

The Challenge of “Levelling up” Economic Decision Making

In his interview with Sophy Ridge on 8 March, the new Chancellor said that, “over time”, he intends to move about a fifth of HMT posts from London to a new “economic campus” in the north of England. Previous press reports have suggested that he wants to do this in order to “shift the gravity of economic decision-making away from the capital to our regions and nations” and that the new campus will be in the Tees Valley.

Public sector relocations are hardly new and date back to the early 1960s. High profile relocations have included the Manpower Services Commission to Sheffield, the Export Credits Guarantee Department to Cardiff, the Met Office to Exeter, the ONS to Newport and the BBC to Salford. These relocations were driven by two things: cost savings and the desire to support employment outside London. The proposed move of Treasury posts has a different rationale: it’s about shifting the focus of decision making away from London.

Of course, if Ministers really want to do this then the simplest way would be to restore powers and resources to local government and allow it to tailor national policies to local circumstances. To paraphrase Tolstoy, every unsuccessful place is unsuccessful in its own way and the policies needed in Barrow are not the same as those needed in Blackpool and Burnley. The forthcoming Devolution White Paper might well set out an intention to do this and Johnson was, of course, Mayor of London so might be expected to have some sympathy for greater local control over economic decisions. But a good rule of thumb is that enthusiasm for devolution tends to evaporate once politicians have their hands on the levers of power. For example the 2010 Conservative Manifesto promised to “push power down to the most appropriate level: neighbourhood, community and local government” but a cynic might suggest that the only thing Cameron ended up “pushing down” was the need to make cuts. The recent moves to centralise power within Whitehall, and the the fact that Dominic Cummings made his name by opposing Prescott’s plans for Regional Assemblies, all point in the opposite direction to meaningful devolution.

If the Government isn’t going to engage in meaningful devolution then it is going to have to establish a more substantial regional presence in England to give it the local knowledge needed to develop and deliver effective policies for “levelling up”. It is also going to have to delegate decision making on more of its programmes to the regional level. There are five key steps that Government needs to take.

The first is to move more than just Treasury jobs from London. Reviving the “left behind” parts of the north isn’t just - or even mainly - a job for the Treasury. As Michael Heseltine argued in *No Stone Unturned* - the report he produced for David Cameron in 2012 - it involves consistent and sustained action over a long period from a whole range of Departments including those involved in transport, housing, skills, science, and health. HMT might hold the purse strings but it can’t devise and deliver policy across the whole of government. It was interesting that in his interview with Sophy Ridge he also mentioned the Treasury team joining staff from other “economic facing Departments”.

The second is to move those jobs to more places than Teesside. “The north” is a large and diverse place. It’s home to 15 million people and has an economy twice the size of Scotland’s. It has big cities, market towns as well as post industrial towns, (sometimes isolated) coastal communities, large rural areas and substantial natural and cultural assets.

The third is to move beyond charging these new teams with ensuring that national policies play due attention to place, by giving them a substantial pot of money to disburse - in consultation with local partners - without having to seek permission from Whitehall. The obvious thing to delegate to these new teams would be the new Shared Prosperity Fund (if, and when, it ever appears). These teams should also be charged with working with local government to help it present business cases for new investments.

To those with long memories, these new teams will look very much like a scaled down version of the network of Government Offices, established by the Conservatives in 1994. By the time they were abolished by the Coalition in March 2011, GOs brought together staff from 12 Departments in nine locations. Interestingly one of the ideas that the Government hasn’t (yet?) copied from the Labour Manifesto was the commitment to “re-establish regional Government Offices to make central government more attuned to our English regions, to support our regional investments, and to enable the shift of political power away from Westminster”.

The fourth step is to put these new teams under the control of one Department. The reason is that GOs demonstrated the difficulty of joining up at the regional and local level what is not joined up in Whitehall. A good example of this was the introduction in 2002 of a single cross Departmental funding stream (the “Single Pot”) for RDAs. Although this was intended to increase RDA budgetary flexibility, in practice it led to rivalry within Whitehall as individual Departments sought to ensure that the RDAs delivered “their” objectives with “their” money. Government should follow the recommendation in *No Stone Unturned* and set up a cross Departmental unit in the Treasury to put “levelling up” at the centre of policy and manage the

new regional offices. This task has been made easier by the recent moves to bring the No10 and Treasury operations closer together. Again it was interesting that in his Ridge interview, the Chancellor talked about the Treasury leading these new teams.

The fifth and final step is to recognise that all this will take time. The GOs brought together **existing** regional teams of civil servants with extensive knowledge and experience of their areas and an understanding of Whitehall processes. That capacity has now largely been lost, although some Departments (most notably BEIS have retained a small regional policy presence). Even if the Government is successful in persuading current Whitehall staff to move north they will need to build a sufficient knowledge of the area before they can make a meaningful input into decision making. If the Government isn't successful in persuading people to move - and the experience of moving the ONS to Newport, when fewer than 10% of existing staff opted to move, suggests that it might not be - new people need to be recruited. Although these people will have local knowledge, they won't have the experience of Whitehall decision making and this will again take time to acquire.

In sum, moving some Treasury jobs to Teesside is a purely symbolic gesture and has no chance of shifting the focus of economic decision making away from London. Locating large cross departmental teams of civil servants across England with substantial programmes under their direct control will begin to do so, but it will take time and only a comprehensive commitment to devolving real powers to local government will ensure a substantial and lasting change.

David Higham