



House of Commons

Business, Energy and Industrial
Strategy Committee

**Post-pandemic
economic growth:
Levelling up:
Government Response
to the Committee's
Third Report**

**Seventh Special Report of Session
2021–22**

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Business, Energy and Industrial Strategy Committee

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Seventh Special Report

On 22 July 2021, the Business, Energy and Industrial Strategy Committee published its Third Report of Session 2021–22, [Post-pandemic economic growth: Levelling up](#) (HC 566). The Government's response was received on 15 October 2021. The Government's response is appended below. The Committee's recommendations are in **bold** type, the Government response is in plain type.

Letter from Minister for Industry, 15 October 2021

1. I write to thank the Business, Energy and Industrial Strategy Select Committee for their extremely useful report titled 'Post-pandemic economic growth: Levelling up - local and regional structures and the delivery of economic growth' and its recommendations.
2. Levelling up is at the heart of the Government's agenda and, at its core, means empowering local leaders and communities; growing the private sector and boosting living standards, particularly where they are lower; spreading opportunity and improving public services, particularly where they are lacking; and restoring local pride across the UK. We want people across all parts of the UK to feel that they can get on in life without leaving their local area; we want to restore pride in places across the country and give people confidence that Government is delivering their economic and social priorities through boosting living standards and improving public services.
3. That is why I am so grateful to the Committee for providing such detailed, relevant and comprehensive recommendations – these will be helpful in the development of the Levelling Up White Paper, which continues to be a whole of Government effort – Departments and Ministers across HMG have and will continue to be consulted and feed into the development of ambitious new policies. We have also engaged with stakeholders across a wide range of sectors, regions and industries and will continue to do so as appropriate. Your report is a timely, detailed and serious contribution to the formulation of further policy in this area and we are grateful for the extensive time you spent on collating it and the constructive way in which you have made suggestions and proposals on this vital agenda for the entire United Kingdom.
4. Since the publication of this report, the Department for Levelling Up, Housing and Communities (DLUHC) has been formed. The new Secretary of State for Levelling Up has a clear mandate to ensure progress is made on this agenda. The Department for Business, Energy and Industrial Strategy continues to work closely with DLUHC and the joint Cabinet Office-DLUHC Levelling Up Taskforce, who are overseeing the development of the Levelling Up White Paper.
5. Our ambition for levelling up across the UK will require involvement from across Government, with a wide array of policies. It also requires involvement from a range of organisations, which is why I am so grateful to receive your Committee report and recommendations. We hope that some of the Government's recent remarks, and the

announcements made in September, demonstrate a clear commitment to making progress on levelling up, including, where we concur, starting to address some of the challenges the Committee rightly set out.

6. This Department has aimed to answer your recommendations insofar as possible without prejudicing live policy development. Responses in relation to the specific recommendations made within your report can be found in the annex attached to this letter. I look forward to working closely with you in the future to ensure successful delivery of our levelling up objectives, and I am very grateful to you for bringing this to my attention.

Lee Rowley MP

Appendix: Government Response

1. *The Government should factor detailed analysis of the impact of Covid-19 into its planning for, and delivery of, the levelling up agenda.* (Paragraph 25)

We recognise that the impacts of covid-19 to date have been significant on health, the economy and our society. We accept that the impact of covid-19 is likely to have repercussions for public policy making, both in terms of overcoming challenges which were unanticipated prior to 2020 and then also drawing upon new possibilities that may manifest themselves, for some years into the future.

As we are sure the Select Committee will recognise, the immediate focus of policy making in the last eighteen months has been to support individuals and businesses through the pandemic and then to promote the quickest recovery. We believe that strong progress has been made in that regard but, nonetheless, there is no doubt that understanding the long-term implications of covid-19 for our country will be important in future policy-making, including on levelling up. The Select Committee is absolutely right to highlight that the implications of covid-19 may not be known for some time but, nonetheless, at the core of the levelling up agenda is the desire to ensure that the whole of the United Kingdom can benefit from the same opportunities and that policy imperative remains. It is important, therefore, to note the changed base from which we start from as a result of the last eighteen months when considering the development of future policy.

We are also closely monitoring any emerging health implications of covid-19. Separately, emerging economic examples of this phenomenon include how covid-19 has catalysed and accelerated some existing trends which will impact the economic geography of the country, notably an increase in home working and a shift to online shopping. For example, the pandemic more significantly affected cities with large travel to work areas, all across the country, given the dramatic loss in commuters. A reduction in tourism also had significant implications for some areas at times during the pandemic although, as we know, many domestic areas were also in high demand at points when the leisure and tourism sector re-opened. While national spending has recovered to pre-crisis levels, a larger share is now going to online and local retailers, whilst many traditional high street locations have struggled. The labour market impacts of this reduced economic activity are being felt, particularly in some of our largest cities, and can be seen by increases in claimant counts in those areas.

The long-term impact of covid-19 on cities and urban areas will depend on how persistent these recent changes in business and consumer behaviour turn out to be. We continue to closely monitor the situation and we are undertaking a programme of work to understand the nature and potential extent of structural shifts in the economy to feed into the levelling up agenda. This includes work to understand the non-uniform impacts on different places, people and firms, both in the short-run and potential longer-term impacts affecting the economic geography of the UK.

We recognise the importance of factoring analysis of the impact of covid-19 into the planning for, and delivery of, the levelling up agenda, and welcome your recommendation on this matter. That is why the Cities and Local Growth Unit within BEIS and the Department for Levelling Up, Housing and Communities (DHLUC) has been, and will

continue to, work closely with the joint DLUHC-Cabinet Office Levelling Up Task Force to ensure the planning and delivery of the levelling up agenda takes the impact of covid-19 into consideration.

2. We recommend that the promised Levelling Up White Paper sets out a coherent plan for levelling up. This must set out, in detail, a road map and timeline for the delivery of the wide range of policies proposed. Fundamentally, it must set out what problems and issues these policies are designed to address in terms of the levelling up agenda, both, as individual policy initiatives in their own right and collectively in how they fit together as part of the wider strategy to deliver the Government's ambitious desire and commitment to level up. (Paragraph 31)

The Government is committed to publishing the Levelling Up White Paper to articulate how we will improve livelihoods across the country as we recover from the pandemic, and level up in every part of the country, from Aberdeen to Aylesbury, Belfast to Brecon.

We hope that the Prime Minister's remarks on 15 July 2021, shortly after this paper was authored, show a focus from the very top of Government on this important agenda and, in particular, offered additional information on some of these points. Within that speech, we would highlight the focus upon health and educational differences, along with the importance of private sector involvement and infrastructure improvements, particularly when the Prime Minister was contrasting regional variations both within the United Kingdom and more broadly. The Select Committee's comments are very helpful in allowing the Government to formulate the precise detail and scope of that paper. Further detail on our plans will be included in the Levelling Up White Paper.

3. Individual departments should be clear on what their contribution to levelling up will be in line with a clear strategy. (Paragraph 45)

We agree with the Committee's recommendation and we are taking this proposal into consideration as we formulate the development of the White Paper. We recognise the importance of taking a joined-up approach in helping places realise their potential. That is why the development of the Levelling Up White Paper has been a whole of Government effort and will assist in setting out how the work of different Departments fits into a wider Levelling Up strategy. We can assure the Committee that Departments and Ministers across HMG have and will continue to be consulted on, and feed into, the policy development of the White Paper.

We hope that much of the work underway on specific initiatives already highlights the clear commitment by individual Departments to demonstrate commitment to this agenda. This can already be seen, such as through the Levelling Up Premium of up to £3000 that the Prime Minister recently announced to send the best mathematics and science teachers to areas that need them most. In January 2021, DfE also published a Skills for Jobs White Paper aimed at transforming technical education and training.

Beyond spreading opportunity, Departments are already taking steps to restore local pride, whether that is about regenerating high streets and town centres or supporting local communities. The DLUHC's recently published Build Back Better High Streets Strategy set out the Government's long-term plan to support the evolution of high streets which will assist with the overarching levelling up agenda given the importance it attaches to a sense of place. All of this remains a balancing act between providing a clear and

consistent framework whilst allowing individual Departments the ability to innovate and develop new policies which have the joint benefit of satisfying their specific aims whilst meaningfully contributing to positive outcomes on the wider levelling up agenda.

4. *a) Funding for Levelling Up should be explicitly and directly linked to the identified issues that the Government are seeking to address, with clear metrics on what that money is seeking to deliver.* (Paragraph 46)

We recognise the importance of our funding tackling the issues we are seeking to address, such as empowering local leaders and communities to seize their own destiny; boosting living standards, particularly where they are lower; spreading opportunity and improving public services, particularly where they are weak; and restoring local pride across the UK. Levelling up is at the heart of the Government's agenda and, therefore, our funding will reflect this. We are grateful for this highly pertinent recommendation and will therefore be taking it into consideration when developing future funding approaches.

The Government already designs funds with a focus on measuring success against specific objectives. For example, we have shaped the methodologies for the Levelling Up Fund and the UK Community Renewal Fund (UKCRF) to reflect their individual and distinct objectives and policy goals. The capital-focused Levelling Up Fund will invest in local transport and high street regeneration, and therefore includes metrics around local connectivity and commercial vacancy rates. By contrast, the revenue focused UKCRF will look to invest across a range of smaller scale trial projects with the overall goal of supporting people and communities in need, and thus its targeting metrics more broadly aim to assess places' general economic resilience. These two funds build upon the success of the Towns Fund and demonstrates this Government's greater emphasis on high-quality evaluation.

5. *b) Whitehall should have mechanisms or procedures in place to ensure that it is not the most well-resourced authorities who are successful in securing funding. The Government needs to ensure that those without this capacity do not lose out, including ensuring appropriate funding is available for future rounds.* (Paragraph 46)

We recognise the need for ensuring that it is not only the most well-resourced authorities who are successful in securing funding and that, particularly in the context of recovery from covid-19, local authorities currently have a significant number of calls on their time and resources. We are grateful for the Committee highlighting this important matter and will take it into consideration for future policy and funding formulation.

Evidence shows that local authorities' capacity and capability to bid for grants is variable, which can sometimes cause challenges in terms of cost and effectiveness. Whilst we do want local authorities to both think and prepare strategically and for the long-term, we are cognisant of the importance of ensuring the broadest range of local authorities have the opportunity to bid for funding, across the range of future pots which will be made available, over the long-term.

Already the Government has made a number of moves to support the boosting of capacity within local authorities who are seeking to bid, or who have been awarded funds in principle. In particular, we put in place targeted capacity support for the Towns Fund, one of our largest local growth programmes to date. To boost capacity in local authorities, we

have paid out a total of £21.4 million to date in revenue (section 31) grants. This has enabled local authorities who are developing proposals for the Towns Funds to build capacity and capability in key areas such as strategy and business case development.

Beyond upfront capacity support through revenue grants, DLUHC procured the Towns Fund Delivery Partner (TFDP), a consortium led by Arup. They provide strategic consultancy advice and support to help places overcome capacity and capability gaps that might hinder them from developing good proposals and interventions for the Towns Fund. The TFDP provide online tools and resources, specialist advice and learning programmes tailored to Towns' individual needs. TFDP support has enabled towns to develop their local capabilities and skills and facilitated shared learning between towns across a range of different disciplines.

Moreover, for the Levelling Up Fund, we have provided £125,000 of capacity funding to all eligible local authorities which are the 93 English local authorities in category 1 of the index of priority places, all local authorities in Scotland, Wales and Northern Ireland. This revenue funding is not ringfenced, and the primary intention is to support relevant local authorities develop their bids for later rounds of the Levelling Up Fund.

Further, all Government grant decisions are subject to the Public Sector Equalities Duty risk assessment. Transparency of our mechanisms and processes are in place to ensure that councils without this capacity do not lose out, including ensuring appropriate funding is available for future funding rounds.

6. *The Levelling Up White Paper (incorporating the Devolution White Paper) needs to be bold and progressive. It should clarify which tiers of devolved and local government in England are responsible for delivering which Levelling Up objectives and then ensure those tiers are adequately resourced to deliver on those objectives, as well as providing fair distribution of those resources across the whole of England.* (Paragraph 54)

We welcome the Committee's comments on this crucial delivery issue, which reflect the Government's own ambitions to have strong, effective and tailored local Government which works for the citizens they represent.

The first, and most important, imperative on this agenda is that we have local Government partners who are effective, efficient and able to deliver improvements for their area, both within the levelling up agenda and more broadly in their delivery of day-to-day services. As we have outlined earlier, within the levelling up agenda, the Government has provided support for capacity-building on a local scale in order to support this end.

Secondly, we acknowledge that local Government funding is important and that is one of the reasons why this year's Local Government Finance Settlement saw an increase in Core Spending Power in England from £49 billion in 2020–21 to up to £51.3 billion in 2021–22. It is, of course, for individual authorities to ensure that funding, whether centrally allocated or locally raised, is used in an effective and efficient manner, including through continuously improving the way they work and the way they spend money to ensure the best outputs, as so many authorities already do. The next opportunity to review the funding of local Government will, of course, be the Spending Review and further information will come forward in due course once that has concluded.

On the broader point regarding devolution and local authority structures, we accept that there is a need for local partners to be clear in terms of their responsibilities although, we hope, the Committee recognises that the precise delivery mechanisms will vary across the country. The Prime Minister was clear in his speech on 15 July that the Government prioritises the effectiveness of delivery by local partners rather than its homogeneity. The speech highlighted the steps forward through the new Mayors in certain parts of the country and outlined the Government's openness to discuss the most appropriate way in which this could be replicated elsewhere, through whichever structure is deemed most effective.

Further, the Committee makes an important and useful case throughout its report about considering levelling up for the whole of the country. The Committee is right to highlight that disparities within individual regions, even the more prosperous ones, can be stark and that this should be taken into account in the development of future Levelling Up policy. Growth is not a zero sum game. Levelling up should not be about stymying the growth of more prosperous areas, nor addressing challenges which are present within certain parts, but about collectively trying to help every part of the country to reach its productivity potential over the long-term. The recent Town Fund announcements, for example, has recognised the importance of supporting the regeneration of towns such as Bournemouth, Stevenage, Margate, Lowestoft and Crawley as well as those in the North and Midlands and beyond.

The below seeks to respond to all recommendations made with a specific reference to metrics:

7. We recommend that Ministers consider how to report on the effectiveness of different local and regional authorities in contributing to Levelling Up. (Paragraph 55)

8. We also recommend that the Cities and Local Growth Unit work with the Office for National Statistics to agree a uniform set of local economic metrics to determine progress in achieving them. (Paragraph 62)

9. We recommend that the Government should set out what it envisages a 'levelled up UK' would look like and agree a set of metrics by which progress towards this vision can be measured. We recommend that the assessments should be based on measurable outcomes linked to short, medium and long-term milestones and goals. We look forward to seeing the work, which has been undertaken by Neil O'Brien MP and the Levelling Up Task Force in this regard, and expect it to be a core element of the promised White Paper. (Paragraph 77)

10. The Government needs to set metrics on Levelling Up for each Department. Performance against these metrics should be published annually and monitored by the National Audit Office. (Paragraph 78)

The Government is committed to levelling up opportunity across the UK and the recent machinery of Government changes established the DLUHC at the centre of this strategy, working with departments right across Government.

For all Government spending, at Spending Review 2020, all departments agreed provisional priority outcomes across all UK government departments, which have been published here:

<https://www.gov.uk/government/publications/spending-review-2020-documents>

One of DLUHC's priority outcomes is to "Raise productivity and empower places so that everyone across the country can benefit from levelling up". This has been agreed on a cross-cutting basis, with BEIS, DCMS, Defra, DfE, DfT, DIT, and DWP as contributing departments.

These outcomes were then embedded by departments into Outcome Delivery Plans, which were published in July 2021 [here](#). These set out strategy and planning information for delivering the priority outcomes and for delivering on strategic "enabling" activities that are crucial to successful delivery.

This also provides transparency so that the Department can be held to account whilst also making links to activity led by other departments which contribute towards levelling up.

Updated priority outcomes and metrics will be published at the next Spending Review. Outcome Delivery Plans will continue to be used to ensure departmental accountability and delivery against agreed outcomes.

11. We recommend that the Government provide support and funding through its new regional Cities and Local Growth Unit teams to update and adapt the published and remaining 'oven ready' Local Industrial Strategies to incorporate the post pandemic circumstances and Government's Plan for Growth. These local strategies can provide the 'bottom up' mechanism, for evidence to flow from the regions to the centre, informing the Government's over-arching strategy on Levelling Up. (Paragraph 61)

We are grateful for this recommendation and can say that the work carried out through the development of Local Industrial Strategies has been hugely helpful in developing our understanding of local economies across the UK and informing Government's drive to boost economic development up and down the country.

We start from the place that local places are best placed to set their own economic strategies to drive forward growth in their respective local economies. As part of the transition from the 2017 Industrial Strategy to the Plan for Growth, the Government encourages places to consider key sectors, assets and clusters they want to support to foster their long-term growth ambitions. We also encourage areas to continue to develop evidence-led thinking, collaborating closely with local partners. These would be locally owned plans that do not require the agreement of government and will help to build on the work undertaken as part of the Local Industrial Strategies.

We recognise the importance of a more detailed plan for levelling up and, rightly, that many people are keen to understand how efforts already announced since 2019 map together within a wider approach. In developing the Levelling Up White Paper we strongly agree that input from places is imperative to ensure a comprehensive evidence base to build on, which is why we have engaged with a wide range of stakeholders across local Government.

12. There should be a clear direction from No10 on which Department will be responsible for delivering which outcomes and how. We recommend that the Government establish a Cabinet Committee to oversee the co-ordination and delivery of the Levelling Up agenda across Whitehall, co-ordinating funding allocations and delivery with the devolved

administrations in Scotland, Wales and Northern Ireland. The Cabinet Committee should engage with local and regional leaders to support the delivery of the agenda.

(Paragraph 66)

We agree with the importance of clear direction on which Department is responsible for delivering what and appreciate this thorough recommendation.

We hope that the recent steps to transform the Ministry of Housing, Communities and Local Government into the DLUHC is an indication of the Government's seriousness on this aspect of its agenda, along with the appointment of the Rt Hon Michael Gove MP taking on the role of the Secretary of State for Levelling Up and Andy Haldane being appointed as the new Head of the Levelling Up Taskforce.

The Department will, of course, announce more about its plans in due course but we hope that the Select Committee will welcome the announcement on 19th September that the Secretary of State will drive cross-Whitehall efforts to deliver a programme of tangible improvements which aligns with the coordination point which the Committee highlighted in their report. We will ensure that appropriate governance structures are in place to enable successful delivery of the levelling up agenda.