UK2070 COMMISSION

UK 2070 – An Inquiry into Regional Inequalities
Towards a Framework for Action

Make No Little Plans

ACTING AT SCALE FOR A FAIRER AND STRONGER FUTURE

FINAL REPORT OF THE UK2070 COMMISSION

EXECUTIVE SUMMARY

FEBRUARY 2020

UK2070 COMMISSION

Message from the Chair

UK 2070 Commission is an independent inquiry into the deep–rooted spatial inequalities within the United Kingdom. There is no longer any real debate about the scale of these inequalities. Whether in terms of health, housing or productivity, it is now accepted that the UK is one of the most regionally imbalanced economies in the industrialised world.

Inequality blights the prospects of future generations of the UK. Unless there are fundamental changes these disparities will grow. This means that the economic potential of large parts of the UK is not being realised, creating an imbalance of wealth and opportunity. It also leads to enormous housing, transport and environmental pressures on London and the Wider South East. As a result, nobody is winning.

Inequality has created social division. In many parts of the UK people feel they have been left behind by the growth in wealth and opportunity elsewhere. This is reflected in the last three years' debate over our future in Europe. We face a decade of disruption ahead – leaving the European Union, tackling climate change, the fourth industrial revolution – which threaten to increase these divisions.

Our report therefore avoids the divisive rhetoric that is sometimes used of North-v-South, Towns-v-Cities, or Urban-v-Rural. To succeed, we need to think about North *and* South, Towns *and* Cities, and Urban *and* Rural. The issues of economic underperformance and wellbeing affect all parts of the UK including coastal towns in the south east of England.

Past attempts to remedy the fundamental spatial imbalances in the UK have failed. They have been too little, too late, too fragmented and too short-lived. Radical change is required. We need to comprehensively increase and sustain the scale and breadth of action over the next twenty years through a coordinated plan.

This Report therefore sets out a compelling case for a new Economic Programme and a Connectivity Revolution. It calls for a devolution of powers and resources from central government and to local communities. This agenda for action needs to be brought together in long-term National Spatial Plans to provide confidence for investment and to help the UK deliver on its international commitment to the UN's Sustainable Development Goals.

This Report seeks to transform rhetoric into action through a forward-looking agenda to shape the future of the UK over the next 50 years. The principles are set out in a ***Shared Declaration of Intent*** for building a fairer, stronger and more sustainable future for all in the UK. We want Government, local leaders and all parties to sign up to this ***Declaration*** and to start now with urgency to implement the programme of action.

The new Government is committed to 'levelling-up' Britain. This is welcome. However, if the Government wants to achieve this end, it will have to have the courage to deliver the means. Only a comprehensive, large-scale, and long-term approach is likely to make any meaningful difference. To use the vernacular, the Government needs to 'Go big or go home'.

This Final Report builds on our First and Second Reports published in April and September of last year. These were based on new research and extensive consultation across the UK, drawing on international experience. Both received widespread coverage and support. We have taken on board the feedback that we received throughout.

I also want to thank all who contributed to the work of the Commission, especially the Lincoln Institute of Land Policy, the Universities of Manchester, Sheffield, Liverpool, Cambridge and UCL, the Sir Hugh & Lady Sykes Charitable Trust, Turner & Townsend, and all my Commissioners.

Lord Kerslake, *Chair, UK2070 Commission*

Contents

UK2070 Commission Report Synopsis

The Momentum for Change

- There is now a consensus about the huge and growing scale of spatial inequality in the UK and a shared recognition of the need to tackle this. The **UK2070 Commission** has found that the UK is one of the most spatially unequal economies in the developed world.
- Despite the best efforts of previous governments, the gap is growing. This has continued even over the last decade, with real growth in productivity (GDP per capita) being almost twice the UK average in London, and nearly 50% of employment growth in the UK being in London and the Wider South East.
- This, however, must not be a polarised debate. We all lose from the imbalance in the economy. Regions outside London and the Wider South East are not fulfilling their full economic potential whilst London and the Wider South East are increasingly experiencing intense pressures on housing, transport and the environment.
- Other global challenges, particularly the imperative of moving to a zero-carbon economy and the fourth industrial revolution, threaten to exacerbate the problem but could also provide real opportunities if properly harnessed. This is critical to the delivery of the internationally agreed Sustainable Development Goal (SDG) to reduce inequalities.
- Currently, much public spending is dealing with the consequences of failing to tackle spatial imbalances rather than creating conditions for success. Investing now and over a sustained period in levelling-up the economy is necessary to generate higher local incomes and reduced the welfare budgets.
- Continuing with fragmented, underpowered, and short-term initiatives will not work. **We need a large-scale, comprehensive, long-term and devolved plan of action** to deliver change. There must be a shared endeavour across the political parties, the devolved administrations, at regional and local levels, and involving the public, private and voluntary sector.
- Delivering this will challenge the way Government and Whitehall works. It requires the capacity to plan and deliver long-term, effective cross government working and devolution of power to match in scales the change needed.
- Britain is not alone in facing these challenges. The UK governments have all acknowledged this and adopted the New Urban Agenda as well as the SDGs to drive the actions necessary to make places within Britain thrive and be sustainable, and to deliver the transition to a zero-carbon economy.
- This Final UK2070 Report proposes a ***Shared Declaration of Intent*** that all parties can sign up to, supported by a ***Ten Point Programme of Action***, and enabled by changes to our institutional structures and ways of working.
- In short, we need to move from a vicious circle of growing imbalances, to a virtuous one that creates opportunity.

The Ten Point Programme of Action

Action 1: A Spatially Just Transition to Zero-Carbon

Ensuring there is an explicit spatial dimension in the UK's plan to become zero carbon by 2050.

Action 2: Delivering a Connectivity Revolution

Creating a transformed public transport network between cities, within cities and beyond cities.

Action 3: Creating New Global Centres of Excellence

Harnessing increased investment in research and development to create 'hub and spoke' networks of excellence across the country to complement London and the Wider South East.

Action 4: Strengthening the Foundations of Local Economies

Empowering local leadership in towns and local communities to deliver increased local economic growth and wellbeing.

Action 5: Rethinking the Housing Crisis

Recognising housing as part of national infrastructure and ensuring that supply of new housing meets the needs of the economy.

Action 6: Harnessing Cultural and Environmental Assets

Increasing the focus of policy and funding of assets outside of London.

Action 7: Implementing a Comprehensive Framework for Inclusive Devolution

Allow different places to step up through different levels of devolution according to local ambition, need and capacity.

Action 8: Future Skilling the United Kingdom

Develop a national plan to raise attainment levels, especially in future skill needs for all areas to achieve the levels of the best performing places.

Action 9: Levelling-up the Playing Field: Fairer Access to Funds

Triple the size of the Shared Prosperity Fund to £15bn per annum for 20 years with clear spatial priorities; and change the way major projects and local priorities are able to be funded and assessed.

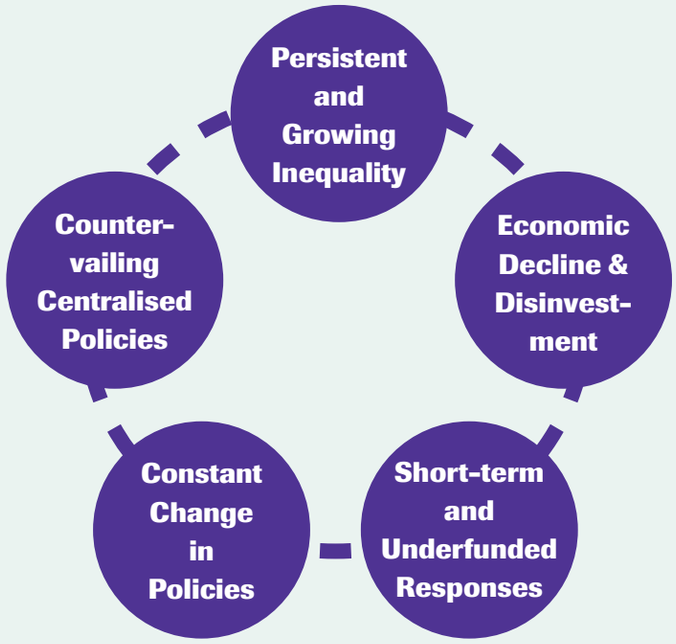
Action 10: Shaping the Future: A National Spatial Plan for England

Task the National Infrastructure Commission to create a national spatial plan for England and linking to those in Scotland, Wales and Northern Ireland, to guide investment and to support local and regional spatial plans.

Changing our Institutions and Processes

In order to deliver the above Actions a powerful cross-ministerially-led government committee needs to be established with a dedicated team, to oversee the delivery and embedding the purposes of levelling-up and spatial analysis, supported by flexible funding and new measures of success, including a review of the Green Book appraisal methodology.

Vicious Circle of Inequality



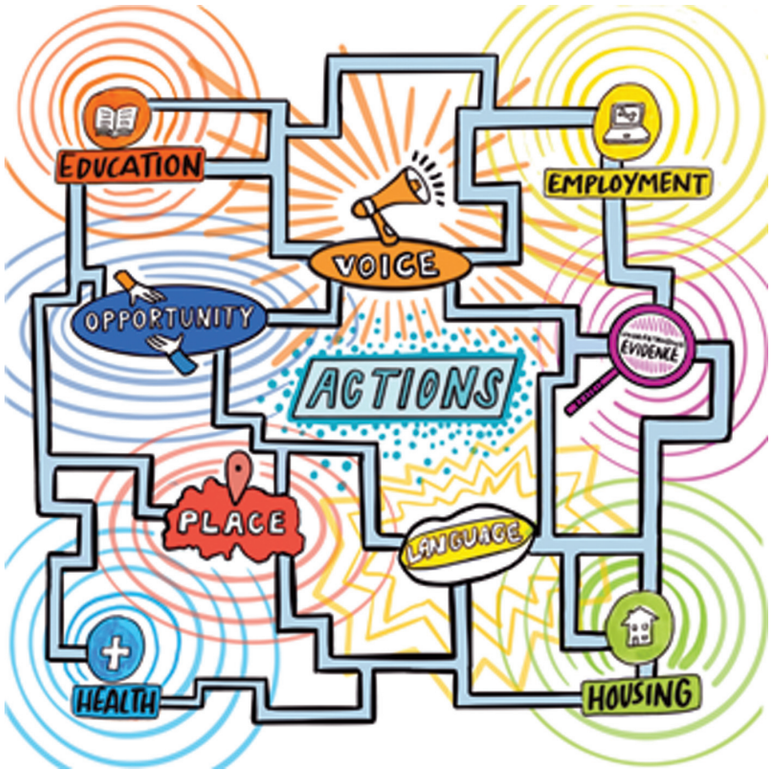
Virtuous Circle Creating Opportunity

Part 1 The Need for Change

The UK has many advantages that will help it manage the enormous global challenges ahead.

It is the fifth largest economy in the world. London is a world-leading hub for financial services and a city with global reach. Nearly 20% of the world's highest ranked leading research universities are in the UK. Its regulatory systems and its political stability have made it a secure place to invest. In addition, its deep and rich cultural and natural heritage, and social systems are valued by its citizens, investors and visitors. Its temperate geographical position should enable it to adapt more readily to climate change than areas of the world that are facing the risks of sustained extreme temperatures and desertification.

Alongside these advantages however, the UK has some particular challenges. Its economy has been dividing into 'separated' economies, with the London and large parts of the wider South East decoupling from the rest. This division is reinforcing the deep-rooted and persistent inequalities in the UK. The challenge is to deliver a fairer, stronger and more sustainable economy. But, the UK's highly-centralised systems of administration have not proven able to deal with these issues. In part these systems have underlain the problems. They are too often place-blind, top-down, silo-based and fragmented, and unfit for purpose, given the particular challenges we face. This creates a vicious circle in terms of the levels of inequality and economic productivity across the UK.



Source: University College London

Persistent and Increasing Spatial Inequality and Low Productivity

The UK is the most interregionally unequal major high-income economy amongst the advanced OECD countries[1]. Inequalities in the UK are especially concentrated not only within neighbourhoods of towns and cities but also between nations and regions. The combination of the magnitude and regional contrasts are especially marked. This has created an interplay of interregional and intra-regional disparities which has complicated and confused the debate about where responsibility lies – with local or national government.

Whilst the London region is recognised as the richest region of Europe, six of the ten poorest regions also lie within the UK. This pattern has continued even over the last decade, with real growth in productivity (GDP per capita) being almost twice the UK average in London, and nearly 50% of employment growth in the UK being in London and the Wider South East. The nature and causes of spatial inequality are problems that need to be tackled at all levels.

These patterns of inequality are expected to deepen. On current trajectories, London and the Wider South East is already accommodating approaching 50% of the UK's new jobs and housing and this is expected to increase, with growing inequalities elsewhere (see Table below). It will also be reinforced if the current pattern of investment in core areas, like R&D, continue. For example, currently 52% of gross domestic expenditure on R&D goes to London and the Wider South East.

Left to the market there will only be change when high costs arise from increasing labour gaps, higher congestion and house shortages. By then the economic damage will be done. We need a better-balanced economy – support for successful towns and cities, levelling-up of struggling communities and recognition of the special needs of remoter rural and peripheral communities, as well as maintaining productivity and global leadership in London and other high performing centres. This requires policy interventions to take an integrated approach at many levels[2].

Base Case Scenario 2011-2071 (based on current trends)					
Nations & Regions	Employment Growth by 2071 (m)	Real Wage Costs (2011=100) Commuting	Cross Boundary Costs (% change)	Increased Real Housing (2011=100)	Share of Land Take for Development (%)
London and WSE	6.5	199	71.5%	194	43.0
Midlands	1.1	158	37.3%	153	15.7
South West	1.3	175	61.3%	170	13.6
North England	1.1	153	26.7%	148	12.7
Wales	0.5	166	43.3%	162	5.3
Scotland	0.8	171	41.0%	162	9.7
All Britain	11.3	180	54.2%	176	100.0

Source: Cambridge University: Scenario Modelling

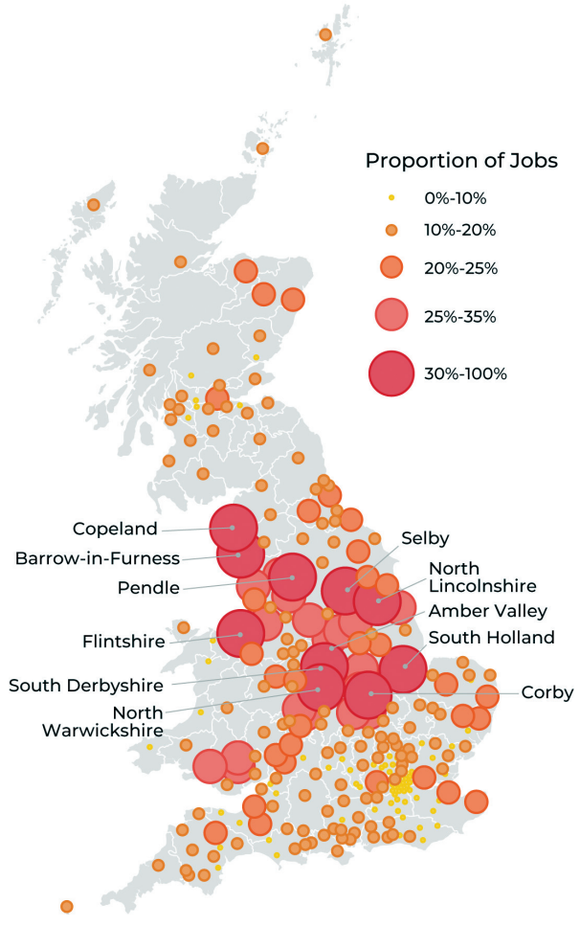
1 http://uk2070.org.uk/2019/01/22/professor-philip-mccann-publishes-think-piece-on-perceptions-of-regional-inequality/
2 ibid

The Unequal Impacts of Climate Change

Climate change is an over-arching global threat and at the core of the government's agenda. It puts at risk the safety, wellbeing and cost of living for all. It will particularly affect the most disadvantaged communities in the UK who live in vulnerable areas and are most affected by such factors rising energy costs, falling air quality and rising sea levels, This is a double-headed crisis, which should be converted into a double-headed opportunity.

The UK is relatively well placed to respond to the climate emergency because of its rich range of environmental assets. However, the balance between harnessing, enhancing and conserving these environmental assets is currently too often reactive or incremental. Policies are not however yet joined up, and sometimes in conflict with the need to address climate change. For example, the development pressures on flood plains in the south of England.

About 4 million UK jobs are in sectors which are highly reliant on high carbon emissions There are more than 40 local authorities where 25% of all employment comes from these sectors. As illustrated below, many of these jobs are concentrated in specific areas, primarily in the East Midlands, West Midlands, The North West and Yorkshire and the Humber. Yet there will be new opportunities from transition to a low carbon economy: for example, nearly 40% of renewable energy is already sourced from areas beyond the major city regions. Policies need to link the potential of a zerocarbon economy with helping to rebalance the economy, making it fairer and stronger as well as sustainable.



Regional Reliance on High-Carbon Employment in the UK. *Source*: NEF analysis based on data from Business Register and Employment Survey, made available by Nomis (2019) See https://neweconomics.org/uploads/files/NEF_trust-in-transition.pdf, p. 9.

The Unacceptable Impacts of Inequality

The deepening inequalities in living standards come at a high cost to the quality of life and wellbeing of communities in terms of health, educational attainment, fuel poverty, social mobility, wealth, access to opportunity, household income and environmental quality. The table below illustrates the overwhelming evidence obtained by the UK2070 Commission.

Indicator	Inequality
Wealth	Average household wealth fell by 12% in the North East and East Midlands between 2006 and 2018, but grew by nearly 80% in London and by over 30% in South East England. (ONS)
Child Poverty	25% of poor children live in the 10% most deprived local authority areas. (IMD)
Health	There is a 19-year difference in healthy life expectancy for men and women between the most prosperous and most deprived areas. (ONS)
Housing	Lowest income groups have experienced the fastest growth in housing costs relative to income; it is now 40% of income, twice as much as any other group. (IFS)
Educational Studies	There are significant regional variations in uptake of STEM subjects, e.g. in 2016, 57% in Reading studied maths at level 3 compared with 10% in Barnsley. (IS)
Educational Standards	There are more than twice as many students attending outstanding schools in London compared with northern regions. (IS)
Higher Education	A child who is poor enough to qualify for free school meals in Hackney, one of London's poorest boroughs, is three times more likely to go on to university than a child who grows up equally poor in Hartlepool in England's North East. (IF)
Social Mobility	A child in London with parents in the bottom third of the occupation distribution has a 30% chance of moving to the top third, compared with just a 17% chance for a child in Yorkshire & the Humber. (SMC)
Access to Basic Services	Between 1980 and 2014 the cost of public transport increased by 58% (on buses) and 63% (on rail), whilst the cost of motoring fell by 14%. (GOS)
Access to internet	41% of homes and offices have 4G coverage in rural areas, compared with 83% in urban areas (in some remote parts there is no coverage). (OFCOM)
Income	London is now nearly two and a half times as far above the national average as it was in 1985 (43% compared with 18% in 1985). (ONS)
Environmental Standards	Over 70% of the UK's most deprived areas experience unfavourable environmental conditions compared with less than 30% in the UK's least deprived areas. (NCB)

No one measure truly captures the cumulative and complex pattern of inequality. But the truth is that inequality is increasing, reinforcing already disadvantaged regions. Moreover, areas suffering most from inequalities and with the greatest need for public services are not generally areas of greatest volume of demand for public services. So, they are not treated as a priority for investment.

Official statistics do not always tell the whole story, as illustrated by the OECD estimates of 'hidden' unemployment which increases regional disparities. For example, in Liverpool and Sunderland the real levels of unemployment have been assessed as being three times greater than the official estimate. Similarly, as the ONS have stated, Index of Multiple Deprivation measures do not reflect fully the deprivation in rural areas.

We Cannot Afford the Status Quo

The inequalities across the UK in terms of productivity and wellbeing represent a significant drag on the economy. 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 UK economy[1].

Additional direct costs also arise in terms of public sector welfare costs. Although overall expenditure per head in London and in the north east of England are comparable, support for social benefit costs reflecting respectively high levels of unemployment) are over 25% higher per head in the north east of England whilst housing and community support costs are over 75% higher per head in London, (reflecting the overheated housing market). In effect, they are the price of failed policies.

The cumulative costs of inequalities are also obscured by administrative systems. For example, the welfare costs of the hidden levels of unemployment are reflected in incapacity-related benefits. Some of the hidden costs of inequality are illustrated here.

The longer-term opportunity costs incurred by maintaining the status quo are reflected in higher housing and labour costs, and longer distance commuting. On the other hand, our analysis has shown that if growth in the number of jobs could be levelled-up, there would still be an additional 2.4m jobs in London and the Wider South East, but this would enable a significant reduction in commuting growth and future housing price inflation, with costs converging towards the rest of the UK.

The findings of the Commission are reinforced by the international experience summarised in the OCED report '*In It Together Why Less Inequality Benefits All*'. It concluded that high and growing inequality raises major economic concerns, not just for the low earners themselves but for the wider health and sustainability of our economies, and concluded that:

> ***"Put simply: rising inequality is bad for long-term growth."***

Overall Costs of Poverty

£78 billion

per annum = **4%** UK's GDP

Welfare Costs

£9 billion

lost tax revenue and additional benefits spending

Housing Benefit

£12 billion

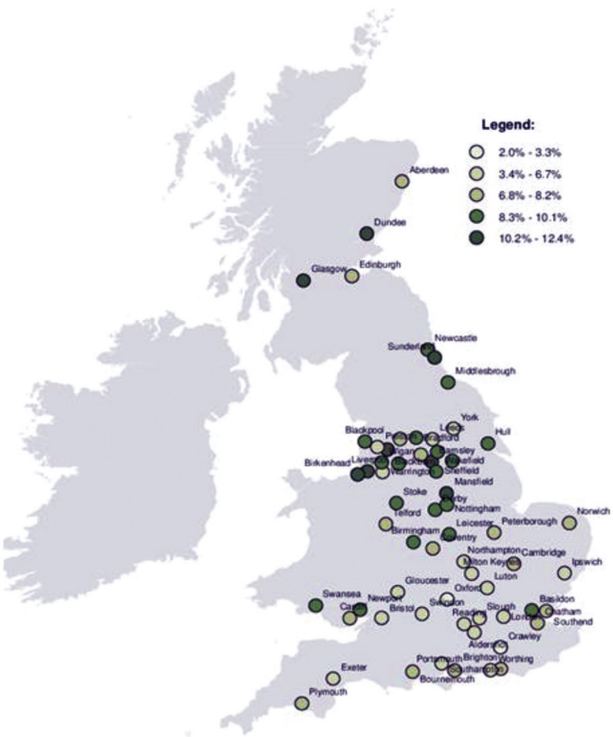
per annum between 1991–2018

Health Costs

costs to the NHS

£4.8 billion

per annum at 2011–2012 levels



Adjusted economic inactivity rate, cities in the UK, 2017.
Source: OECD

1 Refer First Report of UK2070 Commission and ONS data as source of statistics

Learning from the Past

Despite a huge effort, many of the problems inherited from past industrial decline still remain. With important exceptions, too little has been done, too late (often only when there is a crisis) and in a fragmented way. Sometimes the policies that have been pursued have been part of the problem and have created a vicious circle of inequality. It is important to be honest about why progress has been impeded. These reasons include:

1. ***Conflicting UK Policies*** arising from an over-centralised administrative system where priorities and action are fragmented and where departmental initiatives do not always cohere or reinforce one another;

2. ***Strained Central–Local Relationships*** arising from the central control and detailed scrutiny of local decision-making meaning that devolved powers in practice are very constrained;

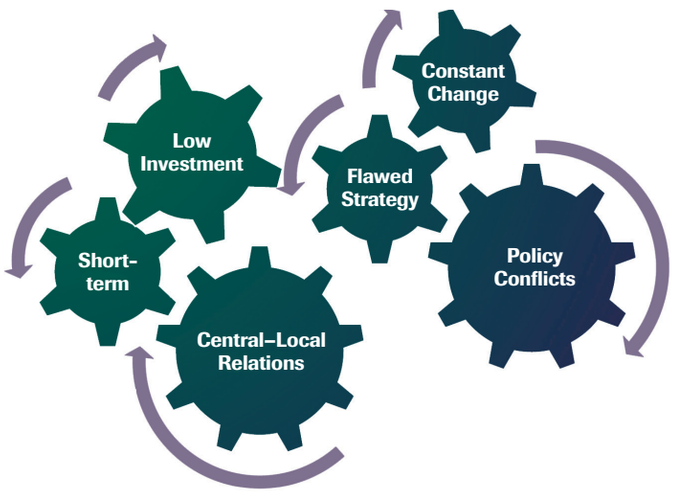
3. ***Flawed Strategy for Growth*** that assumed incorrectly that the benefits of growth in London and the Wider South East would spill over to the rest of the UK;

4. ***Low Levels of Investment*** compared with other advanced economies which result in under-resourced programmes of action, creating a competitive project-based culture and holding back ambition. This reinforces the pattern whereby places where economic growth is already demonstrable get the funding to the detriment of the 'left behind' places which cannot demonstrate a positive business case;

5. ***Constant Change in Policies and Delivery Agencies*** which does not allow sufficient time for any programme of action to have real impact. Many initiatives change with government cycles;

6. ***Narrow Short-Term Measures of Success*** that do not take account of longer-term generational and wellbeing impacts and are based on cost-benefit ratios, not need.

These issues constrain policy and action and are reinforced by the ability of a local authority or agency to put in project bids and deliver them. This further disadvantages places that are already disadvantaged. We must not repeat the mistakes of the past. If we learn from them, the current increasing levels of inequality can be overcome. However, it requires action on a scale that fits the task in hand, on a level with Germany post-unification.



Part 2 An Agenda for Scaling Up Change

There is a new mood throughout the UK that change is needed and is now inevitable. There are new levels of agreement on the need for action, despite diverse and disparate political positions. This momentum needs to be built on and accelerated if change is to have the impact required in levelling-up the economic performance and social outcomes across the UK.

Policies to reduce inequalities are not a zero-sum game. There are shared benefits for all in reducing division and inequality – it can be a win-win for all by creating a Virtuous Circle of Opportunities.

Virtuous Circle Creating Opportunity

AMRC Training Centre, *Source*: University of Sheffield.

Scaling Up Action

New policies are needed to achieve a fairer distribution of wealth, wellbeing and opportunity. Without radical and sustained change, we put at risk:

- London's vital international role as a Global City;
- The potential of other main cities as centres of UK economic, cultural and social life;
- The recovery of marginalised industrial and coastal towns in the nation's wealth; and
- The wellbeing of rural communities, integrating town and country.

New policies need to be on a greater scale, over longer-term timescales and based on a re-alignment of the relationship of central and local government, through devolution of powers and resources and citizen engagement.

New approaches are needed to open up new markets in depressed local economies, to promote wellbeing and to encourage longer-term investments. We need to create a virtuous circle of action that creates opportunities.

This needs to be supported by new processes, in particular the way schemes are assessed, and no longer driven by short term returns.

Therefore, The UK2070 Commission calls upon all parties who are equally committed to delivering a fairer, stringer and more sustainable future for the UK to sign up to the ***Shared Declaration of Intent***.

To give effect to this Declaration, the UK2070 Commission has set out a ***Ten Point Programme of Action***, supported by new **Institutional Arrangements**, to deliver changes we need to fulfil this commitment.

Source: OECD

UK2070 Declaration of Intent

Building a Fairer and Stronger Society

The UK2070 Commission calls upon Government, local leaders and all parties to sign up to this Declaration and start now with urgency to implement the programme of action for creating a fairer, stronger and more sustainable future for the whole of the UK.

The Common Challenge

Eliminating the UK's unacceptable, deep-rooted and long-standing inequalities in standards of living and wellbeing must become the shared common commitment of all parties, national and local, public and private. This is essential to delivering economic security, access to essential services, affordable housing and sustainable environments.

The concentrations of inequality in particular communities, towns and regions exacerbates social and economic inequality, increases the burden on public support and generates political discontent and detachment.

The constraints on regional economic performance are created by a vicious circle of inadequate infrastructure, restricted access to resources and a lack of institutions to take strategic decisions locally.

Without fundamental changes these inequalities will intensify, and be exacerbated by climate change. If this happens there will be an increasingly divided society and a growing burden on the state.

Our Common Purpose

We must create a virtuous circle for change, raising the levels of education, skills and social mobility, and the prospects and aspirations of the next generation, especially in smaller towns and communities in the older industrial heartlands of the UK and remoter rural areas.

Eliminating regional inequalities will benefit all communities: those blighted by poverty, poor health and lower life expectancy, as much as those distressed by unaffordable housing and over-stretched infrastructure and services.

The need and opportunities for change are made acute by the transition to a zero-carbon economy, the technological revolution and the consequences of the withdrawal from the EU.

Common Commitment to Scaling up Action

A commitment to eliminating inequalities between the nations and regions of the UK should be written into the terms of reference of all governments' departmental and institutional policies, programmes and assessments.

New devolved, decentralised and inclusive administrative structures, powers and resources are required, which are sensitive to national and regional differences and local circumstances, and which will create the institutional capacity to bring about change.

Reformed fiscal institutions and tools, underpinned by a large-scale UK investment fund, are needed to produce effective partnerships and concerted action across all departments, sectors and levels of government.

The opportunities created by the 'Industrial Revolution 4.0' and the transition to a zero-carbon economy need to be harnessed to create a more balanced and equitable economy across the UK including a rebalancing in the distribution of our national research effort.

There must be a revolution in transport connectivity between and within towns and cities, and which reaches out beyond to marginalised and isolated communities

This far-reaching agenda for change needs to be held together and sustained through long-term spatial frameworks for investment, infrastructure and development for all our nations and regions,.

It must be based on a clear vision for eliminating inequalities and identifying opportunities, whilst building resilience, democratic empowerment, protecting and enhancing our heritage and environment and, most importantly, providing a stable and coherent long term framework for investment in national infrastructure and research.

ACTION 1

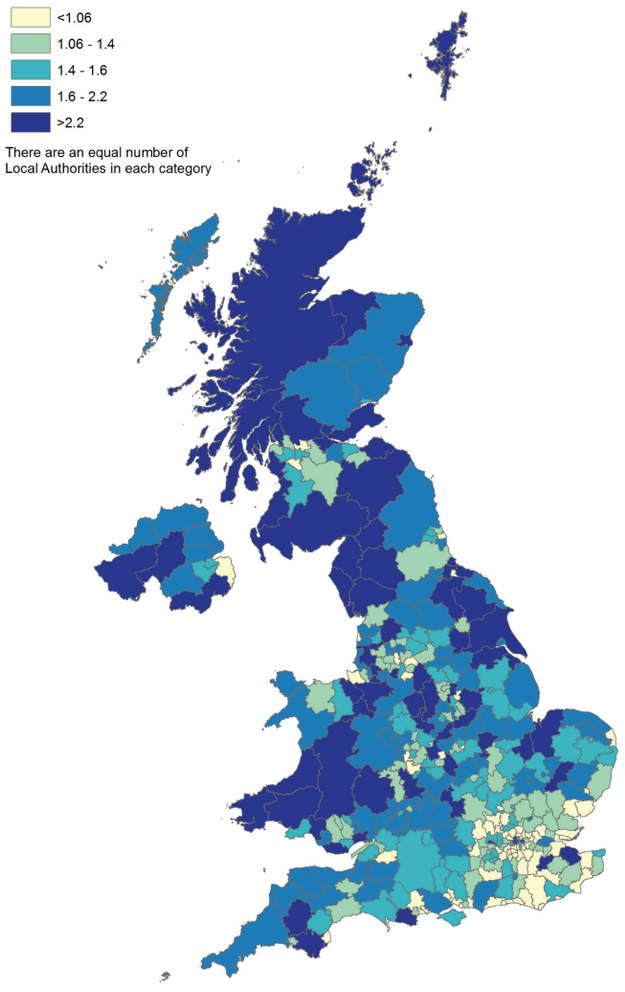
A Spatially Just Transition to Zero-Carbon

The UK is committed to the need for urgent action to combat climate change and its impacts, as part of its international obligations, including SDG13. This creates an over-riding imperative to transition to a zero-carbon economy, whilst tackling the deep-rooted inequalities which divide its communities.

Policies to deliver zero carbon by 2050 must therefore address the needs of the most vulnerable, referred to as a *Just Transition*. This means addressing the impacts on the most marginalised and disadvantaged communities, and potentially needing to support them with a dedicated funding regime.

Many industrial areas which generate high levels of carbon output, and which will be most affected by a transition to zero-carbon, are concentrated in areas of need. Therefore, industrial policy will need to harness the potential of the new carbon neutral industrial sectors that are emerging to offset the impacts of decarbonisation.

Action 1 sets out a four-pronged strategy for embedding the eradication of inequalities in the transition to a zero-carbon economy – *Just Transition*. This could form a key contribution by the UK to the international COP26 United Nation's climate change summit in Glasgow.



Industrial and commercial per capita CO_2 emissions by Local Authority (tonnes CO_2 per capita) for 2017. *Source*: Department for Business, Energy & Industrial Strategy: *Local Authority Carbon Dioxide Emissions Estimates for 2017*

ACTION 1

A Spatially Just Transition to Zero-Carbon

It is recommended that the UK Government and devolved administrations should commit explicitly to the delivery of a Spatially *Just Transition* as a fundamental principle of in the delivery a zero-carbon economy through:

- 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.

ACTION 2

Delivering a Connectivity Revolution

A 50-year vision for a re-connected Britain is needed to meet the national zero-carbon target in 2050 and to reconnect all the communities in the UK, whether they are the major metropolitan centres or remoter rural communities.

A study for the Commission of the future transport investment requirements, highlights the fact that a fully de-carbonised system if it continues to be based on the current balance of transport modes requires a doubling of the nation's electrical power generation – for which there is no investment plan.

As recognised by the Government, investing in transport links is essential to levelling up access to opportunities across the country, ensuring our regions are better connected, local economies flourish and more than half a century of isolation undone. A revolution in the public transport network capacity and quality is required between cities, within cities and beyond cities, potentially building up to 3000 km of new and upgraded rail lines.

Action 2 therefore sets out the steps by which a Connectivity Revolution could be achieved through the following components:

- A renewed standard of excellence in the level and quality of public transport connections between the core network of towns, cities and regions, comparable to that which they have with London;
- Higher levels of mobility within city regions and other urban areas through new multi-modal and integrated transport systems – extending into their rural hinterlands – especially through green bus, tram and metro systems expanding of existing systems in the metropolitan areas to other cities and towns;
- New levels of connectivity beyond core regions to address the absence of sustainable links to marginalised communities and towns and remoter rural areas; and enhance their access to services such as hospitals and further education and to wider economic prospects.

Photo: © RDS

ACTION 2

Delivering a Connectivity Revolution

It is recommended that the UK Government should commit to working with the Scottish and Welsh Governments to plan, fund and deliver a Connectivity Revolution for Connecting Britain over the next 25 years, to make the UK one of the best-connected countries in the developed world through a UK-wide Connectivity Strategy to deliver:

- A network of connected cities;
- Sustainable mass transit systems within all major urban areas;
- Enhanced connectivity beyond to the marginalised communities, and the reopening or upgrade of up to 3000 km of rail line.

This should include a related programme of investment brought forward through a Comprehensive Spending Review and related Budget.

ACTION 3

Creating New Global Centres of Excellence

The current Industrial Revolution 4.0 is driven by technological change. The potential for global innovation, research and technology (IRT) of the UK economy is significant, given its strong research base, as reflected in the Golden Triangle of Oxford–Cambridge–London, and centres of excellence like the Cambridge bioscience campus.

The challenge is that levels of funding are low compared with expenditure in the USA, Germany and France. In addition, a high proportion of this has gone to investment in the 'Golden Triangle'. Experience in the USA of similar over-concentration of R&D is now a national problem with spiralling costs, gaps in productivity, hurting the country's innovation-based competitiveness.

The Government is committed to tackling these long-standing issues by increasing the level of research funding to 2.4% GDP and levelling-up investment in R&D. The potential for change is seen in the work of the Manchester Graphene Institute and the Sheffield Advanced Manufacturing Research Centre. This experience could be extended to create a small number of globally-recognised 'networks of excellence' around key priority cross-cutting areas, e.g. future manufacturing or the *Just Transition*.

Any enhanced R&D funding should focus on core long-term funding of a limited number of hubs that best demonstrate their readiness for significant scales of growth with regional and national out-reach. This requires a long-term, competitive, transparent and rigorous process for identifying the most promising centres based on international quality, capability, and complementarity. This requires fresh institutional arrangements for provision of funding and leadership, comparable with the role of the German *Fraunhofer*-Gesellschaft, and parallels the proposals by the Brookings Institute for the USA.

Action 3 therefore recommends that an increase in investment in applied research should be based on:

- Building up local research capacity of all advanced research institutions, attracting in private sector funding;
- Promoting a nexus of hub-and-spoke specialised UK Networks of Excellence;
- Establishing a Gateway to enhanced funding based on capacity, proven research excellence, infrastructure capacity to be rolled out, regional out-reach and complementarity; and
- Enhancing and accelerating the levels of broadband access in order to provide a universal standard across the whole country and support its adaptation in increasing productivity of businesses and services.

ACTION 3

Creating New Global Centres of Excellence

It is recommended that the UK Government reinforce the UK's global economic role as a leader in the digital revolution by:

- **Accelerating its 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 in renewing the nations and regions** through:
  - A 30% increase in the investment in applied research by all leading universities matched by private sector support;
  - Create 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 Adaption Programme (NAP)** to embed digital and automation technology and accelerate the roll out of future digital infrastructure across the whole of the UK.

ACTION 4

Strengthening the Foundations of Local Economies

Strengthening the foundations of local communities is key to promoting a fairer, stronger and more sustainable economy. This is integral to the wider recommendations in this report for greater devolution to all communities, promoting skills and better access to local finance. For example, a Connectivity Revolution (Action 2) would reconnect marginalised communities to local and wider opportunities and higher order services (e.g. HE and Hospitals).

The current Industrial Strategy essentially deals with the export-oriented components of the economy. Yet the local or 'foundational' economy is critical to the wellbeing of the most deprived communities. These often have lower levels of health and education alongside restricted as economic opportunities. They are frequently in areas where the public service cuts have been deepest.

We need a new focus on the social and economic problems of the most deprived towns and cities. Where necessary this should be through new collaborative delivery vehicles, working alongside local authorities, health, police education and voluntary sectors in these very hard pressed communities. This needs to be complemented by the setting of universal standards of basic service provision, and a much greater level of flexibility in the management of revenue funding, to enable integrated action across services. To underpin this approach, a broader set of economic outcomes need to be measured, for example using local metrics on healthy life expectancy or good work.

Local areas are already charged with producing plans to drive inclusive local growth in their areas through the LEP network. These appear to be most successful when they are linked to a local strategic authority (e.g. London, Manchester and the West Midlands) and politically led-collaboration.

Action 4 therefore seeks to support the local leadership and action needed to level-up standards of life and wellbeing by embedding the foundational economy in wider economic policies as is being developed in Wales, and the Greater Manchester and West Midlands Combined Authorities which explicitly seek to connect to existing investment and the foundations of productivity.

ACTION 4

Strengthening the Foundations of Local Economies

In addition to the general policies for greater devolution and skills development, it is recommended that the UK Government and devolved administrations provide support for local communities by:

- **Embedding local Foundational Economies in policy** supported by dedicated funding (e.g. through community wealth funds), building on the experience in Wales and local industrial strategies;
- **A framework for resourcing universal standards** of service provision that all communities should meet;
- **Establishing flexible revenue funding regimes** and to promote more effective and efficient use of resources in meeting local priorities, and enable innovative collaborative action;
- **Recognising a broader set of economic outcomes**.

GROWING THE REGION'S FOUNDATIONAL ECONOMY #4theRegion

4theRegion WORKING TOGETHER

ACTION 5

Rethinking the Housing Crisis

The current housing crisis has in large part been caused by rising regional inequality. Without addressing regional inequality, the problems will get worse. The continued allocation of land for housing to meet past trends does not make sense but is reinforced by the lack of effective regional planning for housing provision.

Housing imbalances reinforce patterns of inequalities within and between UK cities and regions. Stagnating towns may have lower rents and prices but they are left behind by the uplift in property wealth. In towns and cities alike, the last decade has witnessed more households and children forced into lower quality, and often still highly priced, market rental housing.

It is therefore essential that housing is recognised as part of national and regional infrastructure plans to level-up economic performance and that we ensure housing supply meets the needs of the new economy and not past trends.

Housing policy therefore can no longer be treated as silo, as has often been the case. It needs to be integrated into all streams of policy, if it is no longer to continue to be driven by trend-led housing allocations: if land values are not to be driven by over-heated housing markets in which the wealth generated by public policy is not shared; and if the most disadvantaged in communities are no longer to bear the highest burden.

This requires a key policy shift to ensure that housing provision is related to the scale of economic growth that is planned. For example, it is estimated that the economic ambitions for the North of England require a 40% increase in the current levels of planned provision.

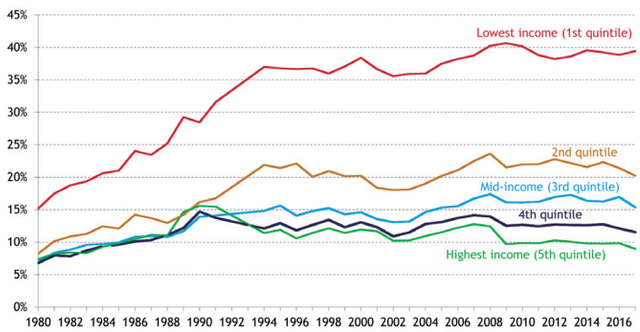
Action 5 therefore recommends that there is a fundamental rethinking of housing policy as critical to developing fairer and stronger outcomes. This is supported in Action 9 by sharing the uplift in land values for wider public benefit.

ACTION 5

Rethinking the Housing Crisis

It is recommended that the UK Government undertake a fundamental review of housing policies to promote:

- Housing as part of the critical infrastructure of the UK into wider national policies to support the economy and reduce inequality including:
  - The Industrial Strategy;
  - The national and regional infrastructure plans;
  - National guidance on housing needs.
- The integration of housing policies into local strategic governance arrangements:
  - Devolving the delivery, management and financing of housing; and
  - Linking spatial development strategies to resource allocations.



The lowest income families have experienced the fastest increase in housing costs as a share of income over the past 40 years.

ACTION 6

Harnessing Cultural and Environmental Assets

Culture has the power to bring people together. It breaks down barriers, strengthens our sense of a shared and renewed identity. This was the principle behind Glasgow's radical approach to the European City of Culture which contributed to transforming the international perception of the City, and subsequently by Liverpool, Hull and Londonderry. It now underpins the London Mayor's London Borough of Culture and National Park City initiatives. It also is noted that the RTPI Great Places nominations generally are for areas which are defined by UK's key cultural, industrial and natural heritage.

London is the cultural capital of the world – with world-class institutions and globally renowned talent. As a result, the allocation of public resources is tilted unduly towards London and the south, as highlighted by the *Tailored Review* of the Arts Council for England. This imbalance contributes to the relative weakness of the English regions as well as the devolved nations.

It is therefore desirable to level-up funding of assets outside of London. The potential for such a strategy could also be seen as part of a more spatially sensitive approach to climate change which has been little explored by conventional regional policy makers. This would seek to integrate natural and cultural assets, helping to manage the pressure of growing urbanisation, and deliver net environmental gain.

Far more could be done to harness the cultural and natural assets which are spread throughout the UK. This includes the proper recognition of World Heritage Sites and the creation of new National Urban Parks. This could be achieved through a package of action set out in **Action 6**, supported by tasking key funding bodies to include the levelling up of resource allocation in their corporate plans.

ACTION 6

Harnessing Cultural and Environmental Assets

It is recommended to Government that this could be achieved through a package of action based around:

- The creation of a network of cultural flagship institutions outside London, building on the Tate experience;
- The designation of National Heritage Areas to pump prime a fresh approach to our designated World Heritage Sites and comparable assets, linked to a UK World Heritage Fund;
- The creation of a network of National Urban Parks, as integral to a more creative approach to the management of major urban conurbations; and
- Mandating public sector institutions to build the levelling-up of the UK economy into their long-term corporate and financial planning.

ACTION 7

Implementing a Comprehensive Framework for Inclusive Devolution

The current deal-based model of devolution in England needs to be replaced by a comprehensive framework. Powers and responsibilities should be transferred to the lowest practical level of government, and should not be restricted to elected mayors or combined authorities.

Each locality should move up through different levels of devolution according to its local ambition, need and capacity. A full portfolio of powers should be available for all local authorities to select as they see best related to their local needs and capacities to manage. It is accepted that a comprehensive framework for devolution will pose issues about the appropriate scale, especially in the more sparsely populated and rural areas.

In addition, England needs a new regional framework to facilitate a strategic approach to address regional issues e.g. infrastructure priorities, environmental systems and the management of regionally devolved funding. This should be built around four pan-regional frameworks in the North, Midlands, South West and the Wider South East of England complementing the roles and responsibilities for regional and sub-regional bodies (such as the CAs and Unitary Counties). It is essential that these strategic collaborations involve all the key partners, democratically led, and do not create added layers of government.

The need to devolve power requires institutional change. Any arrangement should relate to emerging strategic local and regional partnerships, the decentralisation and relocation of central government functions, and for new inclusive mechanisms for citizen engagement to be ensured at all levels and have ministerial links.

Action 7 therefore recommends a comprehensive framework for devolution is created.

ACTION 7

Implementing a Comprehensive Framework for Inclusive Devolution

It is recommended that a comprehensive devolution framework be developed to help deliver a more balanced economy. This should be based on:

- A common package of powers that are open to all areas of the UK but can then 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;
- Support new local strategic engagement processes e.g. Citizens' Assembly.

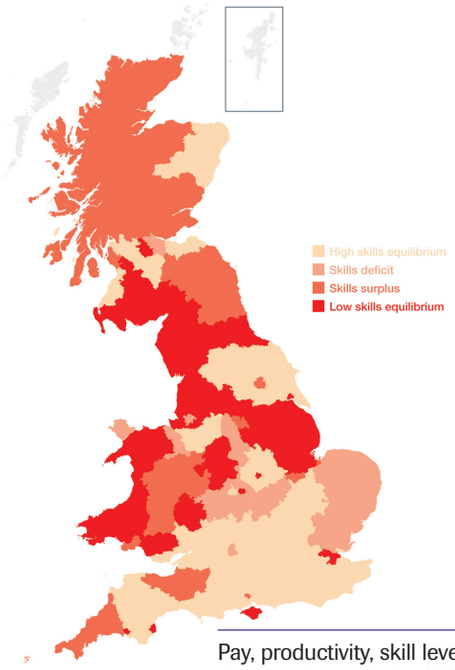
ACTION 8

Future Skilling the United Kingdom

The UK has underperformed and under invested in skills for a very long time. There are spatial differences but the causes are complex. Class and ethnicity are significant drivers and there are variations within regions (including London) as well as between them. It is also important to have a greater level of skills in the right sectors which are going to see growth or are related to the decarbonisation of the economy.

Regional variations in educational performance mean that some parts of the country have fallen behind, contributing to lower productivity – low skills, low labour costs and low levels of investment. Those with the lowest levels of basic skills are least likely to engage in further adult learning, and therefore become caught in a 'low-skills trap'.

It is therefore essential that plans are developed to raise skills levels for all areas to the current levels of the best. These can be linked to attainment levels, school performance, progress to higher education, graduate retention and businesses based on low value-added product. There are initiatives which are now setting a path in addressing these issues, for example, the devolution of the Adult Education Budget. These need to be supported and extended by a fresh national strategy for the skills agenda.



Pay, productivity, skill levels and occupational make-up in the UK, by region.

A priority is the need to continue the drive for improvements in basic numeracy and literacy everywhere, and for pan-regional strategies and structures to develop the higher-level skills that are vital to the developing industrial sectors in those areas.

Action 8 therefore recommends the strategic steps required to address the following concerns:

- The 'skills gap' will hold back the disadvantaged regions from sharing in the new tech-led industrial revolution;
- Funding of skills development for growing the foundational economy in areas that have been 'left-behind';
- The experience (e.g. London and Manchester) in transforming educational performance in the most deprived communities needs to be rolled out generally;
- Towns and remoter rural areas, distant from universities, are more dependent on increasingly underfunded local FE opportunities, and on increasingly expensive and poorer public transport services.

ACTION 8

Future Skilling the United Kingdom

It is recommended that a fresh strategy for the skills agenda be brought forward linked to renewing the role of Further Education, and which gives particular priority to:

- Linkage to the skills needs of the strategy for levelling-up investment in applied research;
- The scope for more innovative training and skills regimes as part of a policy for promoting the foundational economy;
- The transformation of inner-city educational performance generally; and
- A more integrated approach to the needs of marginalised communities, towns and remoter rural communities.

ACTION 9

Levelling-up the Playing Field: Fairer Access to Funds

Infrastructure investments need to be based on a strategic view about economic development for the whole of the UK. However, the current level of funding of infrastructure is low by international standards and the method by which projects are funded has been shown to reinforce the regional imbalance in the UK.

A new fiscal regime is needed for levelling-up of the UK's economic performance in order to:

- Establish a dedicated top-sliced UK investment fund and offset the loss of key EU funding sources;
- Lift the 1.2% 'cap' on major infrastructure to the comparable 3% level internationally;
- End the bias in public and private funding regimes which reinforce inequalities, by being short-term and trend-based;
- Ease access to private financing on investment outside London region;
- Share more equitably the uplift in land values, associated with development across strategic planning areas (e.g. CAs or pan-regional projects).

The current procedures for project funding by government need to be updated and made more inclusive, whilst maintaining fiscal discipline and transparency, in order to:

- Support proposals and policies which have a clear 'strategic fit' with the national spatial priority to level-up economic performance and social conditions;
- Widen assessment criteria to promote wellbeing and open up new markets where there are no applicable metrics;
- Provide guidelines that reflect the value of longer-term impacts, as has been introduced for meeting climate change targets.

Action 9 therefore recommends that the size of the Shared Prosperity Fund is increased from £5bn to £15bn per annum for 20 years and that the way major projects are able to be funded and assessed is changed. This should be linked to 'block funding' arrangements as proposed in Action 10 of this report.

ACTION 9

Levelling-up the Playing Field: Fairer Access to Funds

Funding Priorities:

- Establish a £300bn 20-year UK investment fund;
- Lift the 'cap' on public sector funding of major infrastructure to 3% of GDP;
- Support the establishment of regional investment banks;
- Introduce a strategic approach to the sharing of the uplift in Land Values through joint arrangements and powers.

Better Local Access to Finance:
Current accounting, Green Book and other assessment processes should include:

- A criterion of 'strategic fit' in relation to approved national or regional spatial plans;
- Guidelines that allow decisions to reflect regional variations in return on capital;
- New metrics to reflect wellbeing, environmental and other criteria that support the levelling-up of social conditions and the rebalancing of the economy.

ACTION 10

Shaping the Future: A National Spatial Plan for England

The UK is facing a tipping point in responding to climate and technological change. The future is not inevitable but can be shaped by national spatial frameworks. However, unlike the rest of the UK, there is no spatial plan for England.

The result is that there is no long-term plan for infrastructure in England and a heavy reliance on one-off mega-projects, nor even a blue-print setting a proper planning context with full political buy in. This is a recipe for wasteful 'stop go' policies and for short termism even in the context of the biggest projects. Current policies are fragmented, based on varying timescales and assumptions, with conflicting objectives and priorities. There is no coherent national vision which everyone can share.

The National Infrastructure Commission should therefore be tasked to create a National Spatial Plan for England to guide investment and support the development of local and regional plans. This should be supported by a single pot approach to funding set out in **Action 10**, and be well connected to and supported by local and sub-national policies and programmes.

A National Spatial Plan for England is needed to contribute to the promotion of the UK's global role, to tackle inequalities and to link up sub-national spatial frameworks. It should set out explicit long-term funded priorities, and integrate multi-agency urban and rural programmes of action to meet future development needs sustainably. It will facilitate collaboration with the Scottish, Welsh and Northern Ireland governments. It will also provide a stronger context and confidence for the preparation of sub-national spatial strategies, especially for the combined authorities, the Northern Powerhouse, Midlands Engine and Great Western Gateway and, most importantly, the national context for developing strategic plans for the long-term development of London and the Wider South East.

ACTION 10

Shaping the Future: A National Spatial Plan for England

A National Spatial Plan for England is required as a matter of urgency:

- 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;
- Be a material consideration in decision-making and development decisions.

Making Government Fit for Purpose: New Institutions and Processes

Taking forward the agenda set out in the **Ten Point Programme of Action** requires a fresh culture within which decisions are taken – moving away from a culture of 'negotiation and deals' to one of collaboration in a long-term national goal for levelling-up, whilst allowing diversity and experimentation.

Change must be supported and encouraged from the top, adapting our institutions and the way they work. At the UK level, a cross-government ministerially-led committee, with representation from the governments of Scotland, Wales and Northern Ireland, should be established, to oversee implementation. It should be supported by a national executive team to oversee the delivery of the programme.

Powers, funding and capacity must be transferred from Whitehall, doing away with excessive micro-management and showing how places interact with the new culture of government. This will require, amongst other things, the introduction of flexible 'block grant' funding.

The goals of levelling-up social outcomes and economic performance must be embedded in all key government strategies and agencies. Investment decisions should become based on outcomes (the effectiveness of policy) not the functioning of processes. This will require revisions of the Treasury Green Book and national auditing procedures.

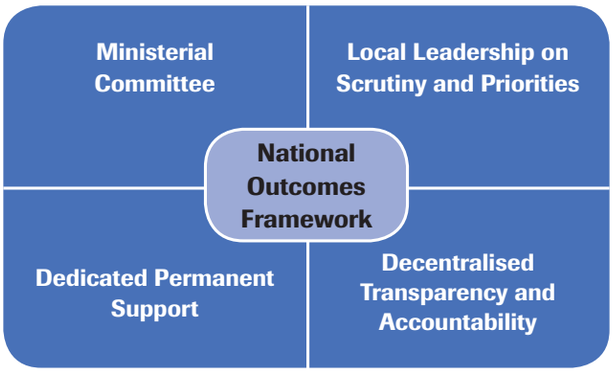
Leadership and funding should be channelled through new institutions that have power, autonomy and the ability to think and implement long term, in the regions, in local government, in higher education, research and in infrastructure provision and planning alike. Locating these bodies, for example, in the North or Midlands would be a powerful signal of intent and effective management.

There is also a need for transparency and accountability in exercising this presumption of levelling-up wellbeing and rebalancing the economy. Auditing needs to be outcome focused, comparable to the National Performance Framework being pioneered in Scotland, which provides broad measures and targets for national wellbeing. This should be prepared collaboratively with regional leaders and institutions, and with an independent scrutiny, comparable to the role exercised by the Future Generations Commissioner in Wales.

New Institutions and Processes

In order to deliver the Ten Point Action Plan set out in the Final Report of the UK2070 Commission, it is recommended that the following reforms to national institutions and processes are needed:

- National Outcomes Frameworks based on the long-term national goal for 'stepping-up' wellbeing, opportunities and economic performance;
- Establish a powerful cross-government ministerially-led committee, involving the devolved administrations, to oversee the delivery of the programme;
- Create a dedicated national team to develop and deliver the programme;
- Devolve power and funding away from Whitehall and measure success locally through outcomes supported by flexible 'block grant' funding;
- Establish independent institutions and commissions located outside London and the Wider South East for the *Just Transition*, for National Centres of Excellence and for Wellbeing & Rebalancing the economy respectively.



Purpose of the Commission

There are deep-rooted inequalities across the UK. These are not inevitable. However, we lack the long-term thinking and spatial economic plan needed to tackle them. The UK2070 Commission seeks to fill this gap through a national inquiry and debate on the nature of the problems and by setting out the actions needed to address them

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