financial sustainability and a high score on the levelling-up index, the devolution of powers is recommended. Where financial vulnerability is high and the score on the index is low, it is recommended that targeted investment is given to the authority to tackle their acute challenges.

Regardless of the score, we believe that a mixture of the following will be required to make levelling-up a success:

- Devolution of powers/funding and associated reform of local governance
- Need for leadership skills and capacity
- Creativity, innovation and sharing of best practice
- Rationalisation of local services.



# Roundtable discussion

After participants heard from Grant Thornton about the Levelling Up Index, a roundtable conversation ensued where participants discussed the opportunities and challenges surrounding levelling-up in their areas.

The conversation covered four broad themes.



Devolution and county deals



Local government finance and budgets



People and skills



Transport and climate change

Below, we set out a summary of the conversation, along with key recommendations from our recent reports on place-based growth, place-based recovery and county deals: options for governance, power and funding. Devolution and county deals unsurprisingly were the dominant topics of conversation.

## Devolution and county deals

“Levelling-up is for everyone.”

This was the view of one of the participants which secured unanimous agreement, that levelling-up should be about every corner of the country and should have communities, and the benefits that the levelling-up agenda could bring to them, at its heart. There was also strong agreement that levelling-up applies within as well as between places.

One of the key areas that the conversation quickly steered to, where it was felt that it would be a key mechanism to deliver levelling-up, was the devolution of powers and funding to councils. This included ‘county deals’ that were announced in July 2021, where places will have to work with government to get the right deal for them, that allows them to play to their strengths but also address their weaknesses.

Conversation also covered how CCN member councils could work to encourage the Government to deliver deals at pace and at scale, as every area needs the powers and levers they need to drive their own economies and upskill workforces. There was a call from participants that messaging from central government needs to be clear and consistent, and set out clear direction about what they want from county deals which would then provide a catalyst that allows local areas to start discussing their ambitions for devolution. It is hoped that the forthcoming Levelling-Up White Paper will provide that clarity.

Trust was a key word that was used, and a recognition that decisions have to be taken locally in order to make the biggest impact. A ‘one size fits all’ approach will not work when it comes to devolution and levelling-up, particularly when considering the different types of local government, from two-tier to unitary, the nuances they bring and the heterogeneity between places. If levelling-up is to truly succeed, government should co-design policy with local government to ensure that the approach is right and has the flexibility to respond to local circumstances.

In addition, there was a call for Government to be transparent over its conversations that are being had across the country in order to communicate what is trying to be achieved through the devolution process, and to prevent authorities from bidding against one another.

As one participant said:

“Even if there is not sufficient funding to fund every deal that’s out there, if there were powers or abilities, we could just be getting on with it...there is macro level of national levelling-up, but there is also a local level, and my authority wants to level up within itself.”

The process, as the Index shows, will need to start from a place of understanding that everywhere has its differences and will require differing support, powers and levers to drive levelling-up. However, investment will also be vital, and it was felt that both would be required together in order to be most effective.

Linked to not having a ‘one size fits all approach’, governance was also unsurprisingly part of the conversation. Participants urged the Government to allow areas to get on and deliver devolution, rather than add an additional layer of governance that in some instances would destabilise current structures rather than stabilise them. This would also add a significant time lag, when councils could start to deliver now. Again, consistency of message around expectations over governance is crucial to allow councils to start to plan, as well as deliver.



### Key recommendations

#### County deals: options for governance, powers and funding

When thinking about devolution and governance, local authorities should:

- Consider the range of alternatives to the mayor combined authority model which can provide more appropriate vehicles for county-based devolution and are more readily deliverable.
- Be pragmatic and reflect the complexity of local geographies, including political alignment, the quality of existing partner relationships and the number and relative influence of other component councils in the choice of governance model.

The government should maintain an approach that seeks to provide at least parity with the powers and funding available to mayoral combined authorities, whilst seeking to go further with more ambitious proposals.

## Local government finance and budgets

“For every £10 coming in through the taxpayer, £8 of it is spent on adult social care.”

Participants also discussed the existing pressures on local government, and how these will continue to provide a barrier unless long term funding is secured. This included pressures arising from their statutory duties, such as adult social care and special educational needs and disabilities (SEND). Pressures around adult social care have gone beyond the elderly as one participant said:

“Well over 50% of our adult social care bill is for people who are not retired.”

Equity of funding was a point that was raised as part of the discussion, and the way recent funding decisions have favoured metro mayor areas over the rest of the country.

Discussion also included comments about how local government can deliver value for money for UK PLC, as through knowing their places intimately, they know where their investment will best be targeted to deliver the best results. Members highlighted how councils had demonstrated their leadership throughout the response to the COVID-19 pandemic, and this only bolsters the justification for further devolution of powers and funding to local government.

Capital and revenue funding was also discussed, and how a mixture of both would be needed in order to help councils to deliver levelling-up. It was felt that capital funding from streams such as the levelling-up fund would help counties to build new public assets that would provide a visible cue to communities that their places are improving, but revenue funding would be vital for longer-term change, along with the right powers in order to allow authorities to make a transitional shift to build the right resources to lead initiatives and drive change.

Capacity funding was also discussed, and participants were highly supportive of devolution deals giving authorities the resources that would allow them to work to on their own pathfinders and identify the projects that would have the biggest impact in their places.



### Key recommendations

#### Place-based recovery: how counties can drive growth post COVID-19

Funding processes need to be streamlined, simplified and devolved. New funding should be focused on both immediate recovery actions as well as building capacity to deliver strategic growth priorities.

#### County deals: options for governance, powers and funding

Pre-existing and new funding streams should be aggregated to support the outcomes and activities agreed through county deals. It also suggested that the Department for Levelling Up, Housing and Communities should act as a conduit to ensure that there is wider involvement and commitment from other government departments.

## People and skills

The importance of bringing communities on the journey was felt to be one of the most important parts the levelling-up agenda – communicating with them about what could be achieved and how this will benefit them. The population projections of county areas will be a challenge – with an increasingly ageing population in county areas, and younger people tending to chose to live in cities.

“Every year we have 2,000 more people over the age of 85.”

It will be important to ensure that social workers and care workers can afford to live in the places they work.

Working with the NHS to improve health outcomes and life expectancy which currently varies widely across the country. Forthcoming Integrated Care Boards and social prescribing were tools that could be used to join up the delivery of services and drive cost savings. In addition, one participant mentioned the need to support young people, not just in terms of skills and training, but in wider opportunities.

Skills and training will also play an incredibly important part of levelling-up, and in order to attract and retain talent. In the absence of conversation with central Government, many authorities have taken direct action and put initiatives in place, working with their Local Enterprise Partnerships (LEPs) and local anchor institutions, to overcome issues around the local workforce and tackle skills shortages. This has had positive impacts not only for the local area, but for similar industries more widely across the country. There was a call to take action where possible and not wait for devolution to happen, but rather to drive change locally. There was acknowledgement the government would benefit from engaging with local authorities in order to target inward investment.

The role of businesses and the future of LEPs was also discussed. There was mixed view around the table about how LEPs were working across county areas, but it was acknowledged that input and involvement with businesses is vital as they play an integral role in the functioning of communities. The convening and facilitation role of county councils was seen as a key asset that can help businesses deliver their strategic ambitions more quickly by helping them identify the right skills, or linking them to sources of intelligence or research.

Participants commented that local businesses were very engaged with local authorities during the COVID-19 pandemic as they worked together on economic recovery. However, with the various funding packages that have been announced by government, authorities are stretched to the limit in terms of delivery of a vast range of programmes. Participants noted that this is an excellent opportunity to involve the business community as they plan for the future of their areas, and this could include the education sector to ensure that those plans are matched with the right skills.

Growth boards that have been set up by many county councils were seen as good way to join up plans for growth and bring in businesses and relevant sectors and ensure that stakeholders are aware of the council’s activity and vice versa. Other participants talked about locally led development corporations as a mechanism that would allow an authority, or groups of authorities, to combine discussions with local businesses with powers to deliver such as planning powers and land allocation.



### Key recommendations

#### Place-based recovery: how counties can drive growth post COVID-19

Skills provision and growth should be aligned to ensure that the current and future workforce have the skills required to deliver future growth.

It also recommended that insight and data-led Growth Boards be set up across every county authority area to lead on local, green place-based recovery and to ensure that there is capacity to deliver locally.

## Transport and climate change

The challenge around transport in county areas was also commented on, in particular public transport and specifically buses. Although the Department for Transport launched its National Bus Strategy last year, which sets out expectations for transport authorities to prepare Bus Service Improvement Plans, participants were sceptical about how effective these would be given the dramatic decline in ridership since the COVID-19 pandemic. One participant commented:

“Public transport for most of our areas is at best an aspiration...it’s not there, and it’s not there in terms of regularity, and it won’t be because we have so many disparate villages.”

The knock-on impact that a lack of public transport has on communities in terms of access to skills and training opportunities as well as employment, particularly in more deprived areas where car ownership is low. It also has challenges for meeting climate change targets and reaching net zero, which will require very different solutions in county areas compared to urban areas.

Despite having ambitious plans to help tackle climate change in their areas, the costs of subsidising bus services are increasing, which includes the cost of providing home to school transport as well as funding free bus travel for pensioners. Participants commented that economies of scale cannot be reached in many sparsely populated areas, and costs are becoming increasingly unsustainable when also considering the pressures on statutory services as mentioned previously.

The importance of joining up policy decisions across Government departments was mentioned in the context of this to ensure that policies aren’t contradictory to each other. An alternative view was that in the absence of policies being rural proofed, councils need to make national policy work for them in their areas.

Finally, the Government’s commitment to Levelling-Up was questioned by some in the context of the recent changes to the High Speed 2 project, where the second phase from Birmingham to Leeds and York via the East Midlands which was scrapped by Government in November 2021. Councils in these locales had spent considerable time and resources in planning for regeneration based on the investment that was anticipated as a result of the project. Councils need certainty when they are planning for long-term growth, and these decisions will have an impact for years to come.



### Key recommendations

#### Place-based recovery: how counties can drive growth post COVID-19

An effective green, long term recovery at a local level requires devolution of powers to local authorities. It also recommended that greater consideration should be given to the additional infrastructure requirements in non-metropolitan areas. This is particularly the case given the economic and social vulnerabilities facing county authority as a result of COVID-19.

National infrastructure assessments could consider how better investment in infrastructure outside metropolitan areas could link to wider recovery and growth-related matters that would help to address some of these vulnerabilities and help level up the economy across the country.



# Policy and practice priorities

The consensus of participants was that the levelling-up agenda combined with effective devolution offers a real opportunity for county councils to realise the ambitions for their areas and to really make a difference to the people and places they serve.

At present, there is some scepticism that opportunities may be missed if Government doesn't work with local government to design and deliver it. Based on the roundtable conversation, Grant Thornton and CCN recommend the following policy and practice priorities in order to help CCN members deliver levelling-up in their places:

## **1 | Devolution should be rolled out at pace and across all corners of the country**

Participants were very clear that levelling-up should be for everyone, and that devolution of powers and funding will be the best mechanism to deliver it. Government should work with councils to deliver devolution at pace across the country.

## **2 | One size does not fit all, solutions should be tailored to local areas**

In order to enable local authorities, flexibility will be required when it comes to models and governance of devolution. Government should work with local government to co-design arrangements for levelling-up to help align partners and promote mutual understanding.

## **3 | Communication and messaging to avoid competition: this must be about everywhere.**

Government needs to be transparent about the conversations be had across the country, and about progress being made. This will help local leaders to consider their options and will avoid councils working in competition with each other.

## **4 | In order to be successful, a combination of capital and revenue funding will be needed to support levelling-up**

Government should also streamline existing and new funding and give county councils the flexibility to use funding that would respond to local circumstances and best support local ambitions.

## **5 | Government should work to join up decision-making across departments**

This will help to ensure policy decisions do not contradict each other and allow councils to deliver services to residents in a way that also helps them to drive cost efficiencies and meet climate change targets.



# Roundtable participants

Cllr Linda Taylor, Leader, Cornwall Council

Cllr Barry Lewis, Leader, Derbyshire County Council

Cllr John Hart, Leader, Devon County Council

Cllr Amanda Hopgood, Leader, Durham County Council

Cllr Kevin Bentley, Leader, Essex County Council

Cllr Keith Mans, Leader, Hampshire County Council

Owen Mapley, Chief Executive, Hertfordshire County Council

Cllr Ben Bradley, Leader, Nottinghamshire County Council

Cllr Alan White, Leader, Staffordshire County Council

Cllr Richard Clewer, Leader, Wiltshire Council

Simon Edwards, Director, County Councils Network

Guy Clifton, Director, Grant Thornton

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# CCN Member Councils

Buckinghamshire Council

Cambridgeshire County Council

Central Bedfordshire Council

Cheshire East Council

Cornwall Council

Cumbria County Council

Derbyshire County Council

Devon County Council

Dorset Council

Durham County Council

East Riding of Yorkshire Council

East Sussex County Council

Essex County Council

Gloucestershire County Council

Hampshire County Council

Herefordshire Council

Hertfordshire County Council

Kent County Council

Lancashire County Council

Lincolnshire County Council

Norfolk County Council

North Northamptonshire Council

North Yorkshire County Council

Northumberland County Council

Nottinghamshire County Council

Oxfordshire County Council

Shropshire Council

Somerset County Council

Staffordshire County Council

Suffolk County Council

Surrey County Council

Warwickshire County Council

West Northamptonshire Council

West Sussex County Council

Wiltshire Council

Worcestershire County Council

# About us

## Grant Thornton UK LLP

Grant Thornton UK LLP has a well-established market in the public sector and has been working with local authorities for over 30 years. We are a leading provider of advisory, consultancy and audit services, counting over 40% of English upper-tier local authorities as clients.

Our approach draws on deep knowledge of local government, combined with an understanding of wider public sector issues. We have significant insight, data and analytics capabilities which supports our advisory and consultancy work with local government. Our team comprises consultants, analysts, researchers and developers with a range of backgrounds which includes operational roles in the sector.

We are backed up by a wider firm that offers 3,500 specialists across a wide range of business advisory services working from 27 UK offices.

We have a deeply collaborative approach, and we work effectively across systems and with organisations from the public, private and third sectors. Our people have a strong public service ethos, who are proud to be part of our clients' improvement journeys including through change implementation.

If you have any questions about this report – including the Levelling Up Index – or would like to find out more about our approach to working with local government please contact:



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## County Councils Network

The CCN represents 36 English local authorities that serve counties. The 23 county and 13 unitary authorities that make up CCN are the largest part of the local government family. They represent all four corners of England, from Cumbria to Cornwall, Durham to Kent, North Yorkshire to Suffolk, Derbyshire to Essex. The essential services our members provide touch on the everyday lives of residents and businesses across 86% of England's landmass and 47% of its population.

CCN member councils have a prime role to play in leading recovery efforts from the pandemic – encompassing local economies, climate considerations, reform to social services, and crucially, securing greater devolution through County Deals. Their strategic leadership, ambition, and ability to bring public and private sector partners together positions them as the councils able to deliver social renewal in their local communities, right down to the neighbourhood level.

Find out more about our latest campaigns and policy [here](#).

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