

# L.A. Evidential

Improving evidence use in local  
economic policy making

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April 2024



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## Acknowledgements

The author would like to thank What Works Centre for Local Economic Growth (What Works Growth) for support and for the use of anonymised interview transcripts with local government officers.

What Works Growth is funded by the Economic and Social Research Council (ESRC), the Department for Business and Trade, the Department for Levelling Up, Housing and Communities and the Department for Transport.

This paper represents the views of the authors, not What Works Growth or its funders.

# 00

## Executive summary

A widely held (and sensible) view is that policy making should be based on evidence. But it often isn't. This paper considers why this is the case for local government in the field of economic development.

To do this, it sets out a framework for evidence-based policy making. This consists of three 'pillars', each made up of key building blocks.

**Pillar 1 is incentives:** these are the rules of the game set by national government to encourage evidence use, from **the fiscal and electoral structure of local government** to how specific funding for local economic growth creates **clarity** and **certainty** for local government to pursue evidence-based policy.

**Pillar 2 is resources:** to make evidence-based policy, local government needs the right **data** to analyse and existing **evidence from previous evaluations**, where relevant analysis has already been undertaken.

**Pillar 3 is capacity:** this consists of the **institutional capabilities** of local government to appraise evidence, determined by their size and national government funding, as well as their **staff, skills, and processes**.

The paper finds that **each of these pillars are constrained in local economic policy making**, which together limits evidence-based policy making in many parts of local government.

Improving evidence use in local economic policy making requires strengthening these pillars. **There should be particular focus on getting incentives right**, as this sets the policy making conditions to which local government responds.

But incentives cannot do it alone: all three pillars are interlinked, so must be **built up simultaneously** to create a substantial change. And changing evidence use at a local level **is the shared responsibility of all levels of government**.

To best support the use of evidence in policy making for local economic growth,

changes should be made to target the key building blocks of each pillar:

- National government behaviour should **incentivise** evidence use in policy making through creating clarity and certainty by:
  - Setting a national strategy for local economic development to provide greater certainty on what policy should attempt to achieve;
  - Moving to a single funding pot for economic development, rather than multiple, short-term, ad hoc pots of money, to improve effective evidence use through joined-up investment strategies and prevent diluting evidence's impact through project 'siloeing';
  - Taking a 'carrot and stick' approach to pot funding, rewarding proposals based on clear evidence at the expense of those that do not;
  - Signalling to local government that interventions backed up with clear evidence will be prioritised, through a credible commitment to and enforcement of centralised and simplified guidance for monitoring and evaluation;
  - Reforming how local government is funded by reducing reliance on grant and allowing more retention of local tax revenues to explicitly tie effective long-term evidence-based policy to local economic outcomes; and
  - Removing elections by thirds, so that all councils have one election every four years.
- National government should improve availability of data and evidence **resources** by:
  - Continuing to develop subnational data offerings in terms of breadth, quality and timeliness;
  - Acting as coordinator for evaluating policy interventions; and
  - Setting Oflog's core responsibilities to encourage evidence use.
- Local government needs better skills and stronger institutions to improve **capacity** – this can be achieved by:
  - Targeting training to close identified skill gaps, rather than the piecemeal provision that currently exists;
  - National government providing capacity funding for local authority hiring of economic and analytical specialists;
  - Local government internally reviewing objectives and the skills needed to implement evidence-based policies for economic development;

- Improving the Green Book as a tool to support processes needed for effective evidence use (as well as ‘mandating’ not ‘encouraging’ evidence use as a direct incentive);
- National government imposing proportionate reporting requirement burdens on local government during monitoring and evaluation of policy; and
- Redrawing local authority boundaries (in the long-term) to better match economic geography, reducing ‘natural’ variation in local authority capacity.

# 01

## Introduction

Evidence should be at the core of economic policy making. Using evidence is key to designing and delivering interventions which change outcomes and have impact, improve productivity and economic conditions.

It is widely agreed that evidence-based policy making is a good thing. But it does not happen consistently in local government, particularly for policy focused on local economic growth. This paper sets out why this is the case, identifies barriers to evidence use in local economic policy making and makes policy recommendations to overcome them.

To do so it sets up a framework adapted from work by the OECD.<sup>1</sup> Evidence-based policy is the desired outcome, requiring three inputs as the ‘pillars’ of the policy making process: **incentives** to shape; **resources** to guide; and **capacity** to implement the process.

**Pillar 1 - Incentives:** the motivation to use evidence in policy making

**Pillar 2 - Resources:** availability of data and existing evaluation evidence for policy making

**Pillar 3 - Capacity:** the skills, staff, processes, and institutional capabilities to use evidence in policy making<sup>2</sup>

As well as considering each in their own right, the interaction of these pillars is important to understand.

First, **all pillars are interrelated**. For instance, a lack of skills for evaluating policy (**capacity**) at the local authority level will be exacerbated by a lack of guidance from national government (**resources**). Short timescales to develop

1 OECD (2020). [Building Capacity for Evidence-Informed Policy-Making: Lessons from Country Experiences](#). OECD Public Governance Reviews. Paris: OECD Publishing; Section 3.

2 For clarity, this definition of capacity is effectively equivalent to combining the DfT definitions of ‘capability’ (skills, staff, and processes) and ‘capacity’ (institutional capabilities) in a [2023 research report](#) on local authorities’ ability to design and deliver local transport.

plans (**incentives**) will impact **capacity**-constrained local authorities.

Second, **all pillars must be working simultaneously** to support evidence-based policy making. For instance, a local authority may have access to plentiful **resources** and have sufficient **capacity** for policy making, but still may not incorporate evidence without the right **incentives** to do so. Incentives are key (hence Pillar 1) but incentives alone will not lead to consistent use of evidence if local authorities are simply too capacity-constrained to do so.

Third, overcoming constraints to evidence-based policy making **requires changes at all levels of government**. National government sets the rules of the game, and so is best placed to influence local government incentives to increase the demand for evidence in policy making. National government can also have the greatest impact on the supply of resources – these are mainly external to local government. While national government sets the funding landscape, within this local government has most influence over capacity through staff and processes. Notwithstanding capacity constraints from funding, this pillar is mainly internal to local government.

How these pillars support use of evidence in policy making is illustrated in Figure 1. **Incentives are most prominent** in this depiction, as they are arguably the most important pillar to get right. But all three are necessary, and one pillar shifting affects the other pillars. If one falls down, the whole structure collapses.

**Figure 1: Three pillars: the evidence-based policy making framework**



Source: Adapted from Michie S, van Stralen M, & West R. (2011). [The behaviour change wheel: A new method for characterising and designing behaviour change interventions](#). *Implementation Science*: IS, 6, 42 – 42.

Identifying barriers to evidence use in local economic policy making is not straightforward – some are implicit and have not necessarily been recorded in research. So this is a provocation piece, bringing together published reviews of the policy making process in economic development alongside interviews with local and national level officials. This included officers from county councils, unitary authorities, local authorities, and Local Economic Partnerships (LEPs), as well as civil servants. Those interviewed were in relevant departments within their local government bodies, usually economic development or economic growth.

The following sections look at each of these pillars in more detail, identifying challenges to evidence-based policy making in each. The final section gives policy recommendations to deal with these challenges, targeted at the key building blocks of each pillar.



# 02

## Pillar 1: Incentives

Tackling the deficit of evidence use in local government is often framed around a shortage of inputs – make enough data available, or train enough staff, and evidence use will increase.<sup>3</sup>

But, as the framework set out in the introduction suggests, this is the wrong way of going about it. Data (a component of Pillar 2) and skills (in Pillar 3) are necessary but not sufficient to improve the consistent use of evidence.<sup>4</sup> Fundamentally, this approach overlooks incentives, the most prominent pillar. Simply put, much of local government will not use the resources and capacity available to pursue evidence-based policy if they are not motivated to do so.

Many factors influence incentives to use evidence. Two of the most tangible are the way that local government is funded and national government behaviour within this system. The former should allow areas to benefit from the growth their policies encourage, while the latter should look to create clarity and certainty for local government.

### The funding and electoral systems of local government blunt incentives for growth

As has been well documented, the UK is one of the most centralised countries in the world – England especially so.<sup>5</sup> As a consequence, local government is heavily reliant on grants from national government.

This reliance blunts incentives to grow because any tax that increases as a result of growth is either directly claimed by the Exchequer (e.g. income tax) or is met with a cut in grant (as happens with council tax). Business rates are the one

3 This is the main thread of Section 2.3.4 of the [2022 Levelling Up White Paper](#). It also considers incentives, but separately, and not clearly from a funding perspective.

4 As discussed in Pillar 2, data provision for local government has vastly improved in recent years, but this has not been accompanied by an unambiguous increase in evidence-based policy making.

5 Breach A, & Bridgett S (2022). [Centralisation Nation: Britain's system of local government and its impact on the national economy](#). London: Centre for Cities.

exception. But even here, only some growth of this tax is retained locally and some of the retained revenues are redistributed between local authorities in ‘top-up’ and ‘tariff’ system.<sup>6</sup>

The result is that there is no feedback mechanism for councils to see the rewards of encouraging and prioritising local growth and developing the local area. Where this feedback mechanism does exist with business rates, complexity waters down the effect. In this environment, much of the latent incentives for councils to implement evidence-based policy to encourage local growth are simply not in place.

This is likely made worse in authorities that have ‘elections by thirds’, where elections happen in three of every four years. This near-constant electoral carousel likely diverts political attention away from creating and delivering evidence-based policy.

## National government behaviour does little to create clarity or certainty in economic development policy

Outside the broad local government funding system, local government can receive funding from national government in the form of funding pots, set up to support the levelling up agenda. In an ideal world, this system of discretionary funding would encourage evidence use in local government by creating **clarity** and **certainty** for policy making.

Clarity of policy objectives is important so that local government knows what national government is trying to achieve with these pots. Certainty is important so that local government knows it will be rewarded if it uses credible evidence in submissions to receive national government funding. Sadly, **there are at least eight ways** in which national government behaviour has not created this policy environment through its levelling up funding. **These run through every step of the policy making process**, from initial national government strategy through to the monitoring and evaluation of existing projects.

### Lack of a coherent national strategy for local economic growth

Almost all shortcomings in the design and delivery of levelling up funding pots stem from national government having an underdeveloped national strategy when it comes to local economic growth. This is a particular problem in such a centralised nation. And it filters down into poor guidance for local authorities in evidence-based policy making.

The Green Book is one example. This is the key tool for local authorities to assess both the strategic need and economic impact of policy proposals, and so is a resource with great potential to incentivise evidence use in policy making.

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<sup>6</sup> Breach A, Bridgett S, & Vera O (2023). [In place of centralisation: A devolution deal for London, Greater Manchester, and the West Midlands](#). Economy 2030. London: Resolution Foundation & Centre for Cities; pp 37.

But the Green Book's utility falls apart without a clear national strategy describing what government wants from local policy makers. Underdeveloped strategic thinking – particularly regarding levelling up – combined with no explicit standard on the type or complexity of cost-benefit models leaves users in the dark.<sup>7</sup> This contributes local policy makers often misusing or misunderstanding the Green Book as a tool when appraising policy.<sup>8</sup>

*Many interviewees considered there to be a lack of national government guidance on using Green Book principles, despite the emphasis on the need to use them.*

More broadly, the National Audit Office (NAO) recognises that there is uncertainty over what 'levelling up' – the government's flagship local growth strategy – entails. This means it is hard for local authorities to be sure that strategic cases are meeting the government's objectives when presenting a business case.<sup>9</sup> This is echoed in a 2023 LGA report: local authorities are left to their own devices when setting objectives of policy '*...in the absence of a national framework from government*'.<sup>10</sup>

## Policy churn

The Levelling Up White Paper noted how subnational economic development policy has been plagued by policy churn over many decades, doing little to build certainty.<sup>11</sup>

The scrapping of the Industrial Strategy with a change of Prime Minister in 2019, and the Local Industrial Strategies that sat within this, is an example. Local Enterprise Partnerships had committed a significant amount of time and resource to developing these plans which were instantly made irrelevant. While there is an argument that the process developed thinking at the local level, such changes seem unlikely to encourage the use of evidence in subsequent applications.

*Multiple interviewees noted constant policy churn created an uncertain environment, hampering their ability to be consistent in using evidence effectively in bids.*

7 Breach A, & Jeffrey S (2020). [Re-writing the Green Book for levelling up](#). London: Centre for Cities; Section 5.

8 Riley R (2023). ['I Blame the Green Book' – Why has Guidance Become the Scape Goat of Public Funding Decisions like Levelling Up?](#). City-REDI Blog.

9 Willson E, & Kelly R (2021). [Let's get down to business](#). National Audit Office.

10 Local Government Association (2023). [A guide on the role and future skills needs of economic development teams](#). LGA. 5.157; Section 2.

11 DLUHC (2022). [Levelling up the United Kingdom](#). London: The Stationery Office.

## Number of funding pots

There has been a proliferation of funding pots in recent years for economic development and other policy areas.<sup>12</sup> This creates two problems.

The first is that these multiple, relatively small-scale funding pots tend to favour smaller-scale, patchwork, and ‘shovel-ready’ policies that may not be best for long-term growth.<sup>13</sup>

The second is that local authorities struggle to make joined-up investment strategies given the competitive funding process and multiple different funding pots (for example Levelling Up Fund, Shared Prosperity Fund and the Towns Fund) that increase uncertainty in local decision making.<sup>14</sup> Their ad hoc nature and their specific, government-defined policy focus makes it difficult to fit them into a wider programme of work.<sup>15</sup>

This has knock-on effects for capacity (Pillar 3). Multiple funding pots spread already constrained local authorities even thinner, impacting their ability to take a wider view on policy and local growth strategy. And this whittles down capability to use evidence in each bid.

And even when evidence is used in bids for each individual pot, the resulting project ‘siloeing’ means this would not be *effective* evidence use. The fragmented structure of local growth funding narrows local government perspectives and dilutes the impact of any evidence used in bids, due to the two problems highlighted above.

National government has recently set out its desire to reduce the number of funding pots, with details of the strategy for simplification expected in 2024.<sup>16</sup> But no further action has as yet been taken.<sup>17</sup>

## Short submission timescales

Many of these funding pots in recent years have come with short turnaround times for submissions. The most extreme of these was the Liz Truss-led investment zone proposals, which required bidders to respond to national government within two weeks.<sup>18</sup>

In another example, DLUHC interviews with local government officials revealed that the timing of the announcement of the Local Growth Fund 2013 projects

12 Bridgett S (2023). [Pot luck: What government needs to do to streamline local government funding](#). London: Centre for Cities.

13 National Audit Office (2022). [Supporting local economic growth](#). NAO; paragraph 3.14.

14 National Audit Office (2022). [Supporting local economic growth](#). NAO; Key Finding 13.

15 The single pot approach suggested by Michael Heseltine in his 2012 [No Stone Unturned report](#) and used to create the Local Growth Fund in 2012 was supposed to stop this siloeing. But the recent spate of pots has reversed this, focusing on specific objectives such as high streets and towns.

16 Bridgett S (2023). [The Government's funding simplification plan steps in the right direction but doesn't address key challenges](#). Centre for Cities Blog.

17 National Audit Office (2023). [Levelling up funding to local government](#). NAO.

18 DLUHC (2022). [Investment Zones in England: expression of interest](#). Withdrawn March 2023.

led to short deadlines and made developing evidence-informed proposals more difficult.<sup>19</sup>

This approach limits the ability of local authorities, particularly those with smaller teams, to produce quality, evidence-based work. This again favours ‘shovel-ready’ bids and plans rather than those which have a well-developed evidence base that articulates a case for intervention.

This can also have long-term impacts on skills needed to effectively use evidence in policy making (discussed in more detail in Pillar 3).

*A unitary authority economic development manager explained in interviews that short timescales incentivised them to pull in external resources (i.e., consultants, charities) for funding rounds, rather than build skills internally.*

## Opaque selection criteria

A lack of direction on what funds are attempting to achieve and what will determine which bids get funding reduces certainty in the bidding process, reducing the motivation of fund applicants to use evidence in their bids.

The Levelling Up Fund is illustrative of this problem. The Public Accounts Committee (PAC) found that the principles to judge which bids would win funding in the first round of the Levelling Up Fund were decided by Ministers after they had decided who would win funding.<sup>20</sup>

The second round of the Levelling Up Fund was allocated to spread funding across the country rather than rewarding those with the best plans in isolation, meaning that successful bidders in round one were not eligible for further funding.<sup>21</sup> But this was decided after second round bids were submitted, meaning that 55 local authorities had submitted bids that were afterwards rendered ineligible.<sup>22</sup>

The PAC also found that selection of the winners of the Towns Fund had also not been impartial.<sup>23</sup>

Politicians are entitled to take policy decisions. But ones that are not part of a coherent, well-understood strategy create uncertainty and erode trust, disincentivising the use of evidence in future submissions.

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19 DLUHC (2024). [Local Growth Fund and Getting Building Fund: initial evaluation feasibility assessment](#). London: The Stationery Office

20 Committee of Public Accounts (2022). [Local economic growth](#). London: The Stationery Office.

21 This was clarified in [an explanatory note](#) released in January 2023.

22 Committee of Public Accounts (2024). [Levelling up funding to local government](#). London: The Stationery Office; paragraph 13.

Based on figures in this report, this means that an estimated £1.7 million would have been spent by local authorities on bids that, unbeknownst to them, had no chance of being successful.

23 Committee of Public Accounts (2022). [Local economic growth](#). London: The Stationery Office.

## Moving the goal posts

Changing funding criteria part way through a policy is another way to discourage evidence use in local government. While revisions are understandable in specific cases, good policy design would minimise the requirement for this.

The most extreme examples of this are when policies have been radically changed or scrapped completely. The pivot in the Investment Zones policy with the change in Prime Minister in October 2022, while one that Centre for Cities believes was needed because of poor policy design, made the ‘expression of interest’ submissions from over 80 authorities irrelevant.<sup>24</sup> The defining of selection criteria after the winners have been selected, as discussed above, is another.

All these changes reduce certainty, with a direct impact on effective evidence use.

*In interviews, an economic development team member in a county council noted that local strategies get nullified by tinkering with rules and policies at national level.*

## Short timescales for delivery

National government often prioritises the quick delivery of projects – usually within one-to-three years – with detrimental effects on evidence use in the resulting policies that win funding.

For example, round one of Levelling Up Fund required proof that delivery could begin in the next financial year, while budgets had to be spent within the first year.<sup>25</sup> This distorted the bidding process – PAC raised concerns about bidders being successful as a result of unrealistic timescales for delivery over more realistic bids.<sup>26</sup> These concerns turned out to be justified: a 2024 PAC report found that 60 out of 71 Levelling Up Fund Round 1 projects are to miss the initial spend deadline, with DLUHC expecting some of the remaining 11 to do so too. And these were projects specifically selected to be ‘shovel-ready’ in the assessment of bids.<sup>27</sup>

This goes to show that short delivery timescales are likely to lead to local authorities selecting projects based on ability to spend money quickly and overstating what can be achieved, rather than focusing on achieving longer-term impact backed with an evidence-based proposal.<sup>28</sup> And the Levelling Up example

24 The then Levelling Up Secretary Simon Clarke revealed [in a letter](#) to Clive Betts MP that over 80 authorities had made a submission.

25 National Audit Office (2022). [Supporting local economic growth](#). NAO; paragraph 3.10.

26 Committee of Public Accounts (2022). [Local economic growth](#). London: The Stationery Office.

27 Committee of Public Accounts (2024). [Levelling up funding to local government](#). London: The Stationery Office; paragraph 9.

28 In this specific example, lessons were not learnt – the Getting Building Fund (effectively a continuation the Local Growth Fund) had an explicit criterion to be used for shovel-ready projects.

shows it can lead to the worst of both worlds, where longer-term strategic proposals are deprioritised without the compensation of quick results.

Short delivery timescales also impact the ability to conduct robust evaluations (i.e., to generate the evidence on ‘what works’, discussed in Pillar 2). Time is needed at both the start and the end of delivery to have effective monitoring and evaluation.

### **Lack of monitoring and evaluation of schemes**

In terms of encouraging local economic growth, DLUHC has been singled out as having poor understanding of what policy has worked well in the past.<sup>29</sup> This limits the evidence available to shape design of funding pots that are meant to stimulate local economic growth.

The NAO notes that there is currently no joined up framework at the national government level for facilitating cross-departmental exchange in the delivery of its central funding programmes.<sup>30</sup> This means national government is unable to provide learnings to local projects from similar past projects that may have been handled by a different department.

And the 2024 PAC report on local government levelling up funding found that DLUHC had no long-term plans to evaluate the performance of its funds and the projects they invested in, and no clear idea of evaluation strategy when the funds were set up.<sup>31</sup>

**This feeds back into national strategy.** This lack of planning, exchange, and learning means that there is little evidence to base future strategy on, and the vicious cycle continues.

While there has been a greater focus on monitoring and evaluation in recent years to start to change this, it remains best rather than standard practice.

For example, central monitoring and evaluation of Levelling Up Funds from the outset was limited, meaning little information was initially collected with the aim of having better future understanding of their effectiveness<sup>32</sup> – such measures were only belatedly introduced.<sup>33</sup> Paired with concern over the rewarding of bids with unrealistically short timelines for delivery<sup>34</sup> and often extensive requirements for reporting on the implementation of projects, the signal this sends is that national government prioritises the delivery of the projects over knowing whether they work.<sup>35</sup>

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29 National Audit Office (2023). [Levelling up funding to local government](#). NAO.

30 National Audit Office (2022). [Supporting local economic growth](#). NAO; paragraphs 3.8 to 3.9.

31 Committee of Public Accounts (2024). [Levelling up funding to local government](#). London: The Stationery Office; Recommendation 6.

32 National Audit Office (2022). [Supporting local economic growth](#). NAO; paragraphs 4.4 to 4.6.

33 National Audit Office (2023). [Levelling up funding to local government](#). NAO; paragraphs 2.13 to 2.17.

34 Committee of Public Accounts (2022). [Local economic growth](#). London: The Stationery Office.

35 National Audit Office (2022). [Supporting local economic growth](#). NAO; Conclusions.

This is in the process of changing. The department has committed to publishing all monitoring and evaluation guidance in a central location and to shift to a more centrally-led evaluation approach to generate additional evidence.<sup>36</sup> As part of this, DLUHC has published a local growth fund register<sup>37</sup> and a collection of local growth evaluation documents<sup>38</sup> which are welcome, if ongoing, developments.

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<sup>36</sup> National Audit Office (2023). [Levelling up funding to local government](#). NAO.

<sup>37</sup> Link to DLUHC local growth and place fund register [here](#).

<sup>38</sup> Link to DLUHC local growth evaluation collection [here](#).



# 03

## Pillar 2: Resources

The incentives Pillar is key to create an environment in which local government is motivated to seek out and use evidence in policy proposals. But to formulate effective economic policy, local government organisations must also have access to the right resources outside of their individual authorities.

This consists of both **data** which authorities can use to perform their own analysis as well as **evidence from existing evaluations**, where relevant analysis has been undertaken previously.

### Recent data drives are setting out to tackle longstanding availability and accessibility issues

Local government needs relevant, accessible, and up-to-date data to help them identify problems that policy could tackle.

The good news is that steps have been made recently toward bringing data together, improving its accessibility, and tailoring it toward local government needs, through a flurry of public sector activity in this domain:<sup>39</sup>

- The ONS has improved its offering of subnational data. There is a broader array of variables available now than ten years ago,<sup>40</sup> and accessibility has improved: the most recent offering is a local area statistics explorer, with 57 indicators (many of them economic) available at the local authority level.<sup>41</sup> ONS Local was set up in 2023, establishing regional leads and liaison officers in the devolved administrations to better support access to datasets.<sup>42</sup>

39 This fits with the ambitions of the Government Statistical Service's [subnational data strategy](#), which is to improve the production and dissemination of data for lower levels of geography.

40 For instance, output per hour, a measure of productivity, at the local authority level and GVA is now available at the sub local authority level.

41 Link to ONS Explore Local Statistics webpage [here](#).

42 From the ONS [subnational and local statistics](#) webpage.

- The DLUHC Spatial Data Unit, set up in 2022, aims to provide better local data and insights to support levelling up.<sup>43</sup> Recently launched data tools, such as the local skills dashboard, aim to make relevant skills and labour market data more readily available at the local level.
- The Office for Local Government (Oflog) has been set up to bring data together for use in local government, after a commitment in the 2022 Levelling Up White Paper.<sup>44</sup> In February 2024, Oflog started consulting on its Corporate Plan,<sup>45</sup> indicating it would continue to develop its Data Explorer tool, as well as committing to gather feedback on suggested key metrics from local government.<sup>46</sup>
- A more general data tool specifically aimed at local authorities is LG Inform, run by the Local Government Association (LGA) with a first iteration launched in 2011. This provides a free data and benchmarking system to better allow local authorities to gather and compare data, including economic metrics.<sup>47</sup>
- Finally, DLUHC published plans in July 2023 to simplify the number of output and outcome indicators required for monitoring to make it easier for individual local authorities to collate and compare data across projects, as well as to make comparisons across local authorities.<sup>48</sup>

Evidence to show these developments are changing use of data in local government is so far limited. *But multiple interviewees noted improvements in resolution, timeliness, and user-friendliness of data offerings, showing that these efforts have been recognised by local economic development stakeholders.*

Despite progress, there are still data provision issues to overcome. These positive developments are in response to long-term data availability and accessibility issues.

The 2023 Levelling Up Inquiry, launched to assess the levelling up funding regime in the wake of the White Paper, raised that the granularity of data is a key and longstanding issue.<sup>49</sup> The inquiry also found that localised and up-to-date economic data is increasingly in demand, though not necessarily matched by its supply.<sup>50</sup> Neither is there a shared understanding of what the most robust and

43 Clowes F (2023). [Join the Spatial Data Unit and make exciting things happen](#). DLUHC Digital blog.

44 Oflog's ['about us'](#) webpage.

45 DLUHC & Oflog (2024). [Office for Local Government \(Oflog\): draft Corporate Plan 2024 to 2027 for consultation](#). London: the Stationery Office.

46 Oflog (2023). [Office for Local Government: next steps and new draft metrics](#). Correspondence.

47 LG Inform's ['about LG Inform'](#) webpage.

48 DLUHC (2024). [Guidance: Simplifying the funding landscape for local authorities](#). London: the Stationery Office.

49 Levelling Up, Housing and Communities Committee (2023). [Funding for Levelling Up](#). London: the Stationery Office; pp. 21-22.

50 Levelling Up, Housing and Communities Committee (2023). [Funding for Levelling Up](#). London: the Stationery Office; pp. 21-22.

relevant data is for local government.<sup>51</sup>

Interviews with local government stakeholders corroborate this. *In a specific outlining of the issue, an Economic Growth Manager in a Unitary Authority mentioned that local authorities would be compelled to report on certain metrics outlined in the Levelling Up White Paper, but much of the required data is not available at the local level.*<sup>52</sup>

## Appropriate evidence from previous evaluations to inform policy is a resource in short supply

Alongside data, evidence on what has been shown to work in past policy interventions, taken from existing evaluations and analysis, is also important. Unfortunately, the availability and quality of this evidence often falls far short of the mark.

First, availability of evidence from evaluation of past policy interventions is sparse. Government at all levels has struggled to conduct impact evaluations to find out if their interventions are having the intended effect.<sup>53</sup>

Second, what evidence exists is of low quality. Evidence reviews of government and academic publications conducted by the What Works Centre for Local Economic Growth (What Works Growth) often only find a limited number of studies with sufficiently rigorous evaluation methods.<sup>54</sup>

Without clear examples of previous evaluations of interventions, local government has little to work with.

*A Strategy Manager at a County Council noted the lack of existing comparable evidence for policy interventions at a local level. When there were relevant evaluations, they were often not rigorous enough to draw any concrete conclusions for the purposes of policy.*

A lack of impact evaluation evidence means that, in practice, less robust evidence is used to inform policy decisions at a local level.

*A member of an Economic Development Team in a City Council put it as enacting policies that are considered ‘a good thing to do’, rather than those with ‘evidence that it actually works’.*

51 Local Government Association (2023). [A guide on the role and future skills needs of economic development teams](#). LGA. 5.157.

52 DLUHC (2022). [Levelling up the United Kingdom](#). London: The Stationery Office; pp 246.

53 National Audit Office (2022). [Supporting local economic growth](#). NAO; Conclusions.

54 For example, [a recent What Works Growth evidence review](#) on the impact of public realm on the economy found no robust evaluations that looked exclusively at interventions of this type, because they are often delivered alongside other interventions. [In another review](#) on the impact of access to finance, only 27 out of 1,450 evaluations considered met the minimum robustness standards.

The impact of what evaluation evidence does exist is limited by a lack of coordination from national government on the matter (related to the lack of coherent national strategy raised in Pillar 1). This missing coordination likely prevents knowledge sharing across local government, reducing the ability of one authority to incorporate relevant evaluation evidence from another in their policy making.

*Many local government stakeholders noted the lack of support across local government meant they didn't know what was happening – and what was working – in different parts of the country.*

These issues have been acknowledged, and steps are being taken to remedy them. Improving government decision making through better evaluation strategy, design, and delivery is the key tenet of the Evaluation Task Force's (ETF) current strategy.<sup>55</sup> This draws on international good practice and sets a range of indicators to be met by 2025 to support policy making at every level of government. Regarding local economic development, the UK Shared Prosperity Fund is one of the top 10 priorities where the ETF is providing 'significant evaluation support'.<sup>56</sup>

The ETF also plans to publicly launch the Evaluation Registry – a central location for all government evaluations to be registered – in 2024.<sup>57</sup> This chimes with DLUHC committing to more centrally-led evaluation as part of its ambitions to simplify funding for local government.<sup>58</sup>

This is an encouraging move, and would represent a useful resource for local authorities to draw from when developing projects and policies, reducing burden on smaller local authorities and creating a better understanding of what interventions work. And this is a step toward national government playing a better coordinating role in collating and generating evaluation evidence for local government policy.

Finally, What Works Growth both improves access to evidence through evidence reviews, briefings, and webinars, and encourages new evidence through supporting evaluations conducted by central and local government.

The thinness of the evidence base is a longstanding issue, and not one that can be solved overnight. Drives for the improved quality and availability of evaluation evidence today, while promising, will take time to build up resources for future evidence use in local economic policy.

55 Evaluation Task Force (2022). [Guidance: The Evaluation Task Force Strategy 2022-2025](#). London: the Stationery Office; What are we aiming to achieve?

56 Evaluation Task Force (2022). [Priority Areas for the Evaluation Task Force](#). London: the Stationery Office.

57 From the GOV.UK ['Evaluation Registry FAQs'](#) page.

58 DLUHC (2024). [Guidance: Simplifying the funding landscape for local authorities](#). London: the Stationery Office.

# 04

## Pillar 3: Capacity

Having sufficient access to external resources will do little to improve evidence-based policy making if local authorities don't have the internal capacity to use these resources. This involves individual staff having the right skills to interpret data and evidence for use in policy making, as well as local government having the appropriate number and mix of staff.

**There is a skills gap in local government, with staff training and hiring not enough to close it**

### **Skill gaps are present in economic development, project management, and monitoring roles**

Evidence-based policies cannot be reliably delivered without a set of in-house skills to allow an organisation to understand, interrogate and incorporate available evidence and data into its policy design process. For economic development teams, this includes an understanding of economic and analytical frameworks to approach policy interventions.

But these skills are often in short supply. A Chief Economic Development Officers Society (CEDOS) report<sup>59</sup> highlighted internal 'skill gaps' in many areas of local government, particularly in light of the changing skillset needed for economic development roles.<sup>60</sup> This included needing better capabilities for delivering and managing large-scale economic interventions (e.g., infrastructure projects) and writing business cases, deficiencies exacerbated by the structure of levelling up funding pots (Pillar 1).

Different stages of policy making in local government (from planning, project management, through to evaluation) require a vast array of skills. The CEDOS

59 CEDOS (2022). [Future of Economic Development Research](#). CEDOS; Sections 2 & 4.

60 A [2023 LGA Report](#) emphasised data analysis and evidence-based business case development as increasingly required technical skills for economic development teams.

report identified skill gaps at every stage.<sup>61</sup>

The solutions to fill these gaps are often short-term, with long-term implications. *An Economic Development Team member in a London borough explained how they often get external personnel – such as consultants and universities – to plug the gap, preventing the development of institutional skills.*<sup>62</sup>

Use of consultants is widespread, making up a significant proportion of the costs of bidding for competitive grants. Estimates of average cost per bid range from £30,000 to £94,000 (depending on the size of the project).<sup>63</sup> In total, Greater Manchester’s 10 local authorities spent £1.1 million over the two Levelling Up Fund bidding rounds, including Bolton spending £277,000 on two unsuccessful bids.<sup>64</sup>

And having paid consultants to write bids or analyse data, local authorities often do not have the skills to appraise the quality of what is produced.<sup>65</sup> This weakness of procurement management in local government has been noted as a long-standing issue.<sup>66</sup>

## Training to address skill gaps is not well targeted

One way to build capacity through skill development is to train up local government staff. There have been a number of piecemeal developments in this area:

- ONS Local offers webinars for data capability building. But much of their training is aimed at data officers or analysts within local government, and so cannot benefit local authorities without these specific roles in the first place.
- DLUHC has aimed to build capacity as part of funding programmes. For example, the Towns Fund was accompanied by supporting workshops and resources on topics including evidence use and developing business cases.<sup>67</sup> However, this support was offered to successful local authorities within the funding window, rather than local authorities without successful bids (i.e., those most likely to benefit from guidance).
- The LGA signposts to a range of existing opportunities to develop

61 CEDOS (2022). [Future of Economic Development Research](#). CEDOS; Section 4.

62 This use of external resources also seems to be concentrated in types of work typically under the remit of economic development. For instance, [a DfT survey](#) of 46 local transport authorities found that the vast majority primarily used external resources to develop economic appraisals (78 per cent), business cases (71 per cent), and scheme costings (63 per cent).

63 Levelling Up, Housing and Communities Committee (2023). [Funding for Levelling Up](#). London: the Stationery Office; paragraph 21.

64 BBC News: [‘Greater Manchester councils spent £1.1m on Levelling Up consultants’](#). 3 April 2023.

65 CEDOS (2022). [Future of Economic Development Research](#). CEDOS; Section 4.

66 National Audit Office (2013). [Improving government procurement](#). NAO; Introduction.

67 DLUHC (2020). [Towns Fund: further guidance](#). London: the Stationery Office.

skills around economic development, though few are explicitly about developing skills around data and evidence.<sup>68</sup>

- The Institute of Economic Development provides a toolkit for economic development teams to self-assess the knowledge and skills needed for policy making, including research, analysis, programme design, and evaluating projects.<sup>69</sup>
- What Works Growth offers introductory training on use of evidence, and elements of evaluation open to people working in local government.

These examples highlight that training drives exist to develop skills in local government surrounding evidence use. However, the current offer is not enough to close the skills gap – they are fragmented and often not to the benefit of a wide enough range of local government stakeholders.

### **Closing skill gaps through hiring is limited by the roles available and local government finances**

Alongside training, hiring the right staff is another way to close the skills gap in local government. But there are four factors that currently limit this as a way to increase capacity for use of evidence.

First, even councils which have sufficient existing roles for analytical and economic staff often struggle to fill them, in the face of declining competitiveness of local government salaries relative to the private sector.<sup>70</sup>

Second, the broad skill set required and less well-defined career paths act as a barrier to staff retention in the economic development profession.<sup>71</sup>

Third, a focus on short-term projects due to a reliance on competitive funding (as discussed in Pillar 1) compounds recruitment issues. These one-to-three-year projects include fixed-term contracts which reduce certainty and make roles less attractive.<sup>72</sup>

Fourth, there are perceptions that hiring economic development staff is a zero-sum game. Local authorities ‘poaching’ staff from others is common, given niche skillsets, fixed-term contracts, and the fund bidding process requiring capacity increases at short notice.<sup>73</sup> This can be damaging to authorities on the receiving end, particularly smaller ones.

All this occurs beneath the spectre of local government austerity, which has

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68 LGA (2023) A guide on the role and future skills needs of economic development teams, London: LGA.

69 Institute of Economic Development, [https://ied.co.uk/skills\\_training/excellence\\_in\\_economic\\_development](https://ied.co.uk/skills_training/excellence_in_economic_development)

70 Local Government Association (2023). [A guide on the role and future skills needs of economic development teams](#). LGA. 5.157; Section 2.

71 Local Government Association (2023). [A guide on the role and future skills needs of economic development teams](#). LGA. 5.157; Section 2.

72 CEDOS (2022). [Future of Economic Development Research](#). CEDOS; paragraph 3.11.

73 CEDOS (2022). [Future of Economic Development Research](#). CEDOS; paragraph 3.15.

hollowed out internal capacity.<sup>74</sup> Between 2010-2019, local authority districts reduced spending on planning and development by 35.7 per cent.<sup>75</sup> This fall is faster than spending on many other service areas – some of which are statutorily mandated, like adult social care – meaning economic development staff (usually sitting adjacent to planning teams) were most likely reduced and their work deprioritised within councils.<sup>76</sup>

## Processes need to be in place to build capacity for evidence use

Having skills in-house is not sufficient; the capacity to consistently use evidence also requires processes that ensure the right skills are accessed at the right time in the project lifecycle.

The CEDOS report noted the need for strong ‘internal partnerships’ for successful business case development.<sup>77</sup> This includes robust project management processes that embed the use of evidence and strong scrutiny to assess strategic fit early in project and programme development.

Through its five-case model, the Green Book is a key tool for local government to set up the processes that encourage evidence use in policy making.

But the Green Book framework isn’t followed consistently. In a review of successful local growth fund bids available online, City-REDI found that 45 per cent didn’t mention additionality, a core part of Green Book guidance. Only four of the 94 successful bids reviewed covered all additionality factors.<sup>78</sup> This likely reflects shortcomings in the internal processes for developing business cases, but more widely the lack of incentives to adhere to the Green Book (Pillar 1).

The Green Book could also be sharpened as a tool for building capacity to use evidence in local government policy making. Previous Centre for Cities’ work has suggested that, without adequately clear guidance regarding the economic case, local government policy making instead focuses on complex and opaque economic models (facilitated by private sector consultants) and puts undue focus on benefit-cost-ratios at the expense of the wider strategic case.<sup>79</sup> In these cases, the way the Green Book is written can obfuscate the processes needed in local government to effectively use evidence in policy proposals, rather than enhance them.

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74 Centre for Cities (2019). [Cities Outlook 2019](#). London: Centre for Cities.

75 National Audit Office (2022). [Supporting local economic growth](#). NAO; paragraph 2.20.

76 Centre for Cities (2019). [Cities Outlook 2019](#). London: Centre for Cities.

77 CEDOS (2022). [Future of Economic Development Research](#). CEDOS; paragraph 2.11.

78 Riley R (2023). [‘I Blame the Green Book’ – Why has Guidance Become the Scape Goat of Public Funding Decisions like Levelling Up?](#). City-REDI Blog.

79 Breach A, & Jeffrey S (2020). [Re-writing the Green Book for levelling up](#). London: Centre for Cities.



## Smaller local authorities suffer from a ‘one-size-fits-all’ approach to development funding

The fragmented landscape of local government that currently exists in the UK means there is large ‘natural’ variation in institutional capability to use evidence. As an illustration, 20 local authorities each spent less than £100,000 on local economic development and economic research in 2019-20, while 20 spent more than £8 million each.<sup>80</sup> This means that large combined authorities, established specifically to deliver transport and economic policy to the city regions, will have considerably more capacity for delivering evidence-based economic policies than smaller, lower-tier districts.

Yet the Government often treats them similarly, applying one set of rules across a funding pot for all local authorities to follow.<sup>81</sup> Mitigation is limited – the Levelling Up Fund did include capacity funding to support smaller local authorities through the bidding process, but this was not paid in time to support first-round bids.<sup>82</sup>

Functions of economic development are split across both upper and lower tier local authorities which further limits institutional capability to use evidence. The responsibility for economic development of one place is often split across multiple authorities.<sup>83</sup>

In practice, this means many smaller local authorities do not have the capacity to make credible applications for levelling up funding rounds. *A Bid Manager in a council for a small city described the bidding process for the Levelling Up Fund as ‘traumatic’.*

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80 National Audit Office (2022). [Supporting local economic growth](#). NAO; paragraph 3.13.

81 The [levelling up fund prospectus](#) specifies the pot is open to bids from all levels of local government.

82 National Audit Office (2022). [Supporting local economic growth](#). NAO; paragraph 3.13.

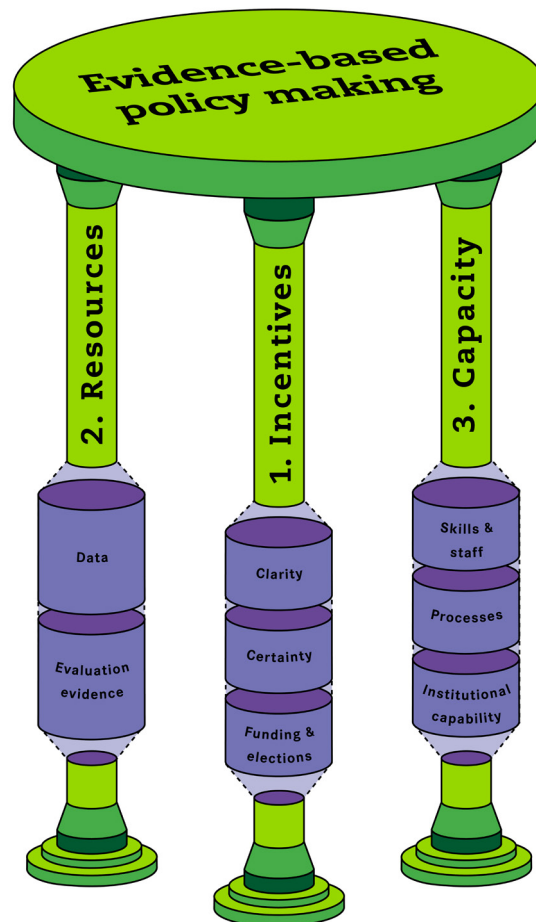
83 Breach A, & Bridgett S (2022). [Centralisation Nation: Britain’s system of local government and its impact on the national economy](#). London: Centre for Cities.

# 05

## What needs to change?

Improvements are needed in all three pillars for evidence use to be supported in local economic policy making. Figure 2 sets out these pillars again, this time with the building blocks that make them up, as discussed in sections above.

**Figure 2: Three pillars: the building blocks to target**



Source: Adapted from Michie S, van Stralen M, & West R. (2011). [The behaviour change wheel: A new method for characterising and designing behaviour change interventions](#). Implementation Science: IS, 6, 42 – 42.

In order to increase the use of evidence in policy making and break down barriers that exist within them, local and national government and other governmental bodies should consider interventions that target each of these building blocks. These interventions should happen at similar times, as all pillars are interrelated. But there should be particular focus on getting the incentives – the rules of the game – right for local government if resources and capacity are to be put to good use. This is because **incentives ultimately influence the choices and behaviour needed to address some of the resource and capacity constraints** in local government policy making.

## Incentives

To increase clarity and certainty in the policy making process, national government should do the following:

- **Set a national policy goal for local economic development and put a long-term strategy in place for achieving it.** It is at this strategic stage, when objectives are set, that the decision about where to direct public investment should be made. The Levelling Up White Paper has created a strategy, but the Government has not credibly committed to it since. The next government should either do this or set out an alternative with a plan to deliver it. This **clarity** will make it easier to build business cases for investments and meet the requirement for evidence to build these cases. It would also create greater certainty by reducing: i) short-termism; ii) policy churn; and iii) the moving of goalposts.
- **Form a single pot of funding for economic development.** The awarding of this funding should be defined by the goals of the national strategy, and national government should be clear on quality of evidence required and assessment criteria. This will promote effective evidence use by allowing joined-up investment strategies in local government and prevent dilution of its impact through project ‘siloeing’ or a focus on shovel-ready projects.
- **Take a ‘carrot and stick’ approach to funding decisions.** National strategy and pot funding should combine to reward local authorities that demonstrate clear and effective use of evidence in their proposals, while not advancing those where it is lacking. This should be explicit criteria in the application process.
- **Signal to local government the importance of designing and delivering projects that work through a credible commitment to monitoring and evaluation.** DLUHC should implement its proposal to run more centrally-led impact evaluations and streamline the required monitoring data to improve the understanding of effective policy at all levels of government. To both enforce adherence to this guidance and

keep local government actively involved in this process, generating appropriate monitoring indicators should be a key condition for receiving funding.

- **Reform local government finance** (in the longer term) to create a stronger link between budgets and the performance of the economy, reducing the reliance on grant funding. This would financially reward authorities implementing evidence-based policy that achieves local economic growth, sharpening incentives to incorporate evidence into the policy making process.
- **End elections by thirds in local authorities.** Elections happen every four years in London boroughs, Birmingham and Liverpool, for example. The same should be implemented elsewhere to remove barriers to formulating evidence-based local government strategies, by freeing up bandwidth that would otherwise be consumed by campaigning.

## Resources

To increase effective data and evidence use in local economic policy making, national government should do the following:

- **Continue developing the provision of subnational data.** There have been good steps in this direction, and the work of Oflog, ONS Local, and DLUHC Spatial Data Unit should continue and expand on their provision of data and analysis. This should include increasing the breadth of data available, as well as improving the quality and timeliness of existing datasets.
- **National government should take a coordinating role for policy evaluation.** As well as sharpening incentives for evidence use, this would help the sharing of evaluation evidence across local government. This should be implemented alongside the upcoming Evaluation Registry, a much-needed central repository for previous evaluations.
- **Set Oflog's core responsibilities to encourage evidence use.** Oflog should: i) set guidance for local government on the structures required to use evidence in policy; ii) co-conduct impact evaluations to understand more broadly how policy is successfully implemented; and iii) identify strategic policy areas with evidence gaps that are important for growth.

## Capacity

To build capacity in local government to carry out effective policy, the following steps should be taken:

- **Training should be targeted to close identified skill gaps,** rather

than the piecemeal provision that currently exists. National government should work with local government to understand where training is needed with the aim to close gaps at every stage of the policy making process.

- **National government should provide capacity funding for local authority hiring and retention of economic or analytical specialists.** This would help local authorities be more competitive when hiring in skills needed for policy making. This funding should not be connected to specific projects or funding rounds. Where capacity support is project-specific, it should be open to all prospective local authorities and occur well before submission deadlines.
- **Local authorities should internally review objectives and the skills needed to implement policies for economic development.** Increasingly available subnational data means required skillsets for economic development staff are rapidly changing. A recruitment restructuring with clearer responsibilities and career paths would also help attract the right staff. Learnings could also be made through dialogue with other councils, or engagement with other bodies (such as CEDOS and LGA).
- **Green Book should ‘mandate’ rather than ‘encourage’ evidence use.** This should be accompanied by a clarification and simplification of the five-case model, backed up by national government strategy.<sup>84</sup> A refined Green Book as a tool for evidence-based policy making can improve local government processes. A mandate for evidence use will have the added bonus of sharpening incentives.
- **National government should make reporting requirements proportionate to local authority capacity during monitoring and evaluation of policy.** This will free up capacity particularly in smaller local authorities that are most constrained by the current ‘one-size-fits-all’ approach. There is a balance to strike here – sharing the burden more effectively between national and local government, without compromising quality and oversight on local government.
- **Even better, local authority boundaries should be redrawn to better match economic geography.**<sup>85</sup> Such a realignment would better equip local government to use evidence strategically in policy making due to the better fit to their local economies. This would also involve a consolidation in many places, reducing the ‘natural’ variation in local authority capacity to use evidence, enabling evidence-based policy making more consistently across the country.

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84 For more detail, see Centre for Cities’ suggestions on [Rewriting the Green Book for Levelling Up](#).

85 Jeffrey S, & Swinney P (2020). [Levelling up local government in England](#). London: Centre for Cities.



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