

# Written evidence submitted by the UK2070 Commission (LRS0025)

## Context and Summary

1. The UK2070 Commission submits the following response to the BEIS Committee's Sub-Inquiry's review of local and regional government structures in England in delivering growth locally and supporting the Government's 'levelling up' agenda.
2. The UK2070 Commission is an independent inquiry into the deep-rooted spatial inequalities that exist across the UK, chaired by Lord Kerslake. It published the Report on its findings in February 2020. This drew upon a substantial body of evidence submitted to the Commission or from research it has commissioned. The full list of documents can be found on its website - <http://uk2070.org.uk/publications/>. In view of the direct relevance of the work of the UK2070 Commission to the Committee's Inquiry, Lord Kerslake would be happy to give evidence to, and answer questions from, the Committee in person if the opportune is made available.
3. The UK2070 Commission has set out a 10-Point Action Plan for addressing the spatial inequalities between the regions and nations of the UK. All ten areas of action have a bearing on the Committee's Inquiry generally and the Sub-Inquiry's specific questions about institutional structures. The answers to the specific questions are listed in the Annex to this report. There are however general issues that need to be addressed and which must be taken into account in answering any of the questions.
4. Many of the questions asked in the Call for Evidence themselves reflect the over-riding structural barriers to delivering the levelling up agenda:
  - The questions are based upon a hierarchical view of the relationship between national and central government in which decisions are made centrally and delivered locally. This reflects the highly centralised nature of governance in the UK which is a major constraint on economic growth and has been a factor in creating the imbalance in economic development which levelling up seeks to tackle. As a corollary there a high level of interdependence between the need for comprehensive devolution to local government and for structural changes nationally;
  - The most effective level for local economic decision making is for a functional city-region but such sub-national governance is patchy and where it does exist it has limited powers and constrained and dependent access to resources. A comprehensive framework of sub-national governance is needed.; and
  - The review also seeks to review how the role of powerhouses, local enterprise partnerships and growth hubs could be reformed or better equipped to deliver growth locally, with specific reference to the Government's 'levelling up' agenda. There is a need to address these institutional arrangements more directly than is sought in the Committee's call for evidence and their relationship to the local government.

**Annex: Responses by the UK2070 Commission to  
Specific Questions in Call for Evidence  
by  
BEIS Committee Sub-Inquiry into Levelling Up  
Local and regional structures and the delivery of economic growth**

---

## Evidence base

1. What evidence exists to measure the performance of the various tiers of regional and local government in the delivery of growth?

**Response:** Since there is no general tier of regional government, there are no regionally defined performance indicators. This is a major problem since it means that, with a few exceptions, there are no subnational strategic bodies responsible for setting performance measures. There is city-regional government, such as metropolitan areas as Greater Manchester, Bristol and Teesside, which are effective in developing measures of performance through their local economic reviews.

The only exceptions that might be defined as 'regional' (i.e. wider than the city-region) are at present are by the Greater London Authority, Northern England and CaMKOX strategy. Those set by the GLA are built into the London Plan but have not been accepted following public examination. Those set for Northern England identified measures of growth needed to deliver levelling up but these have not been supported by Government. In fact, the latest housing policy proposals by MHCLG will undermine these ambitions and inhibit local efforts to promote growth. The CaMKOX growth strategy is a de facto regional strategy given its extent and ambitions. It has however not set criteria yet that will allow its ambitions for growth to be tested. These ambitions have also not been set within a context of its relationship with the wider labour markets and industrial ecosystems of which it is part.

At a local level the measures used vary but all local plans have to meet the NPPF test of being pro-growth. However, at the local level, economic development is also the responsibility of the LEPs. This fragmentation of responsibility is not helpful to setting measures of performance. In addition, local economic strategies have not given sufficient weight to measures of the foundational economy or measures in tackling poverty (e.g. the target of no more 10% in poverty).<sup>1</sup> The importance of the foundational economy has been highlighted by COVID19, but England lags behind the Welsh Government's approach in its consideration of this with some notable exceptions, like the Economic Strategy for the Greater Manchester Combined Authority.

2. What evidence have regional and local leaders based their local or regional industrial strategies on, and what forms of stakeholder engagement were included in the drafting of priorities?

**Response:** There are no regional industrial strategies, except for those mentioned in answer to Question 1 above. There are therefore no regionally agreed priorities. Local industrial strategies are limited by their area and scope and therefore their evidence base and area of engagement. In particular many of them do not relate to coherent functional economic regions which constrains their analysis and policy formulation.

3. Considering the cost of institutions, what cost benefit analysis exists to show the value for taxpayers' money when compared to the delivery of wealth and job creation?

**Response:** The cost of institutions need to be set against the scale of investment that is being created or enhanced by the activities of the institution. The current approaches to CBA undermine the Levelling Up goal of the Government. They are short term, driven by assessments based on past performance and do not take account of the strategic fit of investment to wider goals especially levelling up and a zero-carbon economy.

---

<sup>1</sup> Refer page 17 of [UK2070 Report](#)

The report of the UK2070 Commission sets out the evidence for why the UK cannot afford not to tackle the spatial inequalities across the UK. The productivity gap in the economy of the three northern regions of England costs an estimated £40bn. Similarly, if the Core Cities had grown at the same rate as London between 1992 and 2015, they would have contributed at least an additional £120bn to the national economy.

There are high 'hidden' costs to the UK that are not reflected in CBA. These 'hidden' costs arise from a system which compensates for the failure of the market to deliver a balanced economy. For example, although the overall expenditure per head in London and North East England are comparable, support for Social Protection (unemployment) is over 25% higher in the North East, whilst Housing & Community Support (housing support) is over 75% per head higher in Greater London than in North East England. As summarised in by the OECD report 'In It Together. Why Less Inequality Benefits All': ***“Put simply: rising inequality is bad for long-term growth.”***

### Local structures:

4. What structures exist across the country and how does this compare across different regions?

**Response:** Outside London and the Combined Authorities, there is no, or very limited, strategic economic planning capacity. As a result, structures are inevitably variable.

5. How do these different tiers work together to deliver local growth? What good case studies exist, and can lessons be learnt from poor collaboration or leadership?

**Response:** Effective collaboration depends on a range of factors including the economic coherence of the area. Outside the CA, statutory joint and unitary counties (e.g. Cornwall), collaborative arrangements are limited. In London and the wider south east this has depended on the level of willingness to cooperate, and has failed to resolve how London should manage its growth.

England needs a new regional framework to address common strategic issues, e.g. infrastructure priorities and the management of regional devolved funding. This should be built around the four partnership areas for the North, Midlands, South-West and the Wider South East.

Other factors that are critical to the effectiveness of collaboration are set out on page 71 of *the UK2070 Report*. These allow for a diversity of areas in size and scope and are based on a collaboration between existing bodies and communities.

6. How should local structures support delivery of regional growth across England?

**Response:** There are three key challenges to delivering effective institutional capacity to deliver growth. Firstly, Levelling Up needs to be translated into meaningful set of outcomes – i.e. a national plan for levelling up. Secondly, local authorities need to be given control of resources so they can make decision, take initiative and promote local approaches – i.e. fiscal powers. Thirdly, there need to be strategic economic arrangements to deal with issues whose scale is cross boundary and go beyond the scope of city regions and counties.

7. Do regional or local structures act in the best interests of local priorities and stakeholders or act more as a delivery arm of central Government?

**Response:** The very question posed by the Committee demonstrates the nature of the problem. It in effect assumes the role of local actors is to be a delivery arm of Central Government. This lies at the heart of the UK's problems including the 'Productivity Gap'. There needs to be a *Parity of Esteem* between central and local government. The evidence for this is set out in the UK2070 report and supporting papers.

Current structures do not act in the best interest for setting local priorities because local leaders have not been given the resources to be able to set priorities that meet the scale of action required (i.e. financial allocations are too little and were reduced during the austerity period). Councils need to be given greater powers through devolution.

8. What should local authorities do more or less of to achieve these aims?

**Response:** There needs to be a comprehensive devolution of powers and responsibilities to Local Government (as set out in the UK2070 Report) based on:

- A common package of powers is open to all areas of the UK that can be tailored to local circumstances and timescales;
- Block-funding regimes to offer greater local discretion about spending priorities;
- A new regional framework for England based on the emerging networks of pan-regional bodies, combined authorities and unitary rural counties;
- Support by a parliamentary and ministerial portfolio for each area, and the relocation of centralised powers for responsibilities in England to four pan-regional areas in the north, midlands, south-west and the wider south east;
- New local strategic engagement processes e.g. Citizens' Assembly

9. Where should government focus its post-Covid-19 levelling up policy to best support regional growth: English regions, core-cities, towns, Growth Hubs and LEPs?

**Response:** This question fails to understand that levelling up requires to be a mission for the whole country - all regions, all cities and towns and reaching out beyond to remote and marginalised communities (which often have the greatest levels of inequality e.g. Blackpool and east coast communities).

More significantly it is imperative to make levelling up a priority within Government itself. The recent debate about housing allocation policy demonstrates that levelling up is not embedded in departmental thinking and policy.

### Stakeholder engagement:

10. How does each tier of regional or local government engage with delivery stakeholders (such as businesses, education providers, etc)?

**Response:** This is widely varied. Again, it is not clear why the Committee is asking about the processes of regional government when none exists. It is also stressed that engagement needs to go beyond what is normally considered to be stakeholders – i.e. those with power. It needs to engage citizens and civic society which is currently generally limited.

11. Do different tiers engage in different ways?

**Response:** See answer to questions 9 & 10.

12. Where are these examples of good practice?

**Response:** I refer you to the UK2070 research report led by Dr Lucy Natarajan 'Civil Society Perspectives on Inequality: Focus Group Research Findings Report'.

13. Do stakeholders believe the different tiers are effective and worthwhile to engage with?

**Response:** The Commission has no information on their views but all the evidence is that there is a great will amongst local communities to be allowed to become more engaged but are frustrated by the current system. This is evidenced by the report for the UK2070 Commission by Devoconnect

14. Do stakeholders consider certain tiers to be more of a constraint on growth as opposed to a delivery partner for growth?

**Response:** The tier that constrains local growth most is the national tier. There is clear evidence that the highly centralised nature of the UK governance arrangements inhibits economic growth, refer July 2020 report by Carrascal-Incera et al.

## Sustainable local economies:

15. How could a green economic recovery stimulate local economies and embed upskilling at a regional level?

**Response:** A key part of the levelling up agenda must be the delivery of a Just Transition to Zero-carbon. This is set out more fully in the *UK20670 Report Action 1 – A Just Transition*.

16. Which tiers are best placed to provide the leadership of local net zero and skills-based priorities?

**Response:** Action is needed at all levels across a wide range of initiatives. All levels of government need to own the mission of delivering a zero-carbon economy. Leadership must be reflected in central government's actions and by all departments, which is currently not the case. The UK2070 Commission recommended in particular the following to support the levelling up agenda:

- Specific Action Plans to mitigate the impacts of climate change on disadvantaged and marginalised communities, including *Just Transition* funds;
- A targeted Transition Strategy for High-Carbon Regional Economies, especially the North West and West Midlands regions of England;
- Refresh the Industrial Strategy to prioritise the potential new economic opportunities in adapting to climate change to help in levelling up social outcomes and economic performance; and
- Updating criteria to embed inequality impacts into Green Book guidance on climate change impact assessment.

In relation to skills-based priorities, the initiative lies at a local level. However, it should be noted that experience has shown the benefit of a regional approach to skills based on local collaboration. For example, Colleges West Midlands is a formal partnership of 21 further education colleges situated in, and adjacent to, the West Midlands Combined Authority area.

17. Should leadership responsibilities be separate from delivery responsibilities?

**Response:** All bodies must lead in the matters for which they are responsible.

## Targeted regional investment:

18. How could 'shovel ready' growth projects in England drive local growth and jobs?

**Response:** Shovel-ready projects are relevant as part of the wider strategic programme-based approach. They are normally short-term and project-based getting immediate action and short-term results. They must not create impacts which then need to be 'undone' at a later stage. What is needed is a longer-term sustained programme projects within which shovel-ready projects sit and which collectively add up to the scale of action required to deliver to level up the UK.

19. How could clustered R&D investment support local growth?

**Response:** Investment in clustered R&D by creating new *Global Centres of Excellence* will reinforce the UK's global economic role as a leader in the digital revolution. This requires:

- Accelerating the target on R&D expenditure to meet the current best international standards of 3% of GDP within the current parliamentary cycle;
- Giving priority to applied research and innovation to support local economic growth by:
  - A 30% increase in applied research funding to all leading universities matched by private sector support;
  - Creating a nexus of specialist UK Centres of Excellence for science, business and technology, building on the existing and developing specialist UK Centres of Excellence (e.g. Materials in Manchester and AMRC in Sheffield);
  - New long-term leadership and funding institutional arrangements.
- Establishing a National Programme to embed digital and automation technology and accelerate the roll out of future digital infrastructure across the whole of the UK.

20 How should priorities be agreed across the regions?

**Response:** This would be achieved through preparing a National Spatial Plan for England supported by trans-regional and city-region frameworks:

- Prepared by a reconstituted National Planning and Infrastructure Commission NPIC);
- Linked to the priorities and funding regimes;
- Endorsed by Parliament and independently audited in an annual State of the Nation Report, including infrastructure priorities and cost;
- Coordinated with the devolved administrations of the UK through a framework for cross-border collaboration;
- Integrated with approved subnational strategies and departmental programmes;
- Reviewed in line with Parliamentary cycles; and
- Be a material consideration in decision-making and development decisions.

### **Regional funding:**

21 How should the UK Shared Prosperity Fund be specifically targeted to replace EU Funding and address regional inequality?

**Response:** Funding should be enhanced to a level well beyond that delivered through EU structural funds. The UK2070 Commission recommended this should be set at £300 bn 20-year programme (£15bn / year). The fund should be targeted by requiring any project or programme it funds to meet the criteria of 'Strategic Fit' with the national and regional frameworks.

22 What role should local structures play in allocating funding to best achieve regional growth?

**Response:** Local structures have a key role in the preparation of the strategic spatial context and in the administration of funds and the monitoring of agreed programme budgets (as was successfully done in the local management of EU funds)

23 What role could the British Business Bank have in the post-Covid-19 levelling up of regional economies?

**Response:** Access to funding has been identified as a major cause of the imbalanced pattern of development in the UK (refer Action 9 page 77 UK2070 Report). A national investment bank is seen as a key element of the reforms that are needed. This should be supported by the development of regional investment banks as well as better access to Venture Capital and the reform of the Green Book.

**Project Speed:** Project Speed will bring forward proposals to deliver government's public investment projects.

24 How should Project Speed identify and distribute growth opportunities into communities across the country to best achieve its levelling up agenda?

**Response:** Project Speed's intention of improving the speed of delivery is sound but the danger is that it could increase centralisation of decision-making further, and reduce effective engagement.

25 What should the balance be between Whitehall decision making and local decision making?

**Response:** See answer to question 23.

26 Do we have the capacity and capabilities at local and/or regional level to do this work on behalf of central government?

**Response:** Yes: It is a case of "Gives us the Tools and we will do the job!" The real question is whether central government has the capacity and capability. Given the current problems have arisen under the current centralised system, there is every reason to believe that an incentivised and enable decentralised and devolved strategic delivery capacity will be more effective.

*September 2020*