

The background of the entire page is a detailed, stylized map of the United Kingdom, rendered in a light blue color against a dark blue background. The map shows the outlines of the country, including the main islands and surrounding waters, with a focus on the urban and regional structure.

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**

FEBRUARY 2020

UK2070
COMMISSION

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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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*

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.

Make no little Plans

*They have no magic to stir the blood and
probably themselves will not be realised.*

Make big Plans

*Aim high, great ideas will never die,
but live long with ever-growing urgency.*

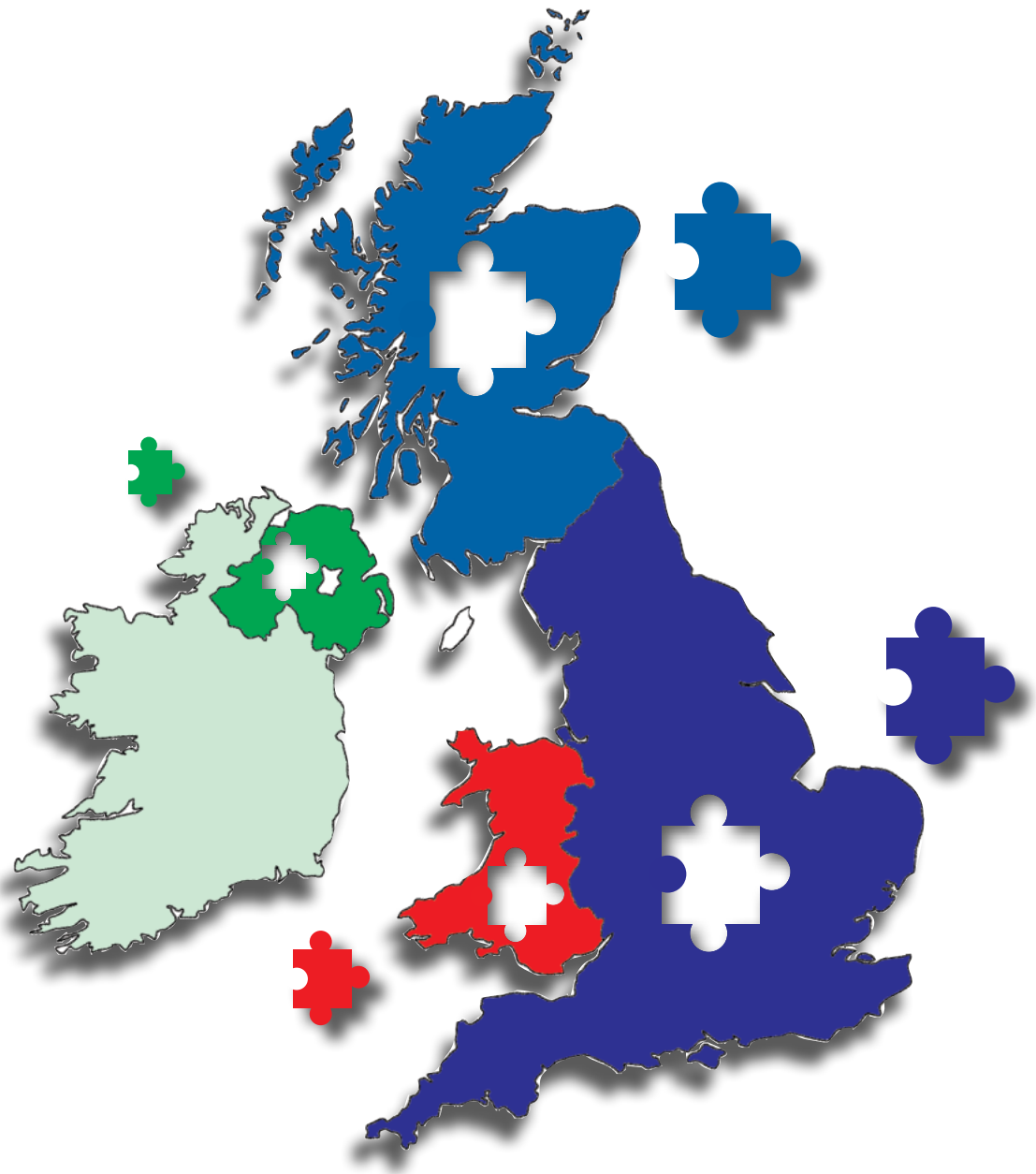
(Adapted from Daniel Burnham)

PART 1

The Need for Action

Section 1: THE COST OF INEQUALITY

Section 2: LEARNING FROM THE PAST



Section 1 The Cost of Inequality

The Scale of the Challenge

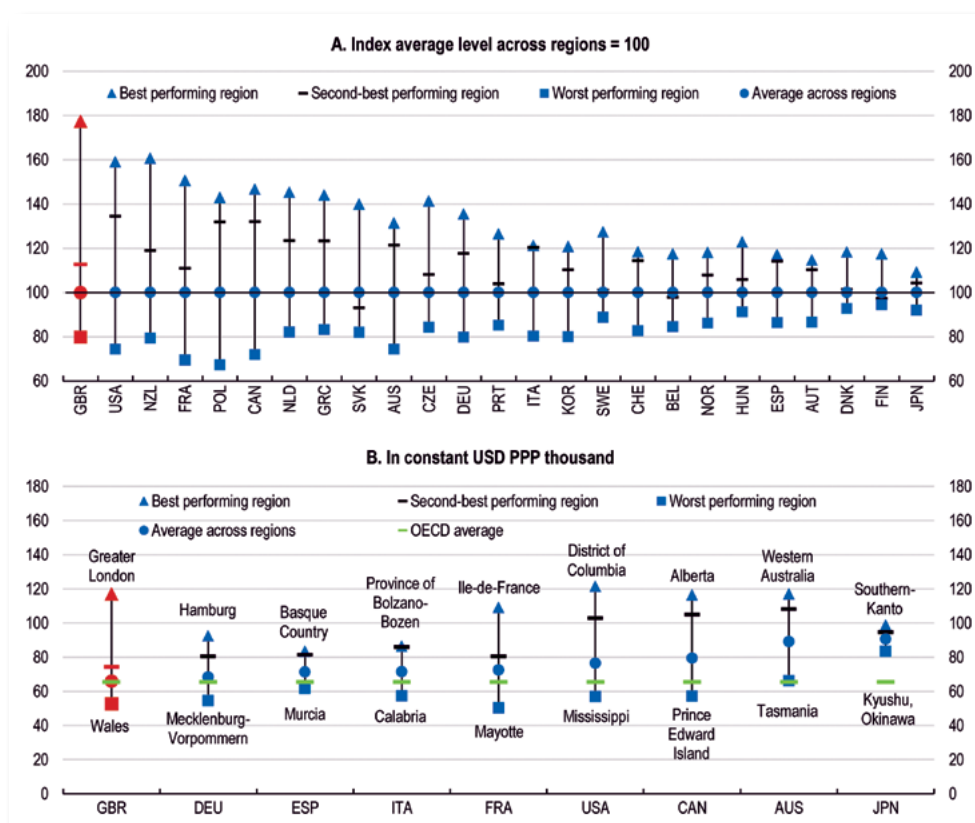
The extent and depth of inequality in the UK is such that it is the most inter-regionally unequal large high-income country.¹ This is reflected in the fact² that whilst the London region is recognised as the richest region of Europe, six of the ten poorest regions also lie within the UK. The nature and causes of inequality are problems that need to be tackled at all levels: local, regional and national.

The differences in economic performance across the UK may be explained in part by the role of London which, alongside New York, is consistently ranked as the leading [global city](#). However, this dominant economic role does not of itself fully explain or justify the levels of inequalities in ‘life chances’ that exist in other parts of the UK.

Inequalities, whether in terms of gender, ethnicity, wealth, health, education, skills and employment, are mutually reinforcing. Blighted neighbourhoods are characterised by a high incidence of poverty and

crumbling infrastructure, and adverse impacts on health, educational and employment outcomes.³ Structural inequalities emerge before birth and accumulate throughout an individual’s life. The lack of genuine opportunities, in terms of access to good-quality education, jobs, health services or housing, perpetuates structural inequalities.⁴

Local levels of deprivation are reinforced by regional imbalances in economic development and structure across the UK. These limit the growth in wage levels and job opportunities as well as available resources for investment in services and infrastructure. As a result, inequalities in the UK are concentrated and persist in particular regions. For example, between 1971 and 2011, struggling neighbourhoods remained largely concentrated in regions in the North, Midlands, Northern Ireland and Wales.⁵ This interplay of inter-regional and intra-regional disparities has complicated and confused the debate about where the need for action lies – whether with local or national government. In reality, it needs to be at both levels.



Source: OECD Working Paper 1456: United Kingdom: Reducing regional disparities in productivity, January 2018.

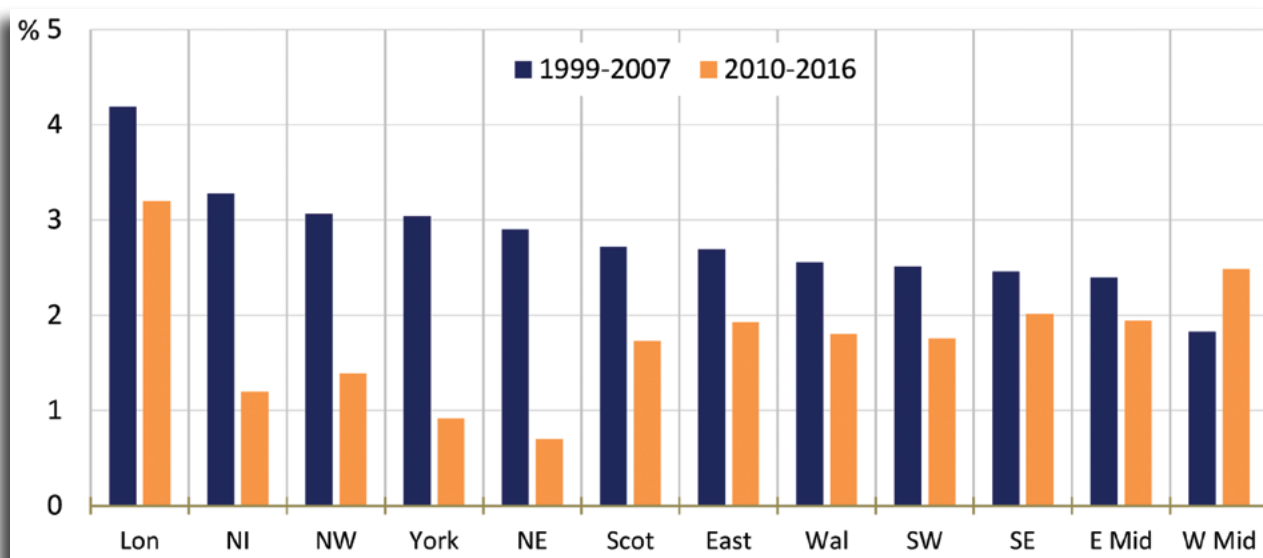
Unequal Economic Conditions

Our major towns and cities have been the focus of economic growth in recent years, but this has been very uneven. High performing major towns and cities have been mainly throughout the Wider South East, for example Milton Keynes, Reading, Cambridge and Southampton. Other cities, such as Leeds and Manchester, have also kept pace with growth in the nation, but not with the growth in the more prosperous regions and cities. These contrast with the poor performance of other older industrial cities and towns such as Stoke, Scunthorpe and Middlesbrough.

These disparities in the economic performance of cities is also reflected in the regional differences. Between 1998 and 2016, London's economy grew by 71% compared with about 30% in Yorkshire and the Humber, the North East and the West Midlands regions. There have also been significant changes in recent years with some areas weakening in their growth performance. These include the three northern regions of England (the North East, the North West and Yorkshire and the Humber) and Northern Ireland.⁶

These patterns have 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. It is also reinforced by the current pattern of investment in core areas, such as R&D, continue. For example, currently [52%](#) of gross domestic expenditure on R&D goes to London and the Wider South East.

The unequal pattern of economic performance is reflected in rates of employment, productivity, private investment, skills levels and the need for public subsidies. It also has been at a high cost to the UK's wellbeing, and the pressure on public services and resources. This is unsustainable. The nature and causes of spatial inequality are problems that need to be tackled at all levels.



Comparison of economic growth of UK by regions/countries before and after crisis. (Annual average real terms % change during period; ordered by 1997–2007 average.) Source: [Parliamentary Briefing 2018](#).

Struggling Local Economies

The poorer performance of some major cities has persisted over the last 40 years (for example Bradford, Newcastle and Swansea).⁷ In addition, there are many communities in marginalised smaller industrial or coastal towns, and in rural areas, that have often been referred to as 'left-behind' or 'excluded'. The Government identified 100 such communities for special funding through its [Towns Fund](#), for example Blackpool, Merthyr Tydfil, Oldham and Redcar. These have experienced the decline of traditional industries, erosion of public services, and chronic underinvestment in regeneration, whilst also needing improved transport, better broadband connectivity and skills.

Their local economies are often characterised by a high number of low-pay, poor-quality jobs and low levels of start-ups. For example, skill levels in the North of England have generally been 40% lower than the South,⁸ whilst in the North of Tyne 23% of those in work earn below the Real Living Wage. Similarly, start-up rates in cities like Belfast would need to treble to be on a par with London. A comparable range of issues also exists in many remoter rural areas. As the [ONS](#) has recognised, the standard measures of deprivation do not adequately reflect the levels of deprivation in rural areas since the IMD are more appropriate for densely populated areas.

Growing Economies

The towns and cities which have kept pace with UK growth include Leeds, Bristol, Nottingham, Leicester and Manchester. Their level of economic performance has, however, been held back by the unintended consequences that have arisen from sustaining the global role of London, as the over-riding priority behind

Government policy and investment over the last forty years. As a result, the gaps between London and the next most successful large UK cities and regions are now greater than the gaps between these other places themselves.⁹

Economic Growth at Risk

Growth has been concentrated in London and the Wider South East but is now creating major pressure on this region in terms of the levels and intensity of development. This impacts on the quality of life of South East England's residents and ultimately undermines growth, in particular, as housing costs have risen, London has become increasingly less affordable.¹⁰ Increasing social and environmental costs and associated diseconomies mean this is an acute problem even for educated and skilled young people who want to set up home and start a family.

Unless there is a change in policy direction economic inequalities will grow. London and the Wider South East will experience increased problems of housing affordability, pressures on infrastructure, land availability,¹¹ and increasing numbers of long-distance commuters. This will in turn require further investments to maintain current levels of access and mobility.

The inter-relationship between London and the rest of the UK is captured by in the Mayor of London's report '[A Declaration of Interdependence](#)'. Investment is needed to sustain the global leadership role of London if all the nations, regions and cities of the UK are to thrive. However the global role of the London is at risk if it and the Wider South East continue to accommodate a disproportionate amount of the UK's growth.

Unequal Living Standards

Fourteen million people in the UK currently live in poverty.¹² This is linked to deep-rooted and deepening inequalities in living standards and the wellbeing of communities.

This is true irrespective of the measure is used: whether this is in terms of health, educational attainment, fuel poverty, social mobility, wealth, access to opportunity, household income or environmental quality. The table below illustrates the overwhelming evidence of spatial inequality that has been obtained by the UK2070 Commission.

Although over 60% of local authority districts contain at least one of the most deprived neighbourhoods, the core concentrations of deprivation in [England](#) have remained unchanged over the last five years. Middlesbrough, Liverpool, Knowsley, Kingston upon Hull and Manchester are the local authorities with the highest proportions of neighbourhoods among the most deprived in England. Middlesbrough together with Blackpool also rank as the most deprived districts in terms of income deprivation among children. In contrast, over the same period, many London Boroughs have seen a reduction in the proportion of their neighbourhoods that are highly deprived, except for levels of income deprivation among older people.

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. (IE)
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)

Neighbourhoods

The long-term patterns of inequalities are reflected at a neighbourhood level. This is highlighted in the research by the [Geographic Data Science Lab](#), University of Liverpool. There is considerable intra-regional variation in the distribution of struggling neighbourhoods within more disadvantaged regions. The local patterns in neighbourhoods mirror regional disparities, illustrating the way inter- and intra-regional inequalities are reinforcing.

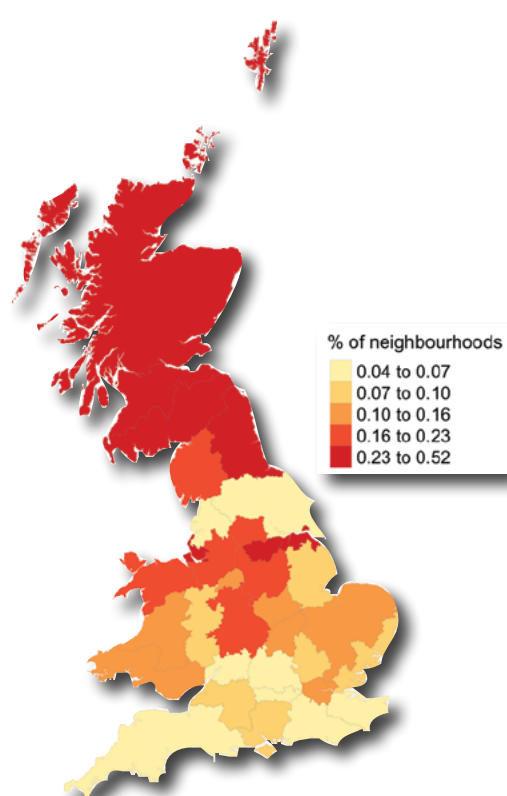
The deep-rooted nature of inequalities is reflected in the long-term profiles of increasingly struggling neighbourhoods with high levels of unemployment.^{13,14} These neighbourhoods are predominantly in either northern urban centres, or in smaller cities and towns in rural and coastal areas that are largely concentrated in South West England or Yorkshire and the Humber.¹⁵

The trajectory of *struggling neighbourhoods* (shown in the left-hand map below) encapsulates patterns

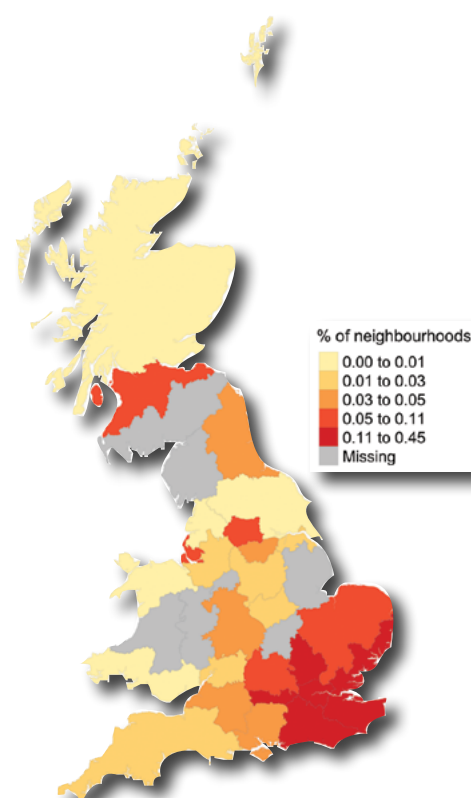
of persistent disadvantage. For example, in the East Midlands, increasingly struggling homeowners dominate neighbourhoods in Corby and Chesterfield, encompassing 60% and 40% of the area.¹⁶

However, the face of this disadvantage has changed. Since 1991, there has been an increase in working-class families owning their houses, which appears to be linked to the right-to-buy policy.¹⁷ Despite these new ownership rates, these areas still face high unemployment and economic struggle, pointing to the existence of structural self-perpetuating processes which are systematically reproducing inequalities.

In Wales, the North West of England and Yorkshire and the Humber, Wrexham, Liverpool and Sheffield have the highest concentrations of increasingly struggling home-owner neighbourhoods. This contrasts with the distribution of *affluent stable neighbourhoods* (shown in the right-hand map below).



Struggling neighbourhoods, 1971–2011. Source: Rowe *et al.*, 2018.



Affluent stable neighbourhoods, 1971–2011. Source: Rowe *et al.*, 2018.

Hidden Inequality

No one measure truly captures the cumulative and complex pattern of inequality. For example, areas which have concentrations of poverty have the worst outcomes in England for health.¹⁸ This is reinforced in the recently published [An English Atlas of Inequality](#), which concluded that a range of measures is needed to understand fully the nature and depth of inequalities, but that whichever one is used the geography of inequality has been underestimated in framing policy.

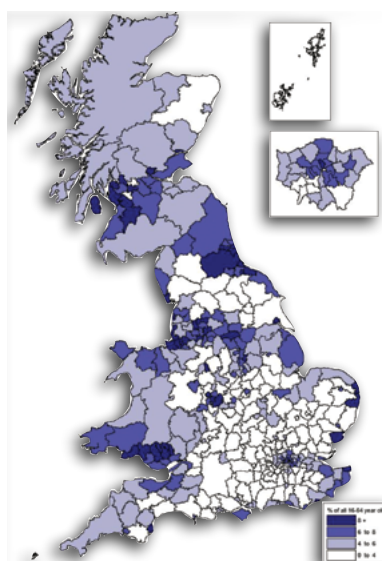
Whatever the measure, the reality is that social inequality is increasing across the UK, reinforcing the patterns of disadvantage; for example, in the levels of poverty for people on the lowest levels of income. This is fuelled in part by the fact that the areas suffering most from inequalities and greatest need for services are generally not the areas of greatest demand for services, meaning that they are not prioritised for investment under current criteria. This has implications particularly for rural areas where they more geographically spread out than in urban areas. As recognised by the [ONS](#), rural areas of deprivation are less likely to be identifiable amid a relatively affluent area.

This is further complicated by the fact that official statistics do not record the full extent of need. In particular, 'hidden' unemployment, not recorded by official unemployment rates, hides the full extent of regional disparities.¹⁹ For example, an OECD [study](#) concluded that in Sunderland, Liverpool and Dundee, the real unemployment rate is 19% when 'hidden' unemployment is taken into account, i.e. more than double the official count.

It has been [estimated](#) that in 2017 the real scale of unemployment in the UK was 2.3 million and that there are distinct clusters of adjoining districts in which levels of real unemployment is estimated as being over 10%. These include:

- **North East:** (South Tyneside, Gateshead, Sunderland, County Durham, Hartlepool, Middlesbrough, Redcar and Cleveland);
- **East Lancashire:** (Blackburn with Darwen, Hyndburn, Burnley);
- **Merseyside:** (Liverpool, Knowsley, Sefton, St Helens, Wirral);
- **Birmingham area:** (Birmingham, Sandwell, Wolverhampton);
- **Glasgow area:** (Glasgow, Inverclyde, West Dunbartonshire, North Ayrshire, East Ayrshire); and
- **Welsh Valleys:** (Torfaen, Blaenau Gwent, Caerphilly, Merthyr Tydfil, Rhondda Cynon Taff, Bridgend, Neath Port Talbot, Swansea).

In addition, there are areas, for example Blackpool and Hastings, where those unemployed persons on incapacity benefits account for over half the total level of unemployment. These concentrations of hidden unemployment are in the places with the weakest labour markets and a labour force often with health problems or local factors such as the age structure.



Estimated real unemployment by district, 2017. Source: Sheffield Hallam estimation based on ONS and DWP data.

The Unequal Impact of Climate Change: A Doubled-Headed Crisis

There are well established links between areas of deprivation and environmental conditions, for example in health and air quality.²⁰ As a result, some of those communities most affected by climate change are already socially vulnerable, thus reinforcing the already strong link between inequality and poor environmental conditions, for example:

- Vulnerable communities will tend to experience disproportionate negative effects from climate impacts, for example, in water and air quality, green space, biodiversity and flood risk;
- Particular areas vulnerable to the impacts of climate change have a disproportionately high number of vulnerable communities, e.g. flood risk areas in coastal parts of the East of England or increased river flows in North West England; and
- Environmental quality is of growing importance in defining economic competitiveness, for example as set out in the [London Plan](#), but also in such regions as the South West of England.

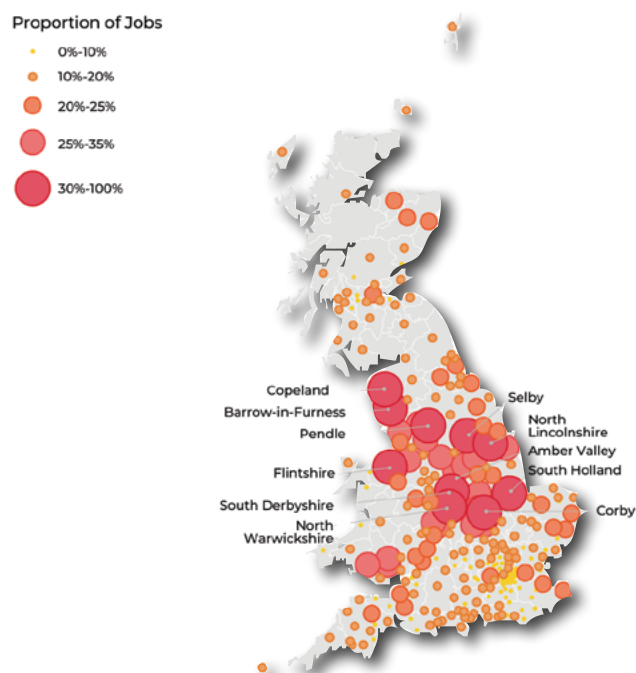
Greater recognition needs to be given to the fact that the linkage between rising social inequality and the transition to a zero-carbon economy has policy implications.²¹ This is a double-headed crisis²² in which the combination of the need for inclusive economic growth and environmental justice require a *Just Transition to Zero-Carbon*.

The need for a *just transition* to a zero-carbon economy is a particular issue for the UK's transport system. Not only is there an overall dependency on road transport, but car availability remains beyond the reach of a significant minority, including crucial groups such as young people, those seeking to enter the workforce, and increasingly, the elderly.

However, in the UK, there are two inter-related spatial challenges that need to be addressed in delivering a *Just Transition to Zero-Carbon*.

Firstly, there are roughly four million UK jobs in high carbon producing sectors that are directly 'critical to climate stability'.²³ These are not evenly dispersed geographically. As the map below illustrates, the vast majority of these jobs are highly concentrated in specific areas, primarily in the East Midlands, West Midlands and Yorkshire and the Humber. In these regions, there are more than 40 local authorities where 25% of all employment comes from *climate-critical* sectors while just over 10 local authorities are particularly affected as *climate-critical* jobs account for more than 30% of all employment.

Secondly, there are severe challenges that will arise if development continues to be focused on the traditionally fast-growing regions of London and the Wider South East. If this pattern of development continues the problems will only deepen. These regions are already under strain and face potentially radical changes, for example in energy sources and from flooding or drought.



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)

The challenge is that on current [trajectories](#), over 50% of future development will be concentrated in southern England. This will impact adversely on three issues that need to be taken into account in a *just transition* to climate change:

- These areas of higher economic growth will experience nearly 50% increase in lengthy commuting and travel patterns by 2050;
- On present projections, many parts of the country with already constrained water supplies will face significant water deficits as the amount of water available is reduced by 10–15%. This will be particularly prevalent in the South East of England²⁴ where some rivers will see 50%–80% less water during the summer months;²⁵ and
- There will be an increasing loss of greenfield and more productive land, which would be lessened by a more balanced development in the former industrial regions (with their higher brownfield land supply and poorer grade agricultural land).

National policies are not, however, yet joined up, and sometimes in conflict with the need to address climate change. This is particularly exemplified by transport policy. The Government has recognised that replacement of existing bus fleets is needed to deliver its zero-carbon target by 2050. However other barriers, for example that created by continued over dependency on private road transport, remain in moving towards a sustainable future for national travel:²⁶

- There is no general means available (other than by long-since abandoned major tax/user road charges) to contain growing congestion levels;
- The de-carbonisation of the current modal pattern of transport would require the electrification of a 35 million strong vehicle fleet, which in turn requires a doubling of the nation's electrical power

generation – for which there is no investment plan; and

- Although vehicle exhaust emissions have been radically reduced through progressive engine emission standards,²⁷ non-exhaust emissions from vehicle brakes, tyres and road surfaces will still remain a major source of health damaging particulates.

The potential scope of local policies has however been demonstrated by the leadership of Bristol City Council as the Green Capital Partnership (see Case Study).

Bristol City: Green Capital Partnership

Bristol had a background in the green economy and energy efficiency (e.g. energy efficiency of housing improved by 25% (2000–2011) and it was a signatory to the Covenant of Mayors. It incorporated targets in the City's Climate Change and Energy Security Framework including:

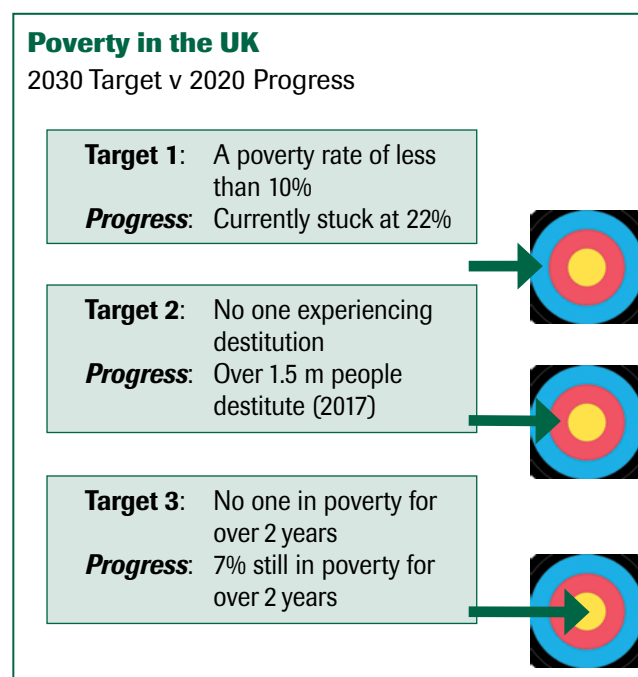
- ◆ €500m for improvements and up to €300m for energy efficiency and renewable energy by 2020;
- ◆ hub for low-carbon industry with a target of 17,000 new jobs in low-carbon sectors by 2030;
- ◆ to reduce energy use by 30% and CO₂ emissions by 40% by 2020 and 80% by 2050 (from 2005).

Bristol developed a range of approaches including networks, incentives and alternative financing. Ultimately its ability to act locally has been constrained by fiscal regimes and limited statutory responsibility (e.g. for energy).

<https://bristolgreencapital.org/>

An Uncertain Future

The Joseph Rowntree 2020 [report](#) on Poverty in the UK 2019/2020 warns that the current progress in achieving its 2030 targets for tackling poverty has stalled and, unless there is change, will not be achieved.



Although the future is very uncertain, technological innovation is expected to accelerate, and focus on those areas that have already flourished in innovation activities and away from cheap labour economies. What appears probable is that there will be major shortages of both skilled and unskilled labour, with the transition to a zero-carbon economy driving unprecedented pressures on productive land, water and minerals resources.

The Institute of Fiscal Studies 2019 [report](#) concluded that absolute poverty is projected to fall in southern regions, the East, Yorkshire and the Humber, and Scotland, but rise in the North East, the North West, Wales, Northern Ireland and the Midlands. Even though absolute child poverty is projected to increase in each nation and English region, the largest projected rises are expected to be in the North East, East Midlands and Wales, which will see increases of at least 5%. However, the future patterns of inequality are highly dependent on the distribution of growth in workers' earnings, and therefore the effectiveness of policy interventions.

Work undertaken for the UK2070 Commission shows that without policy intervention, the innovation, research and technology gap (resulting from the rate of change) is expected to widen, polarising growth among regions within a national economy (see table on page 18).

However, work undertaken for the UK2070 Commission²⁸ shows that even a policy that seeks to stop any further increase in inequalities will not be sufficient. Although there would be some significant benefits, for example, in a reduced rate of growth, average housing costs would still rise more than the expected rise in wage earnings. The risk is one of under-shooting by half-hearted or short-term policies to redress inequalities and economic decline, compounding future uncertainties.

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

Base Case Scenario 2011–2071 (based on current trends). *Source:* Cambridge University: [Scenario Modelling](#).

The Scale of Change Required

A more balanced economy requires that over time the distribution in jobs (particularly good quality jobs) would increase outside the areas that are currently experiencing fast growth. This effectively means that the overall rates of job growth converge between the nations and regions of the UK. This would reduce the rates of polarisation and job creation would pick up in historically lower growth areas. This, for example, has been estimated as being over 800,000 jobs above current trends for the Northern Powerhouse area by 2050, in the Independent Economic Review.

Such scales of change require an integrated approach for enhanced productive capacity, for example through potential spending in applied research, skills and place-making. Analysis undertaken for the UK2070 Commission²⁹ demonstrates that transport interventions alone would not change the UK’s basic economic geography in favour of northern Britain. However, an integrated approach of infrastructure investment and job creation benefits the whole nation.

What is needed is a UK-wide strategy for:

- Improving the quality of life and life-time opportunities for people, in both the fast and slow growing cities and regions;
- A levelling-up of economic performance which supports local ambitions;
- Maximising impact through joined-up action by government;
- Providing resilience in managing uncertainty;
- Opening up new markets areas to tip current trends towards better growth;
- Creating new forms of engagement; and
- Supporting places to meet the full needs of their communities.

Analysis³⁰ undertaken for the UK2070 Commission illustrates the impact of a more balanced economy, (detailed analysis is set out in the accompanying technical report).³¹ This is in summary best expressed in terms of the balance between the London and the Wider South East and the rest of the UK in the table below.

The outcome of rebalancing would result in 4 million additional jobs in the rest of the UK, whilst there would still be a growth of 2.4 million jobs in London and the Wider South East. It would be associated with a gradual convergence of the housing costs among the regions, and between the housing costs and the expected growth in wage incomes. Significant job growth in the north of Britain will also benefit the economy of London and the Wider South East, whilst reducing development pressures on it, and reducing the growth in the levels of longer commuting.

It is, however, important to recognise that the locked-in patterns of demand, wealth and opportunities even within the poorer regions could reinforce embedded inequalities locally. Therefore, the impact of regional growth on more deprived communities could be marginal if new jobs are mainly focused on regional centres. It is therefore important that the UK-wide initiative to level-up growth overall is combined with policies to enhance regional connectivity and local inclusion.

	<i>London and the Wider South East</i>	<i>Rest of the UK</i>
Employment 2020	34%	66%
Trend-based Growth	54%	46%
Levelling-up Growth	40%	60%

Share of employment growth 2011–2051.

Why the UK Cannot Afford the Status Quo

The levels of inequality also impact on the overall economy. This is reflected in the fact that productivity gap in the economy of the three northern regions of England costs an estimated £40bn. Similarly, if the Core Cities³² 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 fully reflected in policy debate. Some of the key indicators are shown in the graphic here.

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.

These differences impede the movement out of poverty to work. As noted in the JRF Report on *UK Poverty 2019/2020*,³³ it may be that it is harder to progress out of poverty in the North East as it has a higher unemployment rate and lower average earnings

than other regions, but it is also more difficult to progress out of poverty in London because higher housing costs mean families struggle to meet their costs even when moving onto higher earnings.

The longer-term opportunity costs incurred by maintaining the status quo are highlighted in the analysis undertaken for the UK2070 Commission in terms of housing and labour costs (see table on p.17). On the other hand, as indicated earlier in this report, if the growth in the number of jobs were more balanced, there would still be an additional 2.4m jobs in London and the Wider South East, but there would be a significant reduction in commuting growth and future housing demand, with costs converging towards the rest of the UK.

High and growing inequality raise major economic concerns, not just for the low earners themselves but for the wider health and sustainability of our economies. 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.”



Overall Costs of Poverty

£78 billion

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



Housing Benefit

£12 billion

per annum between 1991–2018



Welfare Costs

£9 billion

lost tax revenue and additional benefits spending

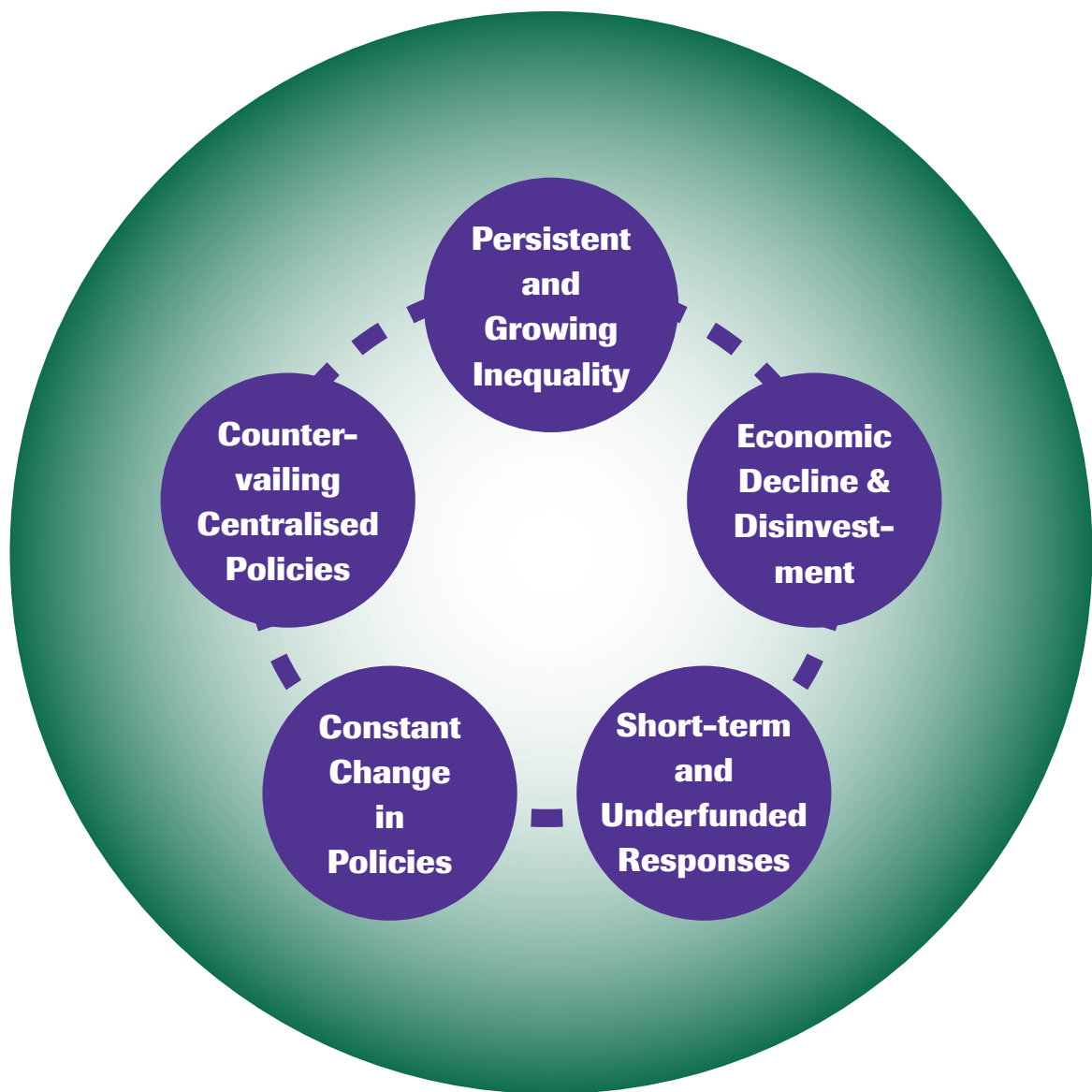


Health Costs

costs to the NHS

£4.8 billion

per annum at 2011–2012 levels



Section 2 Learning from the Past

The longstanding nature of problems in the UK are such that, over last fifty years, the position of all governments has been that the level of inequality is undesirable, unacceptable and should be remedied. Overall, however, aside from some notable exceptions, too little has been done, too late (often only when there is a crisis). Indeed, sometimes the policies which have been pursued have been part of the problem.

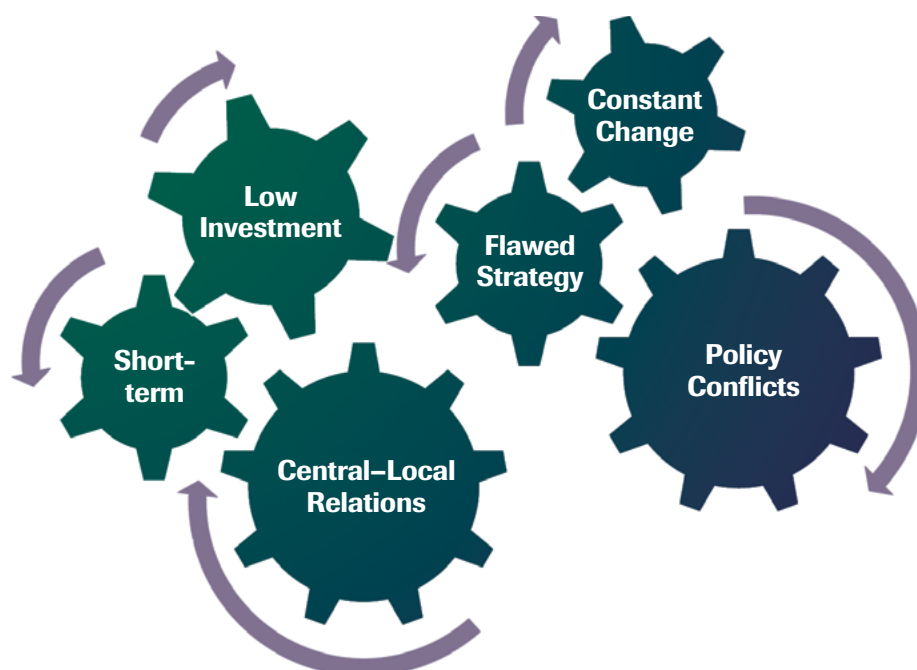
Fifty years of policy rhetoric have not changed the basic underlying levels of inequality nor the geographical imbalance in economic development across the UK. Most recently, successive governments have committed themselves to meeting the Sustainable Development Goals, including *No. 10: To Reduce Inequality*. However, the reality is that income and wealth inequalities have not diminished since 2010 and are in fact projected to rise.

But the current patterns of inequality are not inevitable. Based on a range of reports and extensive consultation, the UK2070 Commission has concluded that policies to redress inequalities failed because of a range of cultural, institutional and technical barriers which not only impeded efforts to change but reinforced inequalities in economic performance and social wellbeing.

These barriers to progress arise from:

1. **Conflicting National Policies** arising from an over-centralised administrative system;
2. **Strained Central-Local Relationships** arising from the desire for central accountability of local decision-making;
3. **A Flawed Strategy for Growth** that assumes the benefits of growth in London and the Wider South East will spill over to the rest of the UK;
4. **Low Levels of Investment** which result in under-resourced programmes of action, create a competitive project-based culture, and hold back ambition;
5. **Constant Change in Policies and Delivery Agencies** which does not allow sufficient time for any programme of action to have real impact; and
6. **Narrow Short-Term Measures of Success** that do not take account of longer-term generational and well-being impacts.

The following sections illustrate the scale of action required and demonstrate that there is a momentum for change that means that the impediments to change are no longer inevitable nor are they insuperable.



1 Conflicting National Policies

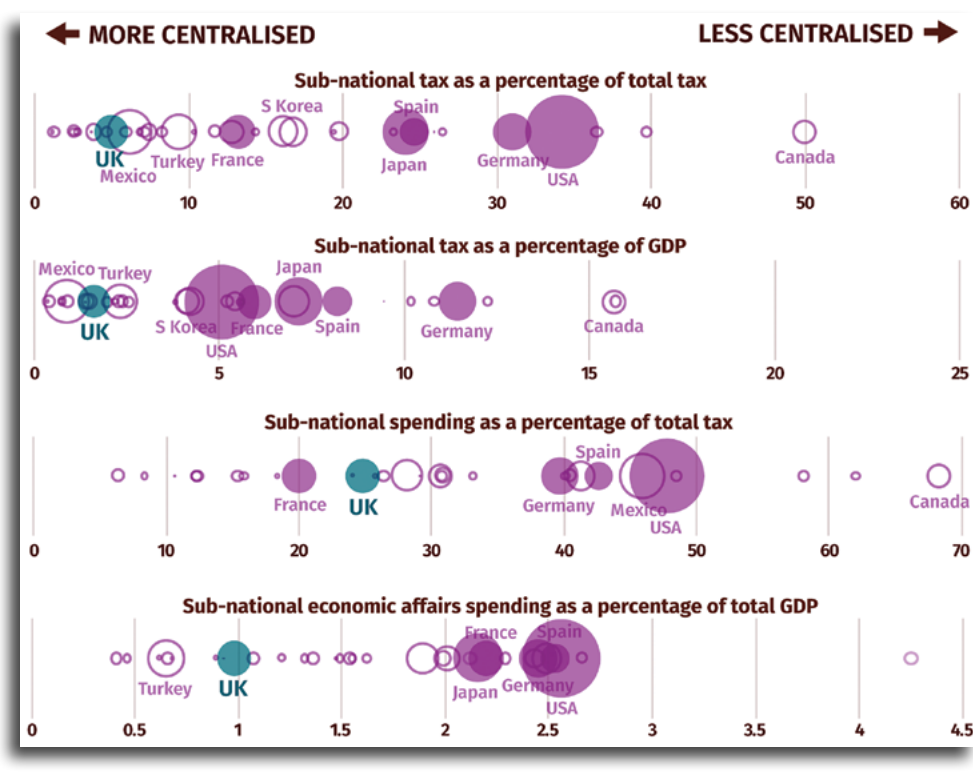
The UK is one of the most centralised economies as is clear from the figure below. Change is determined by national policy prescriptions which are the major determinant of the levels of regional development. Although a centralised system should be able to align national policies, it fails to do so because of a three-fold problem.

Firstly, policies have instead been driven departmentally with competitive bidding for resources and without an overarching cross-cutting agenda or approach to priorities. This is reflected in there being differing long-term horizons and assumptions used in different policy areas, with no common horizon for national policy development.

Secondly, policies and programmes are often trend-based, therefore reinforcing past patterns of demands and returns on investment. For example, official population projections have a built-in assumption about the continuing shift of population to the South of England despite the stated policy to reverse this trend.

Thirdly, centralised policy-making tends to be both place-blind and treat all areas equally, and therefore cannot be sensitive to local circumstances.

This was exemplified by the impact of recent cuts in central government grants. These had an adverse impact on deprived communities, with the five worst affected cities all located in the North of England. Centre for Cities analysis³⁴ showed that cities in the North of England on average saw their spending cut by 20% compared to 9% for those cities in the South West, East of England and South East of England, excluding London. Barnsley is the area that has been hardest hit by austerity in percentage terms, with a 40% reduction in its day-to-day council spending since 2009/2010, while Liverpool saw the deepest cuts per resident, with a reduction to council services' funding of £816 per resident.



The UK is the most fiscally centralised of comparable nations (various measures of fiscal centralisation; bubble area = country population). *Source: IPPR North, 2019.*

2 Strained Central–Local Relationships³⁵

The current centralised system of government also cuts across the fact that action has to be taken locally. This has created a culture where policy is decided and resourced centrally, while local government is responsible for both the delivery of national policy and of local place-making. This has been encapsulated in the think-piece for the Commission by Dr Mark Sandford, *Two Masters: The Dilemma of Central–Local Relations in England*.³⁶

It is accepted that the devolution deals are changing the political landscape. However, the current policy of granting ‘more powers’ especially to mayors and combined authorities in England will on its own not be sufficient to create effective devolution and decentralisation.

Barriers arise because of present local political priorities and policy innovation come second to the *upward accountability* by local authorities to central government.³⁷ The English devolution system functions so as to convert local divergent policy aspirations into bureaucratic processes, avoiding public debate and scrutiny. This takes the form of **structural** and **accountability constraints**.

In terms of structures, devolved responsibilities are not aligned with devolved funding powers. For example, mayors have to rely on consensual and negotiated relationships with government and other local bodies. When the devolution deals and the Parliamentary orders establishing them are taken together, this means that mayors often do not have the means to deliver major policy change. Such constraints would apply equally to any additional powers transferred by central government.

In terms of accountability, the prevailing approach by government amounts to ‘he who pays the piper calls

the tune’.³⁸ This means local decision-making – even with a devolution deals ‘single pot’ – is still restricted by departmental accountability for spending. As the National Audit Office recognised, a system that relies on local authorities and other local public bodies reporting to Government departments is often at odds with local service delivery, which is having to tackle complex local issues by working with budgets from different sectors and across institutional boundaries.³⁹

This is illustrated by the fact that devolution on matters such as rent controls involve a lengthy negotiation on reserve powers, the business case, independent evaluation, transferred funding arrangements and the period of operation. In short, accumulating additional power does not of itself alter the relationship between central government and metro-mayors.

This approach to devolution and accountability is not universal. Alternative approaches to ‘accountability’ exist in Scotland, Wales and Northern Ireland. There is no audit or accountability relationship between the devolved administrations and the UK Parliament. Responsibility for good working practices is theirs alone. Although these administrations have distinct and more comprehensive political systems, the broader point stands: the UK Government provides them with substantial grant funding but does not call the *policy tune*.

Currently there is a mismatch between the Government’s expressed aim of enhancing local choice and the UK convention that devolved powers remain subject to Parliamentary accountability for government spending. Devolving additional powers in England needs a fundamentally different relationship with central government. A radical change is required to one where there is a **parity of esteem** between central and local government.

3 The Flawed Strategy for Growth

Successive policy initiatives over the last fifty years have been based on the assumption that investment in London-focused business sectors would act as a driver of the whole of the UK, with productivity gains diffusing throughout the whole economy. This has simply not happened. We have in fact seen a decoupling of London's economy from the economy of the rest of the United Kingdom. As a result, agglomeration benefits gained in the southern regions of England are more limited throughout the Midlands, Northern England and Wales.

Wider impacts have been limited because policy interventions and funding mechanisms in the UK have tended to focus on areas of growth. In order to help foster growth more widely, sustained action is needed, overseen by local leadership which has a clear long-term vision. Real decision-making autonomy, backed by appropriate financial resources, is however largely lacking.

While there are some positive examples of city-renewal in these regions – such as central parts of Birmingham, Manchester and Leeds – there are many places which have not shared in the growth of wealth. This has created a superficial ‘cities versus towns’ debate which is based on a failure to recognise the interdependence of urban areas in terms wellbeing, labour and housing markets, and in the provision of higher order health, education and culture services.

On the contrary, policies for areas which have experienced sustained decline have been short-term ‘fixes’ for unemployment hotspots, rather than unlocking long-term opportunities to create new markets. Interventions have arisen as and when crises have occurred, e.g. with closure of steel works or car plants. Often associated with these, policy in the past has involved a de facto acceptance of the ‘managed decline’ of left-behind communities or exhorting their residents to migrate. Such an approach is a political and moral dead-end.

Although key tradeable sectors of the economy have driven productivity, the everyday economy is also important in terms of tackling inequality. Everyone in both cities and regions, regardless of income,

participates in the everyday economy. It is made up of the private, public, and social sectors and is distributed across the whole country. However, policy interventions have ignored this, for example in the cuts in grants to support local services, and so end up impacting especially on rural areas and marginalised towns that are already excluded from the uplift in wealth across the UK.

Past policies have therefore failed to maximise the potential of the UK economy because of:

- A focus on linking major towns and regions to London and not to each other;
- Creating a false division between towns and cities as centres of growth; and
- Underplaying the importance of the local economies as part of the economic ecosystem required by the ‘growth sectors’ as well as providing core jobs and services.

As recently highlighted⁴⁰ by The National Institute for Economic and Social Research (NIESR), attempting to raise the UK's overall growth at the same time as levelling up the regions and nations will require significant improvements in productivity throughout the economy, especially where productivity has hitherto been lagging.

Productivity growth would need to be faster in the poorer regions if overall growth is to meet the Chancellor's aim while the regions are levelling up. A rough calculation suggests that if productivity in the London economy were to grow by only 1%/year, then it would need to grow by more than 3%/year in all other regions if the UK was to achieve productivity growth of 2½%/year.”

(Garry Young, Director of Macroeconomic Modelling & Forecasting NIESR, February 2020)

In order to level up and rebalance the UK economy a new paradigm is required, which recognises that the growth of the UK economy depends upon harnessing the agglomerative potential of the UK as a single global economy and not as a set of decoupled regions.

4 Low Levels of Investment

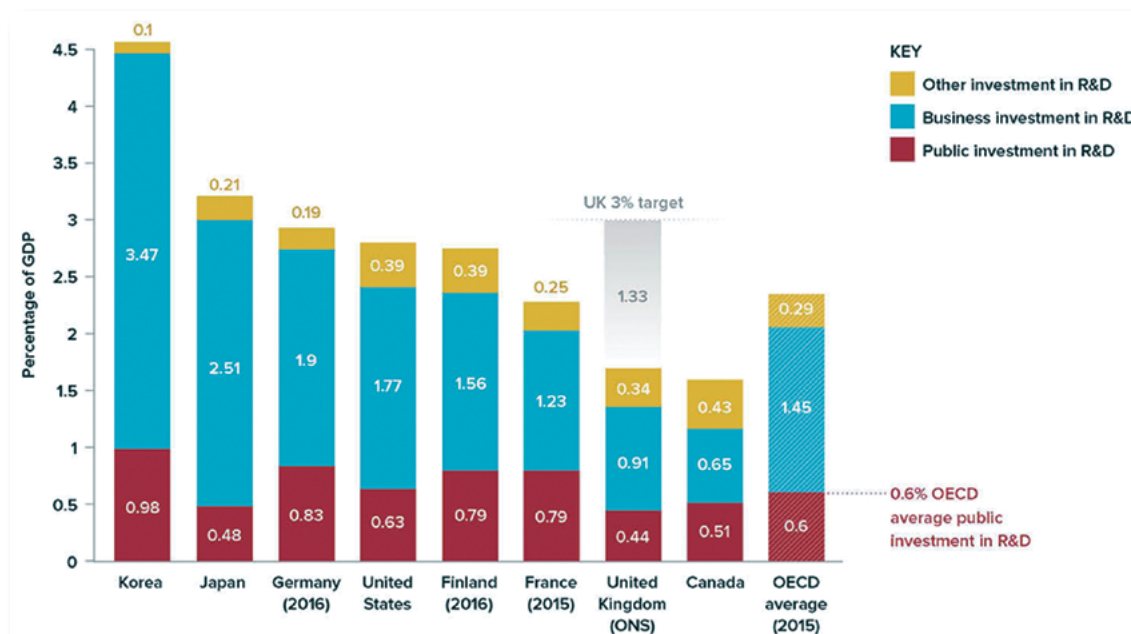
The current low level of investment is a problem identified by the Government, for example, in its own Industrial Strategy. It recognised that if the UK had the same level of investment as the US, total venture capital investment in UK businesses would be £4bn more per year. This is reflected in two ways. First, the low level of public finance overall, and secondly, the great disparity in its distribution.

Low Levels of Public Investment

The level of capital investment in infrastructure in the UK has fallen since 1980. The current national infrastructure proposals are constrained to a 'cap' of 1.2% GDP on major infrastructure spending. This is 25% lower than in the 1980s and much lower than our international competitors, for example 2.5% in the EU. There have been various estimates of future infrastructure needs as a percentage of GDP. These have been 2% for the USA, and 3.5% for the EU including the UK.

If we applied the funding levels to the G7 countries (which are in some cases 30% higher) to the UK there would be an additional £6 billion/year for infrastructure investment. The 'cap' on levels of investment means that in effect no new projects beyond those ones that are already identified may be brought forward before 2030. This constrains necessary investment in long-term projects. Without change, the next decade of funding is already committed. This is particularly important in relation to transport investments which are dependent on public financing.

This issue is also reflected in the level of funding of research and development. Currently the UK spends 1.7% of its GDP on research and development compared to an average of 2.4% in the OECD. This problem has now been recognised by the Government.



How does UK investment in R&D compare internationally? Source: ONS (2019) gross domestic expenditure on research and development, 2017. OECD Main Science and Technology Indicators 2017. Data for comparator countries shown. Note: figures are rounded.

Patterns of Public Sector Investment

Constraints on levels of investment have also resulted in a competitive project bidding between schemes and places for a limited pot of money. Investment criteria have supported projects yielding higher short-term returns on investment. As a result, over 70% of investment in 2016 went to the South East of England. The net effect is to reinforce patterns of inequality and lower productivity.⁴¹

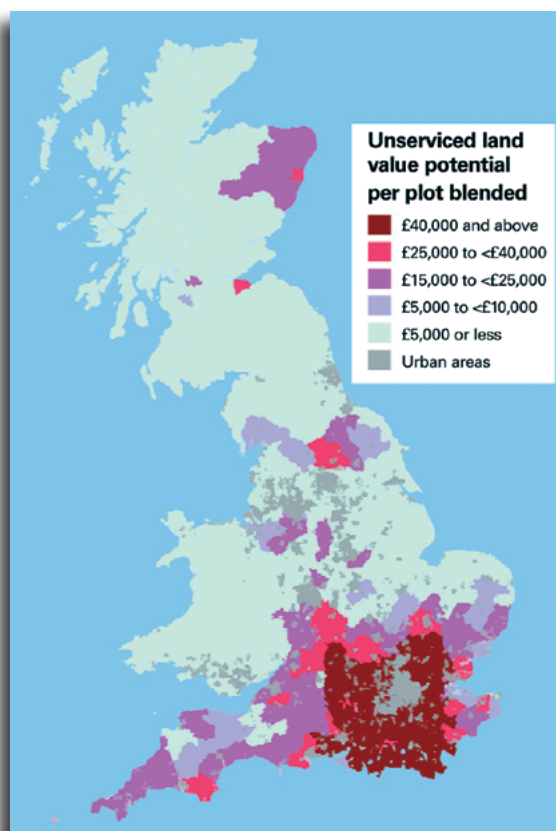
Looking at specific sectors, London and the Wider South East dominate R&D spending. Over 50% of UK R&D investment is in London and the Wider South East. The same pattern emerges in cultural spending, including broadcasting, sport, the arts, the law, and public administration and, until relatively recently, concentrating the media in London.

Even military expenditure and procurement is biased towards the south of England, whilst the scale of public subsidies and bailouts for the UK financial sector in

2008 was overwhelmingly represented in London and the Wider South East. It is estimated that this was equivalent to 74% of the UK's total GDP. There has, however, been no equivalent 'bailout' of other key sectors of the economy which are now dominated by, and susceptible to, the priorities of foreign investors (such as the motor industry).

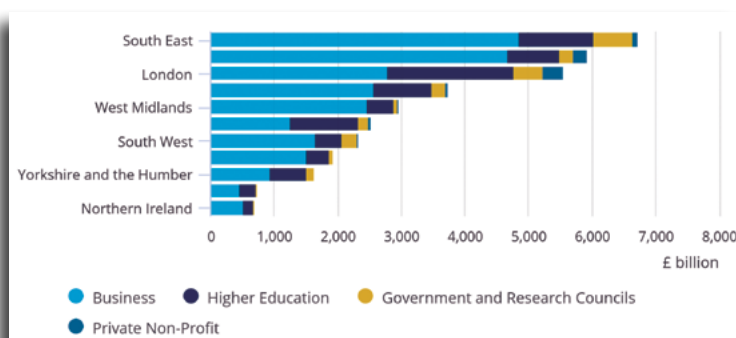
Similarly, congestion in southern England has been the justification for high levels of transport investment, whilst trend-based projections of growth support further new investment. As a result, between 2016/2017 and 2020/2021 London's transport investment will be £1,870 per head, while the north of England's will be £280 per head.

Similar patterns are reflected in the uplift in value created by development, now a key source of public sector infrastructure funding. There are enormous regional variations in average land values, for example, ranging from £19m per hectare in London to £1.4m per hectare in the North West of England.⁴² The current regime of land value capture inherently reinforces the inequalities in access to funding that inhibit funding of new infrastructure and renewal in the places that need it most. This is well illustrated by the map of the net benefit from the uplift in land values from development. As a result, a residential development in one part of the country has greater access to public sector-controlled funds.⁴³



Land value capture potential.

Source: TCPA: Tomorrow Series Paper 20 'Sharing the Uplift in Land Values'.



UK gross domestic expenditure on research and development by sector, country and region, 2017. Source: Office for National Statistics.

Poor Access to Private Finance

There have been long-term changes in banking. As illustrated by Martin *et al.*,⁴⁴ there has been a shift in lending activities away from industry. In 1950, some 65% of bank lending was to industry, by 2010 this had fallen to 15%, accounting for only 18% of industry financing in the UK in 2010. This particularly affects small and medium-sized enterprises (SMEs) which are a key part of the advanced manufacturing sector as well as the local economy in economically weaker and peripheral localities and regions.

Access to investment funding for productivity, training, innovation and improvements is crucial to business development. There are, however, questions about how well the banking system is geared to supporting local business enterprises, especially SMEs in areas such as the northern regions of England. The centralised nature of the financial system in the UK has reinforced spatial imbalances.⁴⁵ There is a need to establish new vehicles to overcome blocks in funding infrastructure, including the establishment of a national investment bank.⁴⁶

As a result, firms, particularly SMEs, based outside London and the Wider South East have poorer access to credit or, invariably, have to borrow money on stricter terms. Thus the banking system adds to geographical imbalances within the UK.⁴⁸ As a result, *'things may be harder for more mature businesses looking to scale up after several years of successful operation, and for firms whose growth ambitions are more modest – but still of potential value in growing GVA and creating jobs'*.

There is also considerable variation across the UK between rates of bank lending to SMEs:

*'Both awareness and use of equity finance remains concentrated in London and the South East. In particular, access to money for relatively small-scale and "unshowy", but crucial investment is a major problem for many SMEs. Potentially transformative investments in equipment, technology, skills, marketing and other areas may be outside the reach of many SMEs; even £5,000 or £10,000 is prohibitive for an owner who has already made a major commitment of personal funds.'*⁴⁹

Some banks are of a scale to operate a regionally-based SME lending operation. For example, those where authority is devolved to local centres or have relationship managers and sector specialists, or an innovative high-growth unit serving intellectual property (IP) rich start-ups and scale ups, or overall target the small and mid-range of the SME market.

This situation contrasts with Germany which has a very strong SME sector and also a well-developed regional banking system. German SMEs are clustered around resilient supply chains that enable local banks to provide long-term debt financing and national pooling of liabilities.

The bigger problem is access to risk capital rather than debt financing – i.e. through venture capital rather than bank lending. This disparity of supply does not mean that northern companies could not be better connected to southern venture capital funders, or that the venture capital funding power of London could not be replicated in the North. Further work is in hand to address this issue being undertaken by the North West Business Leaders' Network.

5 Constant Changes in Policy

Policy churn is a general issue of government, eroding institutional memory and creating a particular challenge for policies designed to tackle inequalities. As a result, attempts to address the UK's regional problem have failed as few have had any real continuity. There is a consistent story of missed opportunities for sustained action and better outcomes.

For example, the Regional Development Agencies (RDAs), set up in 1999, sought to promote economic growth in the English regions with on average a budget of around £2bn a year spent on regeneration, business and labour markets, and skills interventions. This added an estimated £10 billion to the regional Gross Value Added (GVA), but did not include all the longer-term phased benefits from capital regeneration investments nor the associated benefits of business support, skills development or land remediation. Despite the potential of the RDA model, it was not sustained long enough to redress the spatial patterns of inequality.

Where policies and programmes have been sustained their impacts have been notable. For example, Milton Keynes, Northampton, Telford and Peterborough are amongst the fastest growing towns and cities in the UK; they were each promoted as New Towns with Development Corporation powers relating to land assembly and the provision of infrastructure. This impact arose through a combination of local leadership and real powers and resources with a clear, long-term vision leading strategic and sustained action. In addition, in the move from RDAs to Local Enterprise Partnerships (LEPs) the level of funding was cut significantly.

Similarly, where former industrial areas have been successful in turning around their local economies it has been underpinned by sustained European regional funding, a UK-led initiative. This has been instrumental in bringing €100bn funding over the last forty years to such places as Glasgow and Liverpool. This programme itself is now to be stopped and it is critical that the scale of the replacement scheme, the Shared Prosperity Fund, is maintained and enhanced.

The most recent demonstration of the value of an integrated and sustained approach is reflected in the work of the National Infrastructure Commission. (NIC). Its approach is moving the discussion away from competitive project-based investment to integrated sustained programmes of action geared to three-fold, long-term outcomes of reducing inequality, increasing productivity and delivering a zero-carbon economy. Even so, the NIC is constrained in its remit to evaluate and develop integrated land use and transport policies, whilst both are constrained in being able to be integrated with housing policies.



6 Narrow Short-Term Measures of Success

There is a need to move away from the historic flawed policy of ‘*grow now, redistribute later*’,⁵⁰ to a model that tackles inequality and poverty as part of achieving broad-based growth. Therefore, whilst measures of production and economic output are important, they need to be balanced with those as levels of consumption, health and inequality.

Social progress needs to be assessed using a diverse range measures of the living conditions of people. The current policies, regulations and accounting systems, however, are essentially macro-econometric and not on their own sufficient to guide policies tackling inequality and low productivity in the UK. They are too short-term, aspatial and limited.

Short-Term

The shortcomings of the current approaches to project evaluation, including the Treasury Green Book, are now well recognised. Whilst it is important to have a disciplined and consistent approach to funding, the current system has some endemic problems. In particular it tends to discount longer-term benefits, which are critical to the assessment of investment to address climate change or the regeneration of areas requiring investment which will yield long-term renewal. As a result, the pattern of investment has been skewed towards already successful areas such as South-East England.

Aspatial

In addition, the Green Book provides little guidance on the spatial dimension of investment. It therefore does not assess projects for their ‘strategic fit’, i.e. contribution to implementing approved national and regional spatial plans. Nor does it reflect the fact that the return on capital will vary according to the regional economic context. It therefore is biased towards areas with higher levels of land and property values. Recent updates to the Green Book have not changed the underlying incentives and pattern of prioritisation given to infrastructure investment.

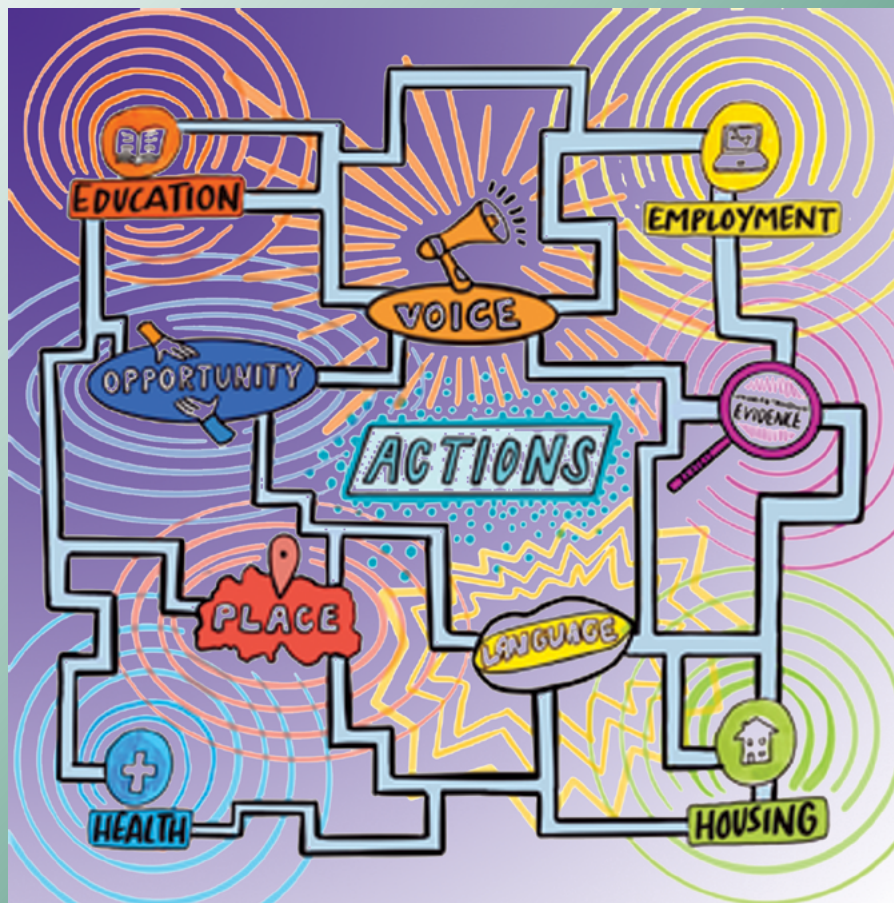
Limited Scope

The concentration on econometric measures neglects measurement of a wider range of benefits that arise: for example, the impacts on levels of enterprise or the benefits bill. Current measures of economic growth do not take account of who benefits and who is left out or left behind: for example, those who are homeless or have job insecurity. Improvements in the wellbeing of communities are critical to tackling inequality in the nations and regions. The current evaluation of projects also underplays the wider benefits of investment in areas of need and the priority that should be given to levelling up economic performance. Furthermore, they are not related to the Government’s signatory commitment to the UN Sustainable Development Goal of *Reducing Inequality within the Country*.

The Need for Change

Current approaches undermine the UK’s ability to open up new markets in depressed local economies, to reduce welfare costs, to promote wellbeing or to attract critical longer-term investments. A fresh approach to the evaluation of government funding regimes is needed. This has been recognised in various governmental initiatives, e.g. the review of the Green Book and the ONS piloted Wellbeing Index. It is essential that these respond positively to the three-fold challenge to become wider in their compass, in their sensitivity to local conditions, and by having longer-term perspectives.

They also need to have a clear framework against which measures of progress are judged. They must be outcome-focused. Measures of production and economic output are important. These, however, need to be balanced with those of consumption, life expectancy, leisure, consumption inequality, and unemployment. The Centre for Progressive Policy report sets out the framework for an Inclusive Growth Country Index⁵¹ which measures of economic progress for all.



PART 2

The UK2070 Ten Point Action Plan for Scaling Up Change

SCALING UP ACTION



DECLARATION OF INTENT



TEN POINT ACTION PLAN



Scaling Up Action

The Common Purpose

There has never been a more urgent time nor more opportune moment to set out a *Vision for a Fairer Stronger and More Sustainable United Kingdom*. The scale of the problems of inequality and poor economic performance are immense. To date we have failed to address them and on current trends inequality will increase. We are also failing to meet our international commitment to the UN Sustainable Development Goals to reduce inequality.

Unless there is change, we put at risk:

- London's role as the pre-eminent global city;
- The potential of the UK's main cities as centres of economic, cultural and social life;
- The recovery of marginalised industrial and coastal towns; and
- The wellbeing of rural communities and integrating town and country.

Building a fairer, stronger and more sustainable United Kingdom requires a new agenda, setting long-term priorities for the next fifty years by:

- Aligning the aspirations across the nations and regions of the UK;
- Empowering local communities to innovate and invest in public services;
- Bridging the silos of Government to eliminate conflicting and perverse policies;
- Increasing confidence for future UK and international public and private investment; and
- Establishing a common evidence base for policy at UK, regional and local levels

These goals will only be achieved if action is transformative in scale and comprehensive in scope. No longer should the future of the UK be shaped by a disparate and sometimes conflicting set of short-term, underfunded and reactive departmental projects.

The Momentum for Change

There is a new mood throughout the UK that change is needed now and is inevitable. This is reflected in the shared political ambition to rebalance and 'level up' the UK. There is cross-party agreement on the need for action despite their diverse and disparate political positions. This momentum needs to be built on and accelerated if it is to be of sufficient scale, coverage and duration to have the impact required to rebalance the United Kingdom. Policies to reduce inequalities are not a zero-sum game. They can be a win-win for all.

The UK is already on a path of change and there is a window of opportunity for building on this momentum:

- The current ad hoc devolution deals illustrate what could be achieved if this approach were applied comprehensively to build strategic capacity in city and county regions;
- The national spatial strategies for Scotland, Wales and Northern Ireland illustrate a more visionary and long-term approach to national policy-making;
- The work of the National Infrastructure Commission (NIC) and the strategic partnerships in the North, Midlands and South West of England demonstrate the potential of subnational strategic planning;
- The new national spending targets for infrastructure and R&D investment, albeit not sufficient, are a recognition that we need to invest on a significantly greater scale;
- The proposed review of the Green Book and piloting of the ONS Wellbeing Index is a recognition that government policies need to be more sensitive to local conditions and longer-term in their perspectives.

The Window of Opportunity

The United Kingdom is the fifth largest economy in the world. London is globally competitive, especially in the services sector. Nearly 20% of the world's highest ranked leading research universities are in the UK. The UK's 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 residents and visitors.

Meanwhile, its temperate geographical position should enable it to adapt more readily to climate change than other areas of the world that, for example, are facing sustained extreme temperatures and desertification. The UK is therefore well placed to respond to the *double-headed crisis* of climate change and deep-rooted socio-economic inequalities and turn them into a *double-headed opportunity*.

The leverage that future public policy can exert is significant in view of the scale of public sector investment in the future of the nation. Where public investment goes private sector, investment is likely to follow. Private investment in housebuilding alone could be in the order of £10 trillion, supported by public- and private-sector capital infrastructure investment of over £2 trillion and an associated £200 billion on community infrastructure (e.g. educational social facilities).

In the next twenty years to 2040, there are expected to be an additional 6 million people (3.6 million households)⁵² in the UK. This would generate a need for investment in new homes and jobs and associated schools, health facilities and supporting infrastructure, which would create an enormous opportunity to influence the pattern of development. It could be comparable to the way new development was harnessed through the New Towns Act 1946 which created some of the main centres of growth, for example, Milton Keynes and Warrington.

There is therefore a clear choice facing the future of the UK. The scales of public investment over the next generation will be significant in shaping the future of the UK. The choice is to continue reinforcing the current patterns of unsustainable development or to use them to create a fairer and stronger future for the UK.

A Shared Commitment of Intent

The regional inequalities in the UK blight existing communities and threaten the future quality of life and wellbeing of all. Addressing this is not merely a question of redistributing the rewards of growth but promoting an integrated approach to achieving fair access to opportunities, standards of service and quality of life, delivered by, and helping to, drive the performance of the economy.

A new national narrative is needed, based on creating a fairer distribution of wealth, wellbeing and opportunity across the UK. We need to create a virtuous circle of opportunities in terms of the levels of wellbeing and economic productivity across the UK.

This requires action on greater in scale, over longer timescales and more comprehensive in scope than in the past. It requires a fundamental realignment of the relationship between central and local government through a comprehensive devolution of powers and resources. It should open up of new market opportunities in depressed local economies, reduce welfare costs, and deliver critical longer-term investments.

The principles and values which underlie this ambition and momentum of change are set out in the **UK2070 Declaration of Intent**. The UK2070 Commission therefore calls on all governments and local leaders to sign up to this **Declaration** and start now with urgency to be implement the programme of action for creating a fairer, stronger and more sustainable future for the whole of the UK.

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

Climate change is the over-arching national threat. It puts at risk the safety, wellbeing and the cost of living of all. It will particularly affect the most disadvantaged communities in the UK for whom the costs of basic services and fuel are already a disproportionate burden. Vulnerable communities will tend to experience greater adverse impacts from climate change (for example, in terms of water and air quality and flood risk).

The UK, therefore, needs to act with urgency to tackle two fundamentally interlinked, long-term challenges to the future: the transition to zero-carbon economy and, within the same period, the elimination of the deep-rooted inequalities in society. This is a critical part of the UK's international commitment to the delivery of the United Nation's Sustainable Development Goals: SDG 10 (Reduce Inequalities) and SDG13 (Combat Climate Change).⁵³

The need to adapt to climate change reinforces the benefits of promoting a more balanced economy. Firstly, the impacts of climate change will be mitigated by reducing the pressures from development in southern England in terms of flood risks, water supply shortages, loss of higher-grade productive land and increasing travel distances.

Secondly, the opportunities from climate change arising from new industrial demands associated with a transition to a zero-carbon economy (e.g. in terms of energy supply) could be harnessed to support a more balanced economic geography for the UK. The linkage of tackling climate change with economic policies is demonstrated in the [Inclusive Growth Strategy](#) of Leeds City Council (see Case Study).

Case Study: Leeds City Council

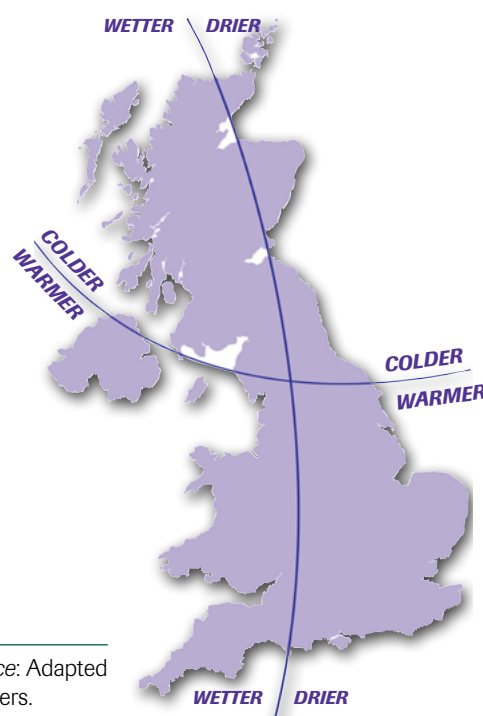
Economic Benefits of Tackling Climate Change

The City Council has declared a 'Climate Emergency' and through the independent Leeds Climate Commission has developed emission reduction targets and a roadmap for Leeds across all sectors to achieve, by 2030, an overall reduction of 85% from 2005.

This includes, for example, a district heating network, street lighting; one of the largest low emission vehicle fleets in the country; and the Our Warm for Wellbeing & Warmer Homes Fund.

Leeds City forecast that £277m/year across the city could be saved by 2030 by the following.

- ◆ **Transport Cost** in the City could be reduced by **£150m**.
- ◆ **Household Energy Bills** across the City could be cut by **£81m**.
- ◆ **Running Costs** for Schools, Hospitals, Offices etc could be cut by **£31m**.
- ◆ **Business Operating Costs** could be reduced by **£14m**.



UK Spatial distribution of climate change. *Source:* Adapted from ASC synthesis of the Evidence Report chapters.

Just Transition for Vulnerable Communities

Past studies⁵⁴ have shown that lower-income and other disadvantaged groups contribute the least to the causes of climate change; are likely to be most negatively impacted by its effects; pay, as a proportion of income, the most towards the implementation of certain policy responses; and they benefit the least from those policies. These inequalities are reinforced by the fact that vulnerable and disadvantaged groups are less able to participate in decision-making around policy responses.

A range of experience is emerging on developing a Just Transition Strategy. In particular, the Scottish Just Transition Commission⁵⁵ is developing a range of Just Transition Principles, which include creating opportunities to develop resource-efficient and sustainable economic approaches that help address inequality and poverty, but also have wider application. The potential for linking climate change with the wider social agenda is also central to the Greater London Authority [1.5C Compatible Plan](#) (see Case Study).

In addition, the IPPR⁵⁶ has proposed:

- Embedding the concept of 'just transition' across government policy: setting out the key principles which underpin a just transition;
- A Just Transition Commission for the North of England, following Scotland's example; and
- A Just Transition Fund for the North of England: as part of regional economic development funding to help the drive towards a low-carbon economy and to mitigate against the negative impacts of decarbonisation.

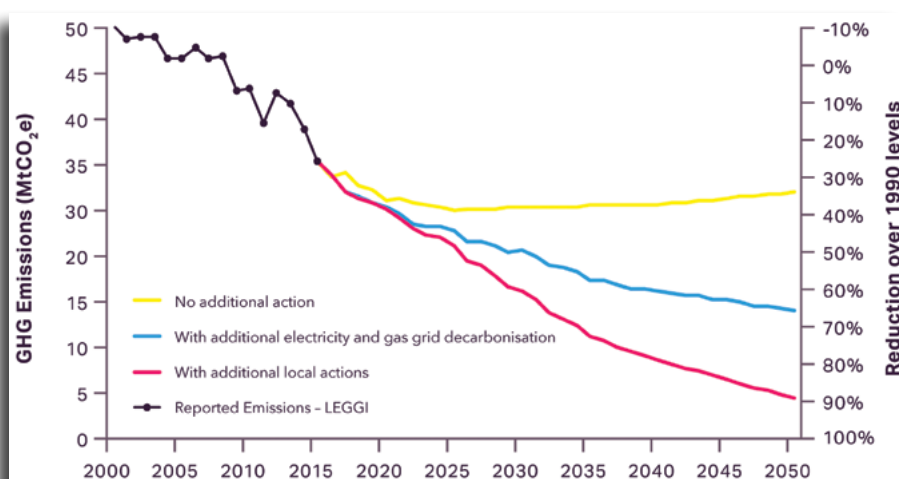
Case Study:

Integrated Approach to Climate Change Greater London: Zero-Carbon Compatible Plan

The *1.5C Compatible Plan* looked at different scenarios for reducing London's emissions to zero-carbon. These highlight the need for collective action and for government to support the wide range of measures required ranging from the retrofitting of buildings, public transport, new energy sources and procurement policy.

The Mayor's key priorities for action cover a wide range of measures. Some (e.g. improving the energy efficiency of building) will have particular benefit to poorer communities and those affected by fuel poverty or living in housing with poor energy standards.

The GLA work highlights the importance of local strategies. Current government policy will only reduce London's emissions to 35% of 1990 levels by 2050. The GLA Plan, however, demonstrates the potential to go further but this requires action from national government, or by devolving powers and resources to the Mayor or boroughs to deliver in London.



London's GHG emissions trajectory to zero carbon. Source: London Environment Strategy, p. 208.

The Opportunity of Clean Growth

It is critical that the move to a zero-carbon economy does not result in the ‘off-shoring’ of jobs and technology. There are major opportunities to transform the impending crisis into a ‘double-headed opportunity’ for clean growth. These need to be seized by the delivery of clean growth could help to rebalance the UK’s economy by giving priority to investing in new [green](#) industries in those areas with the greatest need for industrial restructuring. The new industries include energy supply, battery technology, car production, the construction industry and training – all of which are inherently mobile and capable of being influenced by government funding, for example, for research, innovation and new infrastructure.

The scale of these opportunities is highlighted in the Government’s [Clean Growth Strategy](#), which argues that the UK is well placed to grow the carbon economy in view of its strengths in research, financial services, regulatory framework and design. It estimates that the UK’s low-carbon economy could grow by 11% per year to 2030 – four times faster than the rest of the economy – and deliver over £60 billion in export sales. The potential has been reinforced in the [NP11 report](#) which concluded that there is a £2 billion economic opportunity, with potential for 100,000 jobs and a stated target of halving carbon emissions by 2032 through a new Net Zero North partnership.

The development of new green industries to rebalance the economy will also complement the transition to a greener economic development of the country to mitigate climate change impacts, for example by using brownfield land and reducing dependency on the ever-increasing journey times that are associated with focusing development on London and the Wider South East.

Case Study: Tees Valley Clean Growth Net-Zero Teesside Project

The *Net Zero Teesside Project* aims to make Tees Valley a net-zero carbon industrial cluster by 2030 by capturing up to 6 million tonnes CO₂/year, equivalent to the energy use of 2 million homes, to be stored and re-used. By 2050 the programme could have created 20,000 jobs and added £1 billion per year to the local economy.

The area produces more than 50% of the UK’s hydrogen and it is planned to become the National Hydrogen Centre, e.g. through a network of hydrogen refuelling stations and vehicles, with hydrogen rail.

A range of key sectors are targeted, at the biosciences industry, through Teesside University’s National Horizons Centre, as a £22.3 million UK Centre for Excellence, working alongside major businesses and organisations such as FujiFilm Diosynth Biotechnologies and the Materials Processing Institute.

Government support for the project includes the designation of the 4,500 acre Mayoral South Tees Development Corporation, the first outside of Greater London, involving £208m to secure the site, and to bring forward a free port.

It is supported by a £29m/year Adult Education Budget and major transport upgrades at Darlington, Middlesbrough, and Teesside International Airport.

Integrated Valuation of Benefits

Prior to 2009, the Department of Energy and Climate Change and the Treasury used estimates of the damage costs of carbon emissions based on the Stern review. In 2009 [a review of other approaches](#) recommended using a new approach whereby the Government would use carbon values consistent with the costs of meeting long-term emission reduction targets, rather than in absolute terms. In other words, now the target has been accepted, the question is not whether action is taken but the most cost-effective way of doing it.

Carbon reduction addresses a general problem, namely, that a policy objective where the true costs and benefits to society are not properly captured in market prices and are also challenging to value in terms of directly measured ‘welfare’ based costs and benefits. This applies to the interlinked need for achieving reduced levels of regional inequality in the de-carbonisation of the UK. A fresh approach is required which should be part of the more general review of the Green Book and related methodologies.

The Treasury has changed its [guidance](#) to build in the valuation of action to deliver the climate change target based on the most cost-effective way of achieving it, rather than traditional ‘value for money’ in absolute terms. This principle needs to apply to reducing inequalities.

Policy Implications

The UK needs to act with urgency to tackle two fundamentally interlinked long-term threats to the future of the UK. On the one hand, to transition to a zero-carbon economy by 2050 at the very latest. On the other hand, to eliminate the deep-rooted inequalities in society over the same period.

It is therefore essential that there is an explicit spatial dimension in the UK’s plan to deliver zero carbon by 2050. A *just transition* to zero-carbon requires priority to be given to the impact on the most vulnerable communities, if necessary, with a dedicated funding regime. This should be seen as part of, and linked

to, the UK’s commitment to the Sustainability Development Goal 10,⁵⁷ to reduce inequality within the UK.

This transition however must be ‘just’ in terms of its spatial impacts if the strategy is not to end up replicating the current patterns of inequality. This requires a four-pronged approach to embedding spatial inequalities in developing a Just Transition to a zero-carbon economy through specific programmes of action for:

- Disadvantaged communities;
- High-carbon using regions;
- The location of new low-carbon industries; and
- Embedding inequality in economic assessment processes.

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

Context

An effective, efficient and sustainable Pan-UK Network is core to any strategy for the future of the nation. Current transport networks however are characterised by:

- Poor levels of connectivity between the major city regions outside London, thus limiting the efficiency of their labour markets and supply chains, and ultimately limiting their productivity;
- High levels of congestion on the roads cost the UK an estimated £7.9 billion in 2018;⁵⁸
- Overcrowding on rail networks which are on average 5% above capacity and up to 250% at peak;
- Rail passenger numbers on the central network (WCML) spine between 2007 and 2017 has been 4.5%/annum;
- Communities in the East of England and other rural and de-industrialised areas are marginalised by poor access to key social, health and cultural services, plus educational or employment opportunities; and
- Access to ICT is patchy and unequal (which is discussed in *Action 3* and *4* of this Report).

The UK's current transport networks are therefore not fit for future purpose. The inherited asymmetrical systems have high-quality rail access to and within London, whilst large parts of the UK have become distanced, and even excluded. It takes longer to travel from Liverpool to Hull by train than to travel from Liverpool and London – nearly twice the distance.

Future growth in travel demand and continued delay in implementation of major infrastructure projects will exacerbate these problems. Passenger numbers are expected to increase by 40% by 2040.⁵⁸ The [State of the Nation Report](#) estimates that to meet the anticipated economic and population growth which the UK will undergo by 2040:

- The direct cost of strategic road congestion will be £8.6bn without action; and

- An additional 34.2 GW of energy supply will be needed, equivalent of ten power stations.

In terms of transportation systems, the future, therefore, depends on developing the capacity and effectiveness of *shared* transport, in all its forms.

It is time for the next **connectivity revolution** to support a new more balanced economic geography, based on new technologies, clean energy and increased capacity. This would be in support of delivering SDG 11, especially Target 11.2.1 for improving the proportion of the population that has access to public transport.

A new integrated *UK Network* is needed that creates:

- A high-quality national network **between** all major cities and towns;
- Sustainable mobility **within** major urban areas;
- Reconnections **beyond** to marginalised communities in coastal and rural areas that have lost transport and local services.



Source: DSC.

Intercity Connectivity

In terms of intercity connectivity, despite the quality of the national north–south rail and road links from London the South East, the capacity as the core national transport spine is not adequate for current and future movement.

For example, the West Coast Main Line is currently the busiest mixed-use railway in Europe. Overcrowding of 115% of passengers is typical on stretches of this line. Passenger demand on the West Coast Main Line is also forecast to rise by a further 12%, and freight by 18%. Put simply, by the mid-2020s the West Coast Mainline will be unable to accommodate any more trains.

There is a need for extra capacity to improve local, regional and freight services on the three main north–south rail routes; West Coast, East Coast and Midland main lines, as currently envisaged by the Proposed HS2 which will double the capacity, for example, between Leeds and Doncaster, Manchester Piccadilly on the Crewe and Stoke on Trent and London to Peterborough. The alternative is seen as a programme based on continuous long-term incremental upgrade with all its associated delays and costs. This is central to the UK government’s decision to give the go-ahead to the whole of the HS2 proposal.

As highlighted in the Greengauge21 Report: *Beyond HS2*, there are also poor levels of east–west connectivity between other main centres of economic activity, for example:

- Crossrail in London
- The Thames Estuary
- Midlands Connect
- Swindon–Bristol–Cardiff/Plymouth
- Northern Powerhouse Rail
- Central Scotland Rail
- Oxford–Milton Keynes–Cambridge
- The Wider Solent

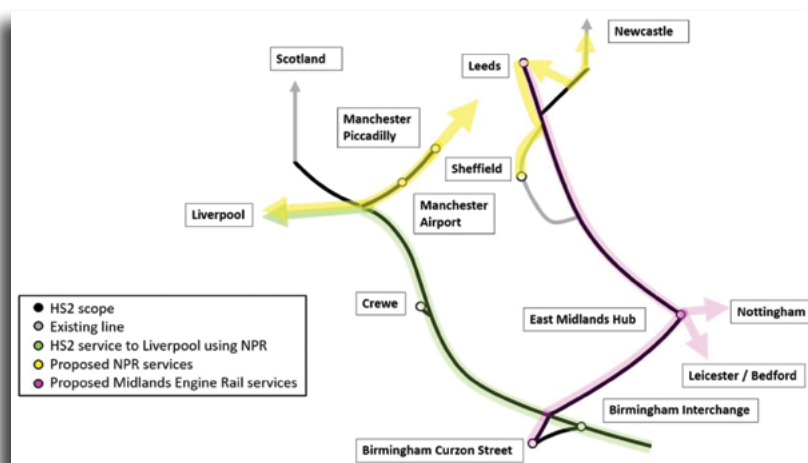
Plans to increase the general level of intercity connectivity outside London and the Wider South East are interdependent. For example, 50% of the

new lines and £15 billion of the costs of the Northern Powerhouse Rail (NPR) network are dependent on new capacity being created on the north–south spine, as currently proposed by HS2. Similarly, the Midlands Engine Rail programme is underpinned by additional capacity being created on the central spine.

It is estimated that improving intercity connectivity to create equal levels of provision along and between all major corridors within the UK rail network would yield economic gains: both employment and output increase over time with the package of schemes.

On its own, for example, it has been estimated that bringing intercity connectivity along all major corridors up to the same standard would result in an additional 40,000 jobs being safeguarded in the northern regions of Britain. When combined with an economic strategy for rebalancing the economy, the impacts are significant and shared.

This reinforces UK2070’s argument for a Pan-UK network approach to transport. And it has been highlighted by the Government’s decision on HS2, and the findings of the Oakervee Report which concluded that Transport for the North and Midlands Connect must work together with Network Rail, HS2 Ltd and the DfT to develop a joint plan to maximise the benefits of investment. There is, however, a need for an integrated plan including all other key components of the Pan-UK Network, for example to Wales and the South West.



Enhancing Intra-Urban Mobility

Lack of local connectivity leads to intra-city inequalities. Improving intra-urban transport links has a marked, positive effect on the local pattern of growth of households and employment, as well as productivity. Better intra-urban mobility benefits those in the poorest economic conditions, who may not own a car, and who may live within prosperous towns or cities.

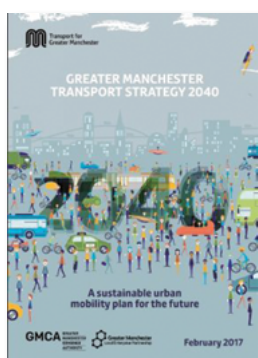
Intra-urban infrastructure is therefore important for reducing economic inequalities. Major strides have been made, particularly by cities, in developing dedicated transit systems. However, despite these efforts, the UK still lags behind other European countries. There should be continuing investment in intra-urban transport systems such as local rapid transport networks; bus rapid transit and trams, along with suburban rail to connect within cities.

A nationally supported ten-year programme for extending these local transit networks should be established and complemented by a general drive to:

- Reduce congestion and divert journeys from cars to other modes of transport;
- Promote active travel, i.e. walking and cycling;
- Improve local bypasses, railway junctions and stations; and
- Create a properly joined up national bus-to-rail system, with a connected and easy to use common ticketing system.

Integrating Inter-City and Intra-Urban Transport

The highly urbanised nature of the UK creates a vicious circle in which the poor levels of effective connectivity – local congestion and overcrowding have become a key issue; whilst strategic transport needs impact heavily on local living standards and wellbeing.



This requires an integrated approach to the management of local and strategic transport demands both at a metropolitan and pan-regional levels. The potential scale of benefits from doing so is exemplified, respectively, in the work of the Greater Manchester Transport Strategy and of Midlands Connect (see Case Study).

Case Study: Midlands Connect Integrated Connectivity

Context

- ◆ The Midlands Engine lags behind rest of England in terms of productivity. However, the Midlands has had 25% less public investment per head compared the rest of UK over the last five years;
- ◆ Four of the five national rail freight routes run through the Midlands, meaning it is at the heart of national connectivity;
- ◆ Less than 20% journeys between the East and West Midlands are by rail compared to 50% for similar journeys in the rest of the country;
- ◆ Midlands businesses export over £55bn goods and services per year. The East Midlands airport is the biggest 'cargo airport' in the UK.

The Added Value

- ◆ New and improved infrastructure: 736 extra passenger services, improving services to 60 stations, enabling 24 extra passenger trains every hour on the regional network;
- ◆ Take 1 million lorries off the roads, shifting 4,320 lorries' worth of freight from the road network daily, and adding £649m GVA to the UK economy/annum and 20% improvement in journey times between Nottingham and Birmingham;
- ◆ Multi-modal integrated planning and delivery of major transport infrastructure (both rail and road), and ticketing across modes (tram, train, bus) by multiple operators.

Reconnecting Marginalised Communities

Many parts of the UK lack viable transport links to areas of prosperity and jobs, which in turn restricts their potential for productivity and quality of life. Peripheral communities have suffered from a spiral of decline, often triggered by the downgrading of transport connections. National transport policy must therefore commit to linking the many marginal or excluded towns, coastal and rural settlements in a way that re-injects skills, social networks and investment.

Investment in a network of rail links to those towns suffering from the highest levels of deprivation and lowest levels of employment will, over time, help to connect communities, offer opportunities and re-empower citizens, and would also be expected to have an impact on the numbers of people on benefits.

The national priorities for improved connectivity have been suggested in a report⁶⁰ to the UK2070 Commission as being:

- **Low Social Mobility** – the concentration of poorly connected places in a number of geographic clusters in the east of the country, particularly along the English coasts. A general policy of strengthening coastal links and filling in missing elements is required, especially where there is no or limited estuarial crossing;
- **High Levels of Unemployment** – where better transport links to employment opportunities are needed (e.g. Derry/Londonderry, Hastings, Kilmarnock to Gourock, the Colne Valley, Sunderland to Middlesbrough, East Lincolnshire and Thanet); and
- **Low Levels of Educational Attainment** – typically, these are in rural areas dependent on road-based public transport (e.g. Mid-Kent, rural and coastal East Anglia, the Fens, Lincolnshire, Cumbria, North West Devon and rural Northern Ireland).

The lack of connectivity of the eastern side of England, especially coastal areas (and including the East Midlands) is a strategic problem. The value of **reconnecting marginalised communities** has therefore been tested for the vulnerable region along the east coast of England.

This showed the potential to significantly enhance employment and output in the area, creating new growth opportunities especially for firms requiring access to these left-behind areas, though, the larger economies gain more from connections with smaller ones. Remedies that have been suggested to the UK2070 Commission include:

- **Creating Multi-Modal Interchanges** at Norwich, King's Lynn, Wisbech, Hull, Peterborough, Barnetby, Scarborough, Whitby and Middlesbrough;
- **Establishing Complementary Inter-Urban Bus Routes** radiating from Lincoln to the Lincolnshire towns of Louth, Skegness, and Boston, for example; and
- **A New Cross-Humber Route** to reinstate a coastal route, linking beyond to Hull, Nottingham, Sheffield and London.



Source:Greengauge21

A New UK Network

A comprehensive revolution in connectivity would seek to:

- Link nationally important schemes to local improvements to complete journeys;
- Uplift the performance of local regional economies by better UK connectivity; and
- Improve intra-urban and local connectivity to ensure that the benefits of strategic projects are shared.

Transport, however, is now the worst sector in terms of greenhouse gas emissions. Emissions per road vehicle are still increasing year on year. Investment is needed to expand the capacity to accommodate a switch from private car use. This will require a major rolling programme of electrification for both rail and bus transport to create a *UK Network to serve a zero-carbon economy*.

Improvements UK intercity connectivity benefits those areas least connected (e.g. the northern extremity of HS2 axes) by increasing the extent of impact of individual schemes as well as spreading benefits across the region. Even areas already well-connected to London, like the Great Western region, or the Cambridge–Milton Keynes–Oxford corridor, benefit from creating a greater range of intercity links.

However, as illustrated by HS2, major projects on their own may be unlikely to take benefits beyond city centres to help the more deprived areas, and transport investment alone will not ‘rebalance’ the UK economy. They need to be combined with local and intra-city transport improvements, and complementary packages of action to ensure the benefits of economic growth are shared.

As a corollary, it is critical that the UK’s intercity transport network links to its international gateways and national regeneration projects, as has been planned for Clyde Gateway and Old Oak & Park Royal DC. This requires strong and direct connections to the airports, seaports, inland ports and freeports. As made clear in the recent [report](#) on Freeports in the Northern Powerhouse area, a world class transport system must better link up the individual cities and ports, to allow them to function as a single economy.

The benefit of a whole network policy approach is confirmed in exploratory modelling work undertaken for the Commission. This has indicated that a pan-national UK Network would bring added benefits beyond their individual components, in terms of:

- Overall growth in employment and economic output;
- Household numbers and net gains to employment in northern regions;
- Spread the benefits of improved intercity links by improving mobility within urban areas served by them;
- Transform the connectivity of areas that have been left behind or marginalised.

The illustrative components of new *UK Network* to enable the whole of the UK’s nations and regions to be well connected with each other and with neighbouring sub-regions is shown below.

Illustrative Components of the UK-Wide Network

- A major programme of rail electrification;
- A series of new lines, re-openings and major railway route upgrades, totalling around 1900 miles;
- A strategic electrified rail-freight network linked to ports in both the north and south of the UK;
- A new policy initiative to create bus priorities along express inter-urban bus routes;
- A joined-up public transport network, with fares/ticketing available across travel modes and network of interchange-hubs;
- A priority public transport corridor, e.g. along the south and east coasts of England, where there are places which are significantly disadvantaged in terms of connectivity;
- A set of metropolitan area transit systems for all city regions and where new systems need to be established – bringing a better public transport alternative to smaller cities and towns;
- A programme to retain connectivity in rural areas with the use of demand-responsive rather than scheduled transport, e.g. in Northern Ireland; and
- A programme of new estuary and river rail crossings – for example in England, Scotland and Wales.

Policy Implications

A fifty-year vision for a reconnected Britain should be drawn up, based on standards to meet the national zero-carbon target in 2050. As concluded in the Oakervee Review, there is no overarching strategy nor analysis to optimise the use of capacity released on the existing network by the creation of HS2.

Transport investment alone will not ‘rebalance’ the UK economy but is an essential building block by enabling a revolution in connectivity which transforms the public transport network between cities, within cities and beyond cities. This could involve the opening up of up to 1000 km of new rail lines and upgrading a further 2000 km.

A UK Network should have the following components:

- A standard of excellence in connectivity between the core network of towns, cities and regions, comparable to that which operates in London;
- Higher levels of mobility within city regions and other urban areas through new transport systems – with extensions into rural hinterlands through LRT/bus/metro systems (suitably decarbonised), including the expansion of existing systems in the metropolitan and new investments in other cities and towns; and
- New levels of connectivity beyond the major urban areas, to address the absence of sustainable links to disadvantaged areas and enhance their access to high-order services (such as hospitals and further education opportunities) and to economic prospects (e.g. for coastal towns and cities).

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

Context

The new industrial revolution, ‘Industry 4.0’ (the 4IR), is being driven by research and innovation. This should be harnessed to deliver the transition to a zero-carbon economy and deliver a fairer and stronger and more sustainable future.

It has been estimated that Industrial Digital Technologies (IDTs) have the potential to generate as much as £455 billion in the UK manufacturing sector alone over the next decade: creating 20,000 businesses, increasing GVA by £1.2bn, and upskilling a million industrial workers.

The UK is well placed as a global pioneer in this digital revolution given that it has nearly 20% of the world’s top universities. A third of these are part of the so called ‘Golden Triangle’ between Oxford, Cambridge and London, recognised as the UK global network of Centres of Excellence.

However only four of our top universities are ranked in the top 100 educational institutions that are most successful in advancing science, inventing new technologies, and powering new markets and industries. In addition, the level of IT skills within the UK is relatively limited, as is broadband coverage.

The potential for global innovation, research and technology in the UK economy is significant, given its strong research base. The power of this is illustrated by the case study of Cambridge.

Currently, the ‘Golden Triangle’ has benefited from receiving a high proportion of public investment, compared with other parts of the UK. For example, the [Report](#) by Professor Richard Jones on research funding found that over 55% of health-related research funding in 2015 went to the ‘Golden Triangle’. More recent Government [figures](#) for **Business Enterprise R&D** still shows this funding level is 47% of the UK total.

There is, however, a two-fold problem: current levels of R&D funding are low and are concentrated on a limited number of institutions. There is, therefore, a real concern that the UK is losing its lead in the digital economy. This is not just because of global competition but also because of the need to accelerate its transition from research to development. There are three issues that need to be addressed:

- Levels of funding;
- International experience; and
- The take up of new technology.

Case Study:

Creating New Global Centres of Excellence

Cambridge: Biomedical Sciences

Forming one corner of an economic golden triangle from Oxford in the west to London in the south, the wider regional life sciences cluster supports 24,000 jobs and creates more than £8.4bn per year for the economy.

The University of Cambridge is the focus of Europe’s leading technology cluster, which now numbers around 900 innovation-based companies. Fifty-one companies have spun-out directly from the University and a further 250 trace their origins to the university.

The university’s economic impact on the UK over the next ten years is estimated to include the creation of an additional 6000 jobs, in turn generating an extra £1bn for the British economy. Most of the gains are from co-location. An important example of the ‘Cambridge effect’ is the alliance between Astra Zeneca’s Cambridge Antibody Technology, a company which moved from its research facilities in North West England and now employs over 2500 staff and research scientists.

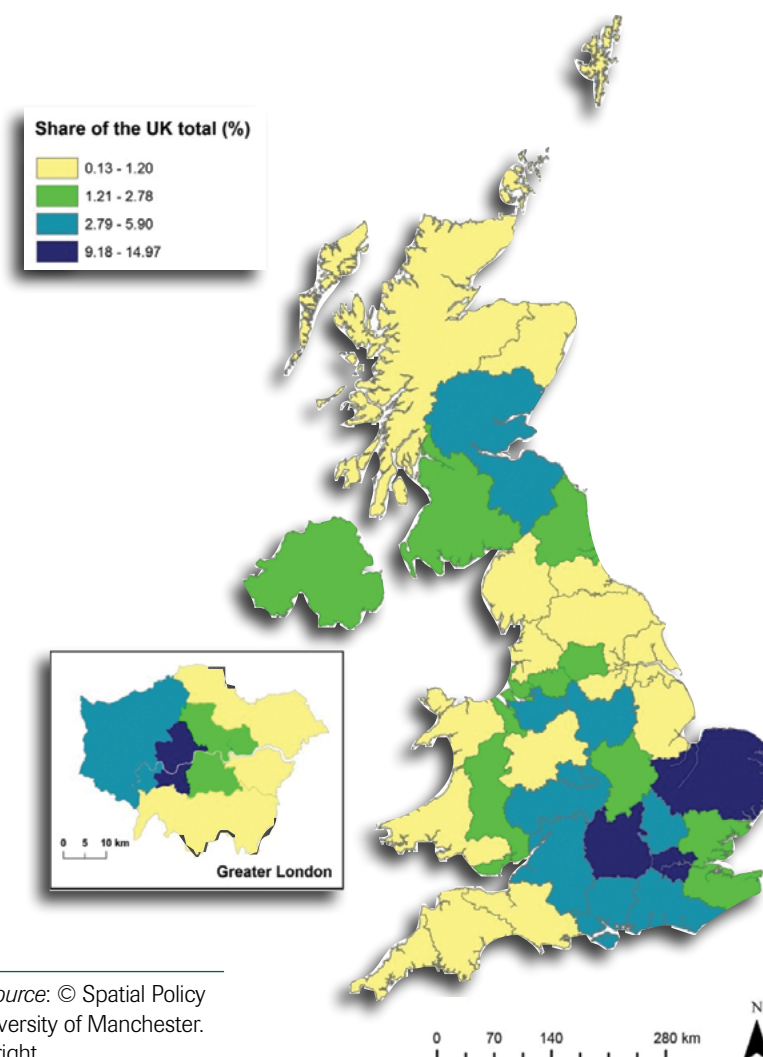
Levels of Funding

The Government is [committed](#) to tackling this long-standing issue by increasing the level of public and private research funding. However even their target for increasing it falls below that of other comparable economies. The annual target that by 2026 the level of funding of R&D is increased to the current OECD average spend of 2.4% of GDP, is already exceeded by the US, France and Germany. This target is also not consistent with the ambition to maintain a leading global research capacity economy and the leveraging of private sector investment, and is well below the EU target of 3% of GDP.

The *Golden Triangle* between Oxford-London-Cambridge is the focus of much capital investment in technology. London is particularly dominant with nearly half of high-growth businesses being in the

technological sectors, especially software development.⁶¹ The institutions in the *Golden Triangle* also receive some of the highest research incomes, funding and grants from the UK government, and the largest financial endowments of all British universities.⁶²

This has fed a common misconception, namely, that the promotion of a more balanced economy is a zero-sum game. However, analysis⁶³ for the UK270 Commission shows that such a more balanced pattern of investment in applied R&D across the UK is beneficial to the whole nation. For example, a significant increase in employment in the North of England has economic benefits for the South, whilst reducing population pressure upon it. It is a win-win strategy.



Estimated R&D expenditure by NUTS 2 region in 2016. *Source:* © Spatial Policy and Analysis Laboratory, Manchester Urban Institute, University of Manchester. Contains data from Eurostat and OS data © Crown Copyright.

International Experience: USA and Germany

There is a range of models of innovation that have been used elsewhere, for example:

- The **extended pipeline (US) model** which is supported from front-end R&D, test bed, to initial market creation, e.g. via defence orders, to reduce risk between research and implemented technology
- The **manufacturing-led (Asian) model** innovation in technology, products and processes by industry, but with strong government support; and
- **Innovation organisations.** Essentially this is hybrid taking the best characteristics of the other models.

A recent study (2019) by the [Brookings Institute](#) has raised concerns about the over-concentration of Applied R&D being experienced in the USA. In the US, the sector has been concentrating on a short list of 'superstar metropolitan areas'. Most notably, just five top innovation metro areas – Boston, San Francisco, San Jose, Seattle, and San Diego – accounted for more than 90% of the nation's innovation-sector growth between 2005 and 2017. In this same period their share of the nation's total innovation employment rose from 17.6% to 22.8%.

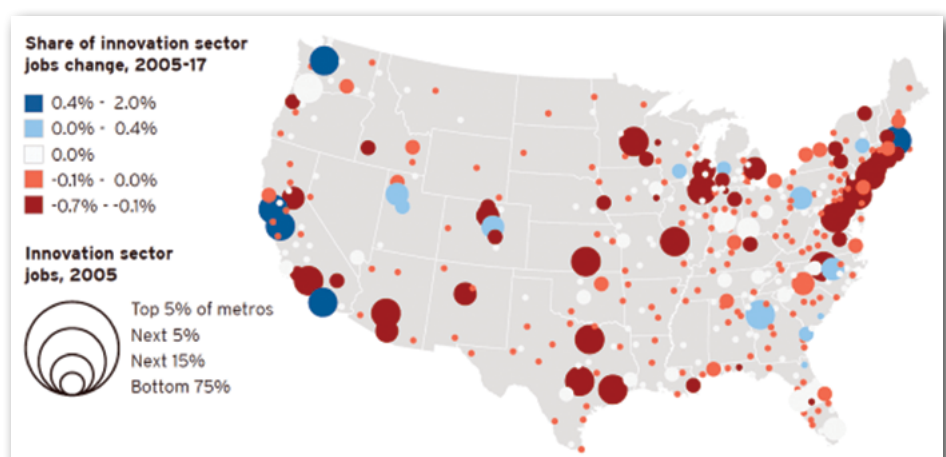
The high levels of concentration in the USA are now seen as a 'grave national problem'. Economically, the costs of excessive tech concentration in the USA is creating spiralling house prices and traffic gridlock, plus talent clustering in the hub cities. Elsewhere, talent reservoirs are thinner and productivity lower.

As a result, whole portions of the US are seen as being at risk of 'falling into traps of underdevelopment' and of 'investments flow to places such as Bangalore, Shanghai, Taipei, or Vancouver, rather than Indianapolis, Detroit, or Kansas City'. There is also concern the nation's divergence and decoupling is raising issues of social justice and political 'backlash'.

The Brookings study proposes that the USA needs to counter its growing regional divergence by designating up to ten new regional centres across the heartland as a 'growth poles' strategy, focusing transformative investment on a limited number of locations to catalyse other regions and the nation. This will be dependent on significant federal innovation funding (including support for scientific and engineering research, regulatory benefits, and support for high-quality placemaking) coupled with a rigorous and competitive selection process to identify the most promising locations for intervention.

In Germany, there has long been a clear policy of dispersed excellence. The *Fraunhofer* Institutes are a permanent, funded programme for advanced manufacturing support, supplying overall leadership for the network of institutes with a senate and general assembly representing the sixty institutes. Individual institutes are tasked with carrying out the organisation's research work. This provides substantial autonomy, but under central guidance. The scale of funding is in the order of \$2bn per annum. Internationally, it is increasingly recognised that manufacturing institutes in particular need to be joined together in a supporting network with operational autonomy for each institute, but also a public-private council to oversee broader performance.

Metros by change in share of total innovation sector jobs. *Source:* Brookings and ITIF analysis of Emsi data.



Creating UK Centres of Excellence

International experience reinforces the case for the UK creating an enhanced global presence for science and technology, particularly in the north of Britain. It would act as a counterweight to the Golden Triangle, working collaboratively as part of a distributed network sharing funds and research contracts.

Such an approach is consistent with the [report](#) by Professor Jones on 'A Resurgence of the Regions: Rebuilding Innovation Capacity across the Whole UK'. His report suggests that the UK must build up the innovation capacity of those regions which currently are economically lagging, with the goal of driving up productivity, reducing the gap between the most productive and the least, and helping such regions break out of the low-innovation, low-skills, low-productivity equilibrium in which they are trapped.

Many of our leading UK universities are well-placed geographically to take on this challenge. The majority are located in the heart of the new English regions, Wales and Scotland. They should be drivers of the move to level up the economic geography of the UK. Furthermore, they could form the basis of a new UK-Global Centre of Excellence, bringing together the country's expertise and powering the UK as a leader in the digital revolution.

The potential for change is seen in the work of the Manchester Graphene Institute (see Case Study) and the Sheffield Advanced Manufacturing Research Centre. This experience could be extended to create a small number of 'networks of excellence' around key priority sectors or even cross-cutting areas, e.g. on the *Just Transition*.

The future of the automotive sector, for example, represents a key opportunity across the Midlands. The automotive sector and its entire value chain are poised for a revolutionary change. This sector gave rise not just to personal mobility, but also created business models that the world follows even today. With the UK now leading the global race to a total electric automotive sector in just over a decade the changes will be revolutionary and disruptive. It will also present entirely new possibilities, as new forms of personal and mass and customised mobility are about to change our world again. This will give rise to new technology

and business models across the full value of chain of It calls out for a new global Centre of Excellence building on the region's established automotive industry's ecosystem.

Case Study: Creating New Global Centres of Excellence Manchester: Material Science

Graphene was discovered in 2008 at the University of Manchester and it promises to transform technology. Over eighty companies are already partnered with The National Graphene Institute (NGI) at the University of Manchester, working on graphene applications. The NGI has raised £60m and operates as a 'hub and spoke' model, working with other UK institutions involved in graphene research, including the Engineering and Physical Sciences Research Council, the Leverhulme Trust, the Biotechnology and Biological Research Council, the European Commission (EC) and its European Research Council (ERC), and also The Royal Society.

Since 2008 over 8000 patents have been registered. More than fifty-five companies worldwide have invested \$200 million to scale up graphene manufacturing. Global funding for graphene research and development has reached \$2.4 billion. Global production is forecasted to grow to 2026 at above 38% annually and be worth over \$500m.



AMRC Training Centre. Source: University of Sheffield.

Establishing National Centres of Excellence nucleating new clusters of innovation and skills is consistent with the findings of Professor Jones's Report, which concluded that:

'All parts of the UK will benefit from this programme. New clusters in tide and deep-water wind power might bring new prosperity to coastal regions of Wales and Scotland, new high value manufacturing specialities will emerge in northern towns, and the development of ICT enabled distributed healthcare could bring new opportunities to rural areas.'

It is also essential that there is central support for institutional changes to promote excellence and a long-term approach to funding and leadership, comparable with the role of the German *Fraunhofer-Gesellschaft* or the *Defense Advanced Research Projects Agency* (DARPA) in the USA.

It needs to be based on partnership with universities, advanced manufacturing institutes, the private sector and with government research institutions, especially where they relocate, in whole or part, to the north. This would open up opportunities to attract very significant contributions from the private sector and philanthropic institutions, both in the UK and internationally.

The UK2070 Commission has also carried out consultation on the merits of creating a new institution, under the title of 'An MIT of the North'. It is clear, however, that it would take time to build up a global presence and there is a strong case to build on the recent internationally recognised success in applied research in a few of our leading universities. However, the scale of change that is required and the continued growth of the higher education sector mean that the expansion of

capacity must not be constrained. The future option for new institutions must remain, as it did with the creation of wave of investment in the 1960s and at other times in the UK's past, including the creation of the northern universities in the Victorian period.

Accelerating the Upgrade in the UK's Digital Infrastructure

Digital infrastructure is key in sectors like manufacturing, health and transport and a universal service standard with a base level of connectivity for consumers wherever they live and work. Currently, the UK's Fibre to the Premises (or 'full fibre') coverage is only 4%, compared with 99% in South Korea and 97% in Japan.

There is a need to accelerate the rate of change – the take up and application of new technology. The UK has the strongest AI and machine learning market in Europe, with over 200 SMEs, but many of these struggle to invest in the technology and they need more functional support in terms of implementing technology into their systems and processes. It should also be noted that the UK Government also has a commitment through [SDG9](#) to [SDG11](#) to have regard to the levels of R&D as a proportion of GDP.

The UK2070 Commission therefore supports a *National Adaption Programme (NAP)* to support SMEs in adopting and using existing technologies. The NAP could be piloted working to provide high levels of (re-) training, working with further education colleges and universities specifically targeted at less economically prosperous parts of the country. The scheme should be launched in pilot form in the North of England by 2022, with an initial intake of 20,000 people.

Policy Implications

The UK has the potential to become a digital superpower once more through a constellation of world-leading universities and companies to gear up the economy in all regions. Drawing on international experience, this can be achieved through the proposed enhanced level of expenditure by Government being translated into northern National Centres of Excellence to act as key hubs with strong regional outreach cities on a hub-spoke model, and by reducing the current dependency on the Golden Triangle.

Action 3 therefore recommends that the required increase in investment in applied research and development should be based on:

- Building up local research capacity of all local advanced research institutions, attracting in private sector funding;
- Promoting a network of ‘hub and spokes’ 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
- Accelerating the levels of broadband access 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

Context

Many communities have not benefited from the wider levels of increased prosperity and wealth in the country. However, the variations in economic performance and social wellbeing between communities and regions do not explain or justify why a child brought up in poverty has poorer prospects and wellbeing. Variations in wellbeing can no longer be explained away simply in terms of industrial structure nor solved solely by the attraction of external investment.

The challenge for struggling communities is that their standards of living and welfare and available local jobs are significantly different from other communities who have comparable levels of deprivation. This is reflected in a range of indicators,⁶⁴ for example:

- While the proportion of people in employment has risen consistently for six years, over 60% of those families living in poverty are in employment;
- Just under one in three children are living in poverty, which is nearly double the national average; and
- Just under one in three working age adults are in receipt of at least one welfare benefit particularly relating to work-limiting illness and caring responsibilities.

Struggling communities are more dependent on the strength of their foundational economy which accounts for more than 50% of local employment. The quality of local jobs is critical to the poorest groups. Seventy per cent of low-income workers travel within a two-mile radius for work and as a result have a more constrained supply of available work.⁶⁵ This is, therefore, a key to understanding the spatial variations in economic performance and potentially unlocking stronger development in such places.

Current Policy Support

Struggling communities tend to suffer from an ageing population, lack of skills and training, fewer economic opportunities and live in places exacerbated poor transport and digital connectivity. They are mainly concentrated in the older northern industrial and coastal towns, with about 10% in rural areas.⁶⁶ What is of concern is that these areas have not benefited from the growth elsewhere yet receive lower levels of funding than other deprived areas in England as whole, despite higher average levels of need.

Former industrial regions have been subject to waves of policy innovation and intervention. The most recent [Towns Fund](#) policy recognised over 100 struggling towns. The principle behind this policy is supportive in that it recognises the need for targeted action. However, it needs to be strengthened and should cover all struggling communities. The scale of the fund in some areas is less than recent cuts in local budgets. It needs funding at a level that enables a programme action to meet an area's needs and is not constrained in this.

In addition, there is a need for different methods for designing and delivering economic policy as is being promoted by the Welsh Government. More innovative thinking is required, for example, the use of public procurement, setting new standards for public services that underpin wellbeing, investment in the local asset-base, and support for SMEs. This would be facilitated by more flexible funding arrangements.

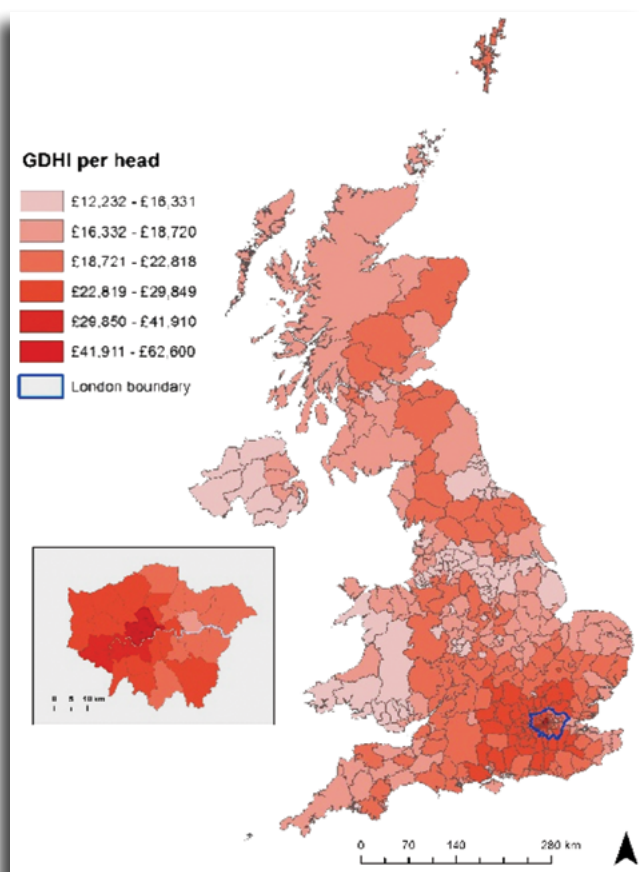
Such policies would support the delivery of UK's international commitment to UN SDG8, Decent Work and Economic Growth, which seeks to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

The Missing Links

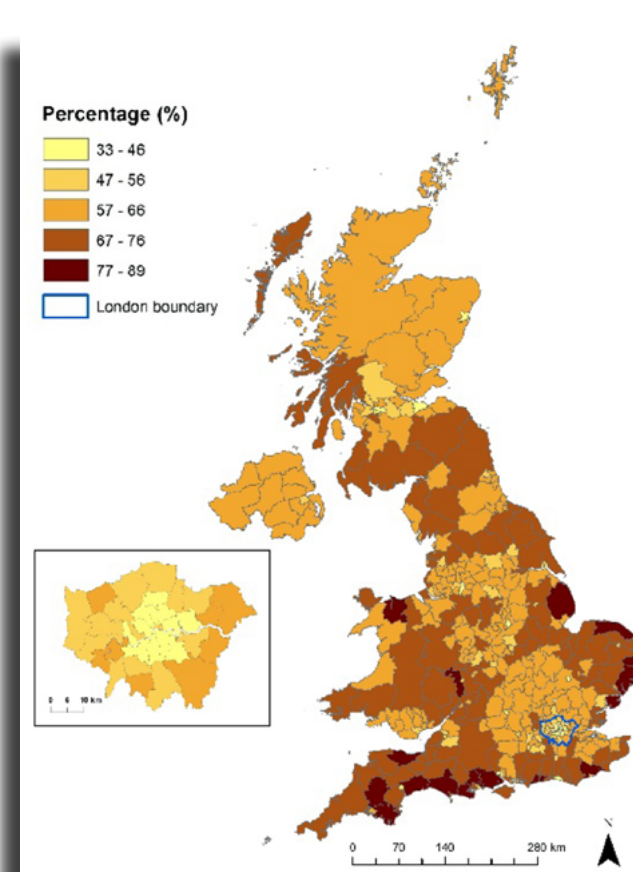
If policies for promoting local community growth and regenerating depressed areas are to succeed, an explicit strategic framework of action is needed. This would include the devolution and reskilling agenda set out in the other sections of this Report, but should also include the following three policy areas.

A more strategic approach required would include the devolution and reskilling agenda set out in the other sections of this Report, but should also include the following three policy areas:

- *Embedding the Local Foundational Economy* into wider economic policy, including recognising the full economic value of investing in deprived communities;
- *Establishing Universal Standards* of access to basic services that struggling and marginalised communities should expect;
- *Setting Joint Priorities* for improved connectivity for marginalised communities.



Gross disposable household income (GDHI) per head by local authority in 2016. *Source:* © Spatial Policy and Analysis Laboratory, Manchester Urban Institute, University of Manchester. Contains National Statistics and ONS data © Crown copyright and database, 2019.



Dependency ratio by local authority, 2017. *Source:* © Spatial Policy and Analysis Laboratory, Manchester Urban Institute, University of Manchester. Contains National Statistics and ONS data © Crown copyright and database, 2019.

Embedding in Wider Economic Policy

The [Welsh Government](#) embedded the foundational economy into the 2017 Economic Action Plan (subsequently enhanced) which made a commitment to supporting the foundational economy through the support of four foundational sectors: food, tourism, social care, and retail. It set up a Foundational Economy Challenge Fund designed to support experimentation, especially in support of medium-sized Welsh firms which are capable of selling outside Wales (see Case Study).

Research and experience suggest that this initiative needs to be complemented by community capacity building. This is particularly important given the concerns raised in the UK-wide research by UCL about the capacity of local communities to lead change. Experiments such as the [Big Local Fund](#) show the importance of capacity building being supported, for example, in terms of places to meet, connectivity and community engagement, supported through some form of Community Wealth Fund.

Local Enterprise Partnerships in England have a direct contribution to make to the foundational economy, as illustrated by Local Industrial Strategy for [Greater Manchester](#). It is therefore considered desirable to promote the benefit of the Local Assets Strategy piloted in Wales by rolling out across the whole UK the emerging experience of policy initiatives and both entrepreneurial and experimental funding for enterprise more widely.

Case Study:

Foundational Economy Challenge Fund: Welsh Government

The Welsh Government's approach to supporting and developing the foundational economy focuses on three areas:

- ◆ **The £4.5m Foundational Economy Challenge Fund:** to support a series of experimental projects that will enable us, with the help of our partners, to test how best to support the foundational economy and which Government interventions work best;
- ◆ **A renewed focus on growing the 'missing middle':** to increase the number of grounded firms in Wales and establish a firm base of medium-sized Welsh firms which are capable of selling outside Wales but have decision-making rooted firmly in our communities;
- ◆ **Spreading and scaling best practice:** to look at social value within procurement, to support Public Service Boards to use and strengthen local supply chains, and to look at the *Wellbeing of Future Generations Act* methods to help us make quick progress.

The key features of this policy are that it supports:

- ◆ Innovative and alternative approaches to addressing problems or realising potential in the foundational economy;
- ◆ Small-scale experiments and pilot actions in ways to think, behave and work differently – and activities supported and eligible expenditure; and
- ◆ Creating additional capacity to challenge and change ways of working, for example, in relation to the recruitment, and retention and skills of the workforce; the delivery structures and design of services; boosting the impact of local purchasing; and ways of involving citizens in the design of services.

Universal Basic Services

Local services are a key part of local economies and in the most disadvantaged communities provide the majority of local jobs. However, the most deprived communities are more dependent on central government in supporting local services than the least deprived, with figures varying from 71% of funding in the most deprived councils to 32% in the least.⁶⁷ This is particularly important since spending cuts per person between 2009 and 2016 in the most deprived of council areas have averaged 31%, compared with just 16% in the least deprived.

Local place-based conditions affect the wider economic outcomes. For example, [research](#) undertaken for the *Local Trust* showed that a lack of places to meet (whether community centres or village halls); the absence of an engaged and active community; and poor connectivity to the wider economy – physical and digital, make a significant difference to social and economic outcomes for deprived communities.

The provision of universal basic standards of service across the country is a key tool in tackling inequality. Current policies approaches have led to, for example, a postcode lottery in the Health Service.

The new policy for the roll out of ICT provision reflects the importance in the equitable provision of services. This is supportive of SDG9, relating to proportion of the population covered by a mobile

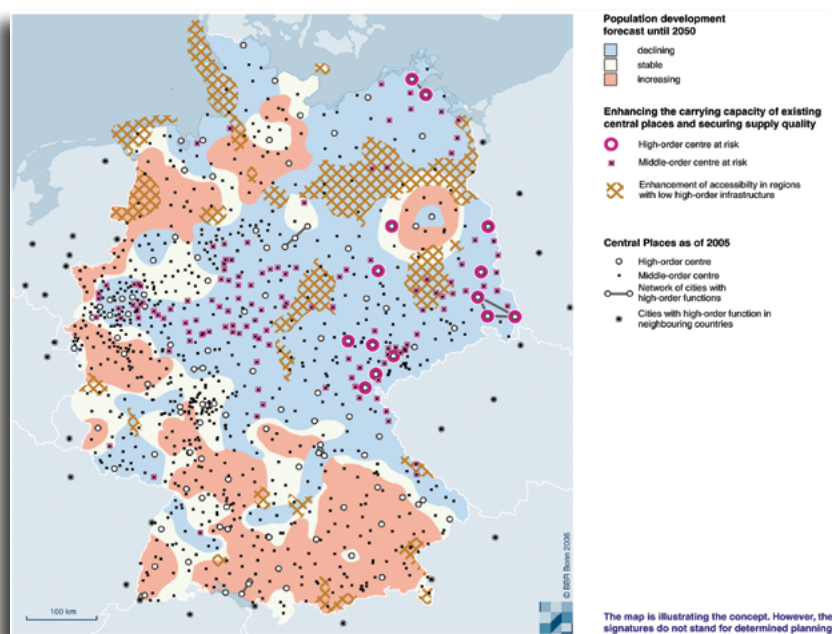
phone network. Such policies ensure that no one is overlooked or excluded.

National standards for the provision of basic services would also help provide confidence for devolution and a context for allowing a greater level of local discretion about delivery and more flexibility in revenue funding and expenditure.

Such universal standards also help provide a framework for measuring progress in delivering inclusive growth and prosperity for all – a goal of all parties. Standard econometric measures alone do not reflect fully the impact of economic change on quality of life and standards of living. As outlined earlier in this Report they can be a barrier to achieving inclusive growth, reinforcing an economic status quo. GDP statistics alone are not the most appropriate measure economic performance.

This supports the case that new metrics are required in allocating public sector funding (see Action 10). Examples of these have been recommended to the UK2070 Commission, for example, the [CPP Inclusive Growth Country Index](#) using local metrics on healthy life expectancy or good work. There is also potential to adopt the German⁶⁸ approach to national spatial strategies which includes the identification of areas where the provision of ‘Services of Public Interest’ are at risk.

Concept: securing services of public interest.
Source: Concept and Strategies of Spatial development in Germany.



Joint Priorities

In addition to rolling forward the integrated national policy to framework that the Welsh Government and the promotion of a revolution in connectivity to core services (e.g. health and post-16 education) there is benefit to establishing joint priorities in support of local economies, for example the *4theRegion Partnership* in South Wales.

The potential is also illustrated in the approach being developed in the North of the Tyne Combined Authority where the experience is that the national growth sectors have not improved the jobs in the foundational economy – the lot of carers, cleaners and waiting staff. Improving the productivity of the foundational economy, is therefore seen as important. The range of action is illustrated in the Case Study.



Case Study:

North of the Tyne Combined Authority

The range of action in support of the foundational economy includes, for example, business support, lifelong education, housing, self-improvement opportunities, and transport combined with diversifying ownership and business models. This has involved Good Work Pledge to raise work standards, by getting all public procurement to require strong use of social value clauses, to embed this minimum standard into all supply chains.

The biggest challenge is the wider culture that has alienated people from education and self-development. Community lifelong education – a culture of learning and vocational training to enhance civic and cultural engagement – will become more important as automation accelerates. It is proposed that this is taken forward in the North of the Tyne Combined Authority through a Regional Schools Framework, with community co-design and co-production of education in its broader sense, linked to early years interventions, control over apprenticeship levy and with central government support of potentially free university education.

Policy Implications

Strengthening the foundations of local communities is important in promoting a fairer, stronger and more sustainable economy. It is integral to the wider recommendations in this Report in relation to devolution to all communities, promoting skills and better access to local finance.

The action required to deliver the Connectivity Revolution (Action 2) would reconnect marginalised communities to local and wider opportunities and higher order services (e.g. higher education and hospitals), especially in the eastern coastal areas of England.

There is, however, a major concern for those areas described by government as *'left-behind'*. These are those which are not benefiting from the general uplift in the wealth of the UK and which are not thriving as well as other areas in comparable socio-economic circumstances. It is therefore essential that local leadership in towns and local areas are empowered to deliver increased local economic growth and wellbeing.

In addition, local action to level-up the standards of life and wellbeing needs to be supported by embedding the foundational economy in wider economic policies and setting universal standards of basic services. This should be supported by much greater level of flexibility in the local management of revenue funding, to enable integrated action across services.

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.**

ACTION 5

Rethinking the Housing Crisis

Context

Homeownership across the UK peaked around the year 2000,⁶⁹ but has steadily decreased since, partly because lower-income households had worse access to mortgage finance following the recession. The UK private rented sector has doubled in size since 2001, and now accounts for 19% of households, a third of whom live in poverty. Meanwhile, the social housing sector has continued to shrink.

The evidence presented to the UK2070 Commission by Professor MacLennan⁷⁰ shows that despite policy efforts housing conditions in the UK have become relentlessly more problematic since the 1990s. Housing conditions in the UK are characterised by high costs, the absence of a coherent rental sector policy, squeezed benefits and reduction in the delivery of truly affordable homes in England. These are at the core of the unbalanced choices and unequal lives that prevail in all regions of the country but disproportionately so in the old industrial regions of the nation that have been left behind since the 1970s.

High rents, low income, and how many families receive Housing Benefit and how much of the rent it covers have contributed to high rates of poverty that have persisted in the UK. The impact has varied between nations and regions:

- Housing is least affordable for households in poverty in London, the South East and the East of England, and is most affordable in Northern Ireland; and
- Private renters have the highest poverty rates in Wales and the North East while social renters have the highest poverty rates in Wales, East Midlands, West Midlands and London.

A threefold challenge prevails in terms of growing homelessness; longer waiting lists for social-rented housing; and the unaffordable cost of private rented and market housing. This has resulted in housing imbalances which reinforce wider patterns of inequality within UK cities and regions. Stagnating towns may have lower rents and house prices but are left behind by core city price uplifts. In town and cities alike, the last decade has witnessed more households, and children, forced into lower quality, and often still highly priced, market rental housing.

This is not just an economic issue but has been rightly described⁷¹ as ‘a savage, national disgrace’ and contrary to the right to decent homes.⁷² The current state of the nation is one in which:

- Children living in unsettled households who move and move again as a reflection of their precarious circumstance, learn less well than children from settled homes and schooling continuity do;
- Children in poorer quality and smaller homes have less space in which to learn at home and have longer sickness absence from school and therefore fall behind and have peer group effects when teenagers which in turn erode school learning capabilities and impair entry into the labour force; and
- High rents in these homes and squeezed benefits mean that there is no household spending to support the range of cultural activities in the ways that reinforce the human capital of other children.

Strategic Housing Provision

There is a vicious circle in the relationship between housing and patterns of inequality. Housing conditions are both a driver and the outcome of the inequalities in society. As a result, for example, the past patterns of excess demand for housing and rising housing prices are translated into an assessment to ‘unmet’ need which results in the current trend-based approach to assessment of housing ‘needs’ reinforcing past trends and areas of pressure. If this continues housing costs in London and the Wider South East will continue to escalate.

The reliance on market mechanisms to deliver the required level of affordable housing has failed. This is being exacerbated by the change in the patterns of homeownership which are dropping dramatically amongst first time buyers. Ownership rates of those aged 25–35 has almost halved since 2000 because of increasing issues of affordability over almost thirty years, with housing costs now consuming 25–30% of all disposable household incomes. Shelter has therefore calculated that there is a 3 million shortfall in the scale of social-rented housing (i.e. truly affordable housing). The combined effect of these changes is distorting labour markets with intra-regional travel to work distances increasing and opportunities for inter-regional migration being reduced.

Housing systems and markets are inherently local, operating at the metropolitan–regional scale. Agglomeration and globalisation have reinforced the shift in the structure of housing demand in the UK towards core cities. They are, however, conditioned by the wider prevailing national economic conditions. As a result, there is a basic divergence in regional prices and geography comprising:

- a set of southern markets focused on London and the Wider South East; and
- a northern housing market, and Northern Ireland moving to closer integration with the market in Ireland than in the northern UK.

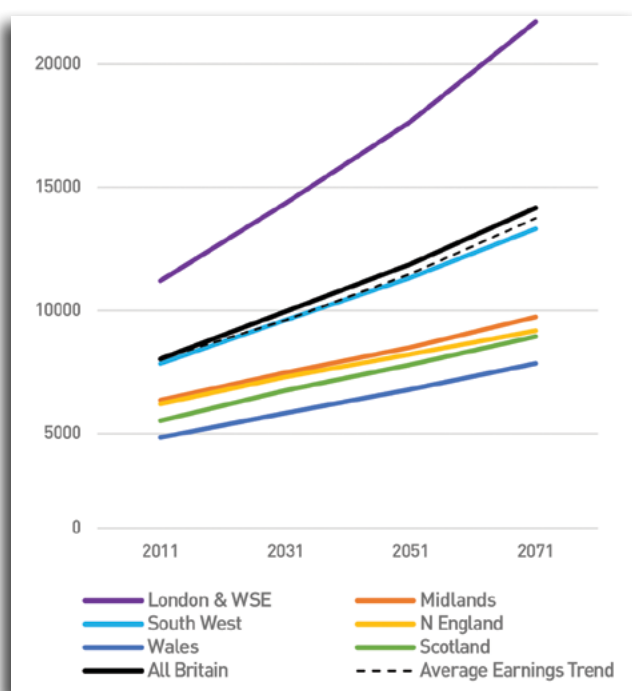
Inter-regionally, the ‘south’ has led price changes, with higher price levels and (normally) higher rates of price appreciation. Policy interventions to support the housing market have actually held back market-led adjustments. At the same time, housing supply issues

have exacerbated the problem. This is exemplified by the analysis by Homes for the North which estimates that housing needs to deliver the economic aspirations for the North of England are 40% higher than current planned provision. (see box Homes for the North Charter)

Intra-regionally the core areas of larger cities have led price changes and appreciation rates in all regions, so that house price appreciation rates well ahead of incomes is a feature of many but not all metropolitan areas in the UK regardless of ‘north’ or ‘south’ location. Edinburgh, for instance, has been the UK’s most pressured housing market after London over the last quarter century.

Within that context there are two housing market processes with important regional, economic effects that urgently need to be addressed in levelling-up the UK:

- the need to develop a much more effective approach to promoting balance across UK housing markets through supply side strategies; and
- to refocus policy efforts, linked to regional economic policies, to address concentrations of poorer households into particular neighbourhoods and towns.



Housing costs £ per unit/year at constant prices.

Rethinking Housing Policy

Housing policy in the UK needs a change of vision and underlying principles to be effective with a focus on the outcomes rather than the processes of policies. Key policy propositions for ensuring that housing policies contribute to levelling up regional productivity and inclusion in the UK are set out in the box here. These are adapted from the work of Professor MacLennan *et al.*,⁷³ and are set out for discussion and debate.

The key implications, in relation to the UK2070 Agenda, are that:

- There is a need for intergovernmental collaboration on key issues because of the linkages in housing markets;
- Housing investment should be part of an integrated metropolitan infrastructure plan, and spatial plans and investment plans must become two sides of the same coin with spatial plans accompanied by a firm infrastructure plan for the locality involved (thus reducing infrastructure-induced delays and raising possibilities for securing land value uplifts for public purposes);
- A strong case needs to be made for the devolution of housing policies downwards from Westminster to the devolved regions; and
- Housing policies should be designed and delivered at a metropolitan scale through inclusive processes that link city and suburb and regional towns, and open partnership between councillors, key leaders from non-profit organisations and the private sector involved in decision taking.



Propositions for Reframing Housing Policy

(Adapted from Discussion Paper by Professor D. MacLennan)

At a national level:

- Intergovernmental collaboration on discussion of key issues to reverse the tendency for it to be driven by an English agenda;
- Tax and monetary policies need to take more account of their implications for local housing strategies;
- Housing should be part of any devolution package because of its impact on local economic performance and the need for balanced regional fiscal and expenditure autonomies; and
- Funds should be allocated on the basis of costs, innovation, involvement of communities and performance, and not tenure.

At the metropolitan level:

- Housing investment should be part of an integrated metropolitan infrastructure plan and spatial and investment plans (reducing delays and extracting land value uplifts);
- Housing policies should be designed and delivered through inclusive governance processes with urgent emphasis on the supply side of the housing system;
- Local Economic Partnerships (or in Scotland the new Regional Economic Partnerships), should see housing as essential economic infrastructure affecting productivity;
- Metropolitan areas could develop arms-length agencies to integrate delivery of housing, land and infrastructure;
- Housing authorities should specify the public policy requirements from development then auction master-planned sites to recoup land and infrastructure costs and where appropriate retain land and properties for affordable housing into the longer term;
- A renewed role for non-profits as managers of places as well as owners of housing;
- Flexible rent control systems are needed to allow reasonable returns to landlords along with longer security of tenure (as is being promoted in Scotland) so as to provide greater stability and productivity in labour supply;
- There is a need for new models of transitioning from or within renting and market stock within metropolitan areas; and
- The need to shift towards higher densities in accessible locations as increases in energy and carbon costs reinforce the imperative of conjoining all decisions about housing, amenity and transport investment within cities and regions.

Policy Implications

Housing policy has been separated out from national infrastructure planning and does not take account of the need to level-up economic performance or meet the needs of the new economic geography, but is based on past trends. For example, Homes for the North has estimated that to meet the economic ambitions for the northern England a 40% increase in the current levels of planned provision is required (see box).

The UK2070 Commission therefore recommends a fundamental rethinking of housing policy as critical to developing fairer and stronger outcomes. Housing must be embedded in strategic planning processes:

- National housing guidance, household projections and programmes of intervention must no longer be trend-based but reflect the rebalancing of economic activity;
- Planning over the overall balance of supply and demand for housing should no longer be separated from the National Infrastructure Assessment;
- Pan-regional strategies for economic growth must be consistent in their analyses and policies for the level of labour supplies, households and population;
- Local planning for housing must be related to coherent housing market areas as identified by government.

Homes for the North Charter

If the UK is to rebalance the economy, a benchmark figure of 50,000 new homes per annum in the North is needed to meet the economic growth across the North as outlined in the Northern Powerhouse Independent Economic Review.

This figure presents a serious challenge as well as an opportunity, particularly as current housebuilding completions are much lower, at 35,560 in 2017/2018 across the seventy-two Northern Local Authority areas. Therefore, it requires partners to work closely together at local and national levels to release land, access funding and increase opportunities for the development of new homes and development plans.

The devolution agenda gives Local and Combined Authorities the opportunity to shape regional housebuilding projections that meet the needs of local people as well as creating buoyant economies.

ACTION 5

Rethinking the Housing Crisis

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

- Integrate 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.

ACTION 6

Harnessing Cultural and Environmental Assets

Context

The development of the UK economy will be based around networks of world-class institutes and assets. This includes cultural and environmental assets, which are key to attracting and retaining talented people. The creative industries are also expected to become an increasingly important part of the economy, especially as machine intelligence and robotics automate a wider range of current productive activity. In this context the UK is well placed given the depth and diversity of its cultural and natural assets.

Currently, the tourist sector which is dependent on the arts, culture, heritage and environment, for example, is one of our fastest growing economic sectors, projected to be worth £257 billion by 2025. It is worth over £100 billion to the UK economy, with inbound tourism alone accounting for 9% of UK GDP.

Although the UK's cultural infrastructure has the potential to be central to its economic strategy, at present investment in these assets has a strong London bias. This reflects the main location of the existing infrastructure of galleries, museums and orchestras, broadcasting and related educational provision. However, there are many undervalued national cultural assets across the UK which can contribute to wider spatial strategy to rebalance the economy.

The potential for change is reflected in striking success stories of regional development based on cultural assets, not least the relocation of several of the BBC's commissioning agencies to Salford as part of the Media City development or as part the Clyde Waterfront renewal partnership in Glasgow. The revival of Liverpool has also been based on its cultural assets (see Case Study).

There is scope to go further and to develop a range of global centres of excellence based on cultural, natural and sporting heritage across the UK – the soft infrastructure of the UK.

Case Study:

Liverpool's Culture-Led Regeneration

Over the last forty years Liverpool has built a huge conference and tourism business from scratch. Today Liverpool's tourism and conference industry are worth £4bn and employs 50,000 – Liverpool is the UK's sixth most visited city.

This industry has been largely created by:

- ◆ Investing in soft infrastructure and in the institutions, e.g. the Garden Festival;
- ◆ Massive improvements to the derelict waterfront by the Merseyside Development Corporation;
- ◆ New and refurbished cultural facilities, including Tate North;
- ◆ The support of an influential Cabinet Minister, Michael Heseltine.

Liverpool was able to make a credible application for the European Capital of Culture 2008, even though there was no special funding made available by Government. This brought in about 10 million visitors and £¾ billion. As important, there was a 50% growth in grassroots cultural initiatives throughout Liverpool's inner-city between 2005 and 2018, as well as a diversification in focus to involve more education, employment and training, and greater emphasis on mental health, wellbeing and social inclusion.

These investments rested on three cultural and sporting foundations:

- ◆ Liverpool's 1960s creative explosion produced Mersey Beat and the Beatles. Beatles tourism remains a vital component of overall tourism in Liverpool, and the City Region Mayor has recently established a 'Music Board' to help develop new musical talent and tourism;
- ◆ Football tourism, drawn by two Premier League football clubs, who are known globally, with supporters' clubs across Asia, and as well as Europe and America;
- ◆ Liverpool's remarkable architectural inheritance, its Royal Philharmonic Orchestra, theatres, concert halls, Aintree racecourse, museums and galleries, and the Royal Liverpool Golf Course.

The Distribution of Spending

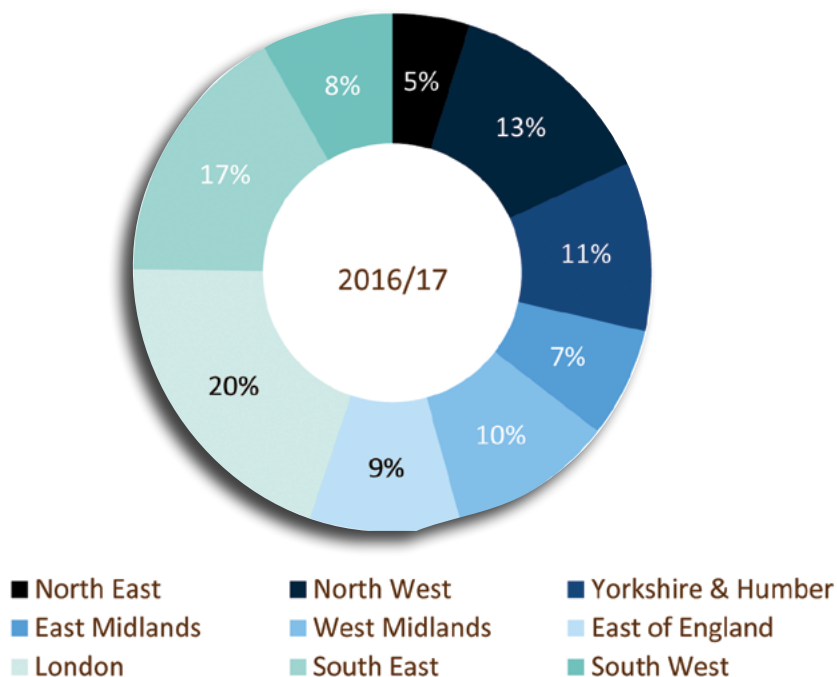
In England, the distribution of government support for culture and the arts, through the Arts Council, has been heavily skewed towards London, both in spending and in the distribution of national assets, in institutions such as three international orchestras, galleries museums, ballet, and national sports stadia.

The distribution of spending is driven by inertia and the power exerted by those institutions. Even the green spaces of central London receive preferential treatment as Royal Parks – funded by a government grant. Elsewhere managing such facilities falls to the hard-pressed budgets of local councils.

A 2016 report by the Department of Culture Media and Sport Select Committee⁷⁴ recognised that too high a proportion of public funding is still going to London-based arts organizations and museums. Arts Council England is seeking to distribute a higher proportion of lottery money outside the capital as part of its ten-year [2030 Strategy](#).

A similar shift in thinking is also occurring in the economic value being placed on investing in natural assets, through the development of ecosystems policies. As highlighted in the 2020 [report](#) by the Natural Capital Committee natural capital has yet to be properly integrated into government policy as infrastructure in its own right which underpins all other infrastructure.

The UK2070 Commission has not sought to undertake a complete audit of opportunities to harness the culture in rebalancing the economy. However, it seeks to illustrate the potential by reference to two groups of assets – the World Heritage Sites and the National Parks. A fuller report⁷⁵ is available on the Commission's website which also considers the potential of other cultural assets (e.g. the arts with reference to ballet).



Regional proportions of art and culture expenditure, 2016/2017.

Source: BritainThinks, 2018, Next ten-year strategy: evidence review.

The UK's World Heritage

There are twenty-eight World Heritage Sites on the UK mainland. They are among the 1100 UNESCO sites inscribed worldwide. They include palaces, parklands, historic townscapes, prehistoric sites, places of worship, industrial heritage, castles, and cultural landscapes. Collectively they are a sleeping giant of cultural and economic potential – and a significant opportunity. They include many of the UK's most important heritage assets, helping to spell out our island story, capturing the UK's greatest global impacts and offering significant potential benefits to the towns and cities where they are located.⁷⁶

As signatory to the UNESCO World Heritage Convention the UK government has an international responsibility to manage and enhance the sites so that they are protected for generations to come. Many are located outside the south of England but often managed on a shoestring with low levels of interpretation, promotion and site management. They are less well known, appreciated or promoted as national tourist and cultural assets.

At present the UK is not turning these assets to its advantage. With better management and protection, they can all become the crown jewels of tourism, helping to regenerate local communities whilst reshaping the image of some of the less favoured parts of the country. World Heritage UK, the charitable body which represents all the Sites has asked for a strategy and vision and a UK World Heritage Fund to put the future management of all the sites on an enhanced and sound footing.

National Parks in the UK reflect the distribution of mountains and of unspoiled and remote scenery. However, because the UK is so compact, these parks

have always been seen as invaluable resources for the great cities as part of their quality of life – the lungs of the cities and towns. It is estimated that they add nearly £10 bn to the UK economy annually.⁷⁷

In 2019 the UK Government commissioned a review of National Parks and Areas of Outstanding Natural Beauty in England and Wales. This recommended the creation of a unified 'National Landscape Service', amalgamating the care and protection of both the National Parks and Areas of Outstanding Natural Beauty, but received no more funding. Furthermore, there has been no consideration of the full potential of new National Parks to cater for, and support, the big cities, other than London, nor to address their wider regional economic benefits. The recent DEFRA [review](#) of English National Parks, however, gave strong support to the proposals for new Urban National Parks, such as the one underway in London, and the proposal in the West Midlands to link urban areas with the surrounding green belt.

This contrasts with the experience in other countries where the natural environment has been integrated into urban policy; for example, in Sweden through the designation of National Urban Parks. It has also been central to the approach to the strategic plans for cities such as Copenhagen, or the national plan for the creating a green heart to the metropolitan network in the Netherlands. The Peak District has been recognised as having such a de facto role as the green-heart of the three northern conurbations of Manchester, Leeds and Sheffield but it is not reflected in policy and action. There are also comparable opportunities for the development of a strategic approach to the nationally important 'soft' infrastructure in the Mersey, Clyde, Don, Nene and Thames Valleys.

The current tilt of public investment towards London and the South disadvantages England's regional economies as well as the devolved nations. To help rebalance UK and regional development, far more could be done to harness the cultural and natural assets which are spread throughout the UK. This includes the revaluing of World Heritage Sites and the creation of National Urban Parks.

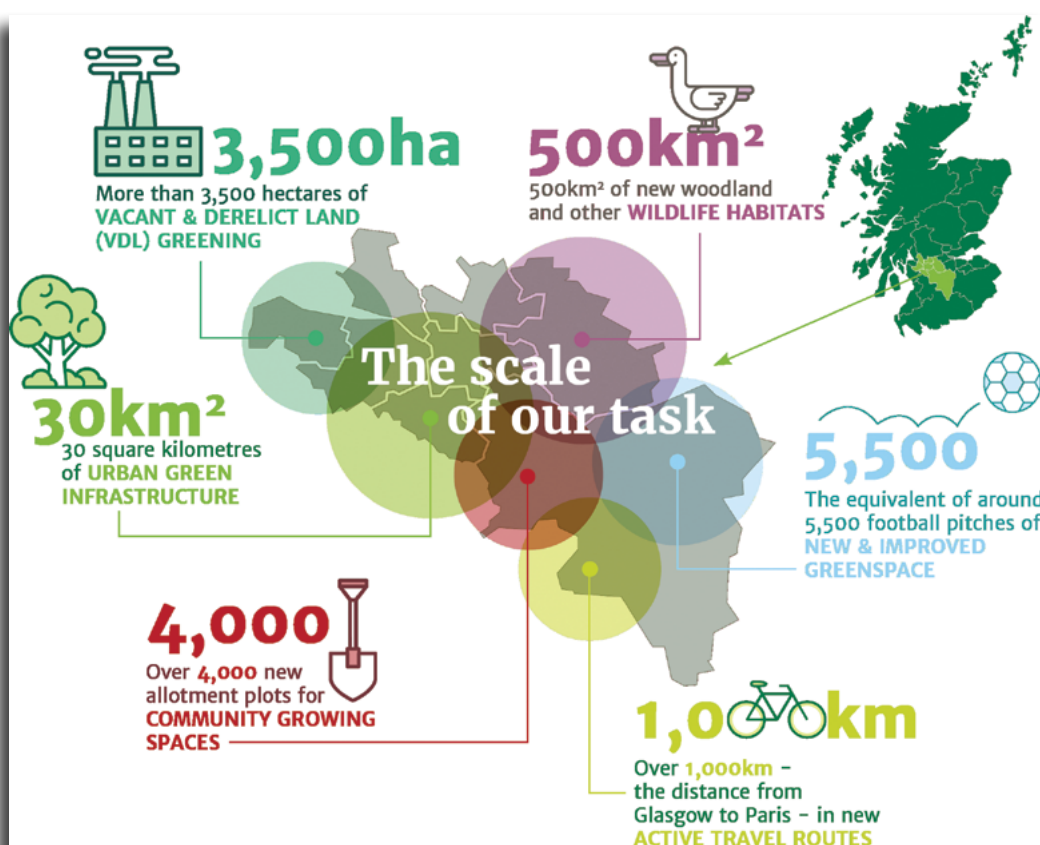
It is essential to rebalance the focus and funding towards assets outside London. Such a strategy could also be seen as part of a more spatially sensitive approach to climate change which has so far been little explored by conventional regional policy-makers. This would seek to integrate the national natural and cultural assets in helping not only to manage the pressure of growing urbanisation but also to level-up the pattern of economic performance. This could be achieved through the package of action set out in **Action 6**.

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

Context

The UK is the most centralised economy in the developed world. The current state of devolution has created asymmetry in the representation of people in England outside Greater London, compared with people in Scotland, Wales and Northern Ireland. While there is scope for further devolution to and within these administrations, there is a need to eliminate the democratic deficit that exists in England.

There has been a range of deal-based packages of devolution for the combined authorities, both metropolitan and rural. These have had some success despite the often-complicated arrangements. For example, the West Midlands Combined Authority includes three LEPs with local authorities being part of the LEP, but not the combined authority.

From a survey of the current experience of devolution undertaken for the Commission, it is clear that the current ad hoc 'deal-based' devolution has served its purpose and run its course. Funding deals need to be less transparent and open to scrutiny. It is important to ensure that national and regional strategic planning and any future deals are co-ordinated and properly aligned.

A genuine shift is required to deliver properly structured devolution. Local leaders need to be free to decide the level of devolution that they require for the delivery of their aspirations for the future wellbeing of their areas. The overriding issues for local communities arising from our consultations are:

- A fear that devolution would be just a symbolic gesture of inclusion and decisions '*done to them*';
- Concern about a fragmented policy response to the economic insecurity and environmental challenges that people face; and
- A lack of local capacity in terms of finance, competences and resources.

Local involvement in devolution needs to go beyond just promoting local action by statutory bodies. It must have a commitment to community priorities of local communities and their engagement in tackling the unequal socio-economic and environmental challenges across the UK. It must ensure that devolution itself is inclusive.

Scope of Devolution: The Stepping Stones

Levelling Up to Manchester or London is not the appropriate model for further reform. Devolution must be a create a series of **Stepping Stones** whereby authorities, including Manchester and London, can progress with further devolution as circumstances change, experience of what works is gained, and as capacity and inclusiveness are built up.

This requires a framework based on the **presumption of devolution**. This means that there must be a common range of powers and capabilities available to all local government, and not restricted to particular authorities. The choice to limit the range of powers should be taken locally. Local government can act strategically and with responsibility.

The range of devolved powers available in Scotland sets a context for the scope of local ambition. In addition to the general range of powers that have been devolved, the devolved functions for most areas (but not exclusively so) could involve the transfer of day-to-day responsibility for:

- Housing policy, including affordable housing;
- Schools performance;
- The skills budget;
- Unemployment and employment programmes; and
- Community services (e.g. health and social care).

The transfer of powers should, in principle, be to the lowest accountable and effective level in terms of management functions and technical capabilities. This principle also applies to Scotland, Wales and Northern Ireland where, although there is devolution at a national scale, there is a need for it to be applied locally.

There are, however, some over-arching duties which need to be exercised collectively (i.e. through joint strategic arrangements), normally at a metropolitan or rural county level. These include the spatial plan, carbon reductions and environmental action. The devolution arrangements for these is considered later in this section.

Combined Authority Powers

- **Further education:** To commission the adult education budget to be fully devolved;
- **Business support:** To unite local and central business support services into a 'growth hub' in most areas;
- **The Work Programme:** To participate in the commissioning of the Work Programme;
- **The intermediate bodies** for the granting of structural funds (and, potentially, the Shared Prosperity Fund);
- **Fiscal powers:** To create an investment fund and pilot the full retention of business rates. Elected mayors will have the power to add a supplement to business rates;
- **Integrated transport systems:** Bus franchising of bus route networks to private bus companies for operating services;
- **Planning and land use:** Creating a spatial plan for the Combined Authority area, and/or the power to establish Mayoral Development Corporations;
- **Housing:** Some Combined Authorities have some powers, for example Greater Manchester, West Midlands and the West of England;
- **Health policy:** Greater Manchester, Cornwall (although not a Combined Authority) and Greater London have a degree of responsibility.

Review of Experience

A [survey](#) of the views of high-level decision-makers and opinion-formers of current devolution arrangements undertaken by Devoconnect,⁷⁸ confirmed the high level of agreement for further devolution, even for those authorities who have so far benefited from the process. This has been expressed as **Manchester+Devolution** or **Devo3.0**.

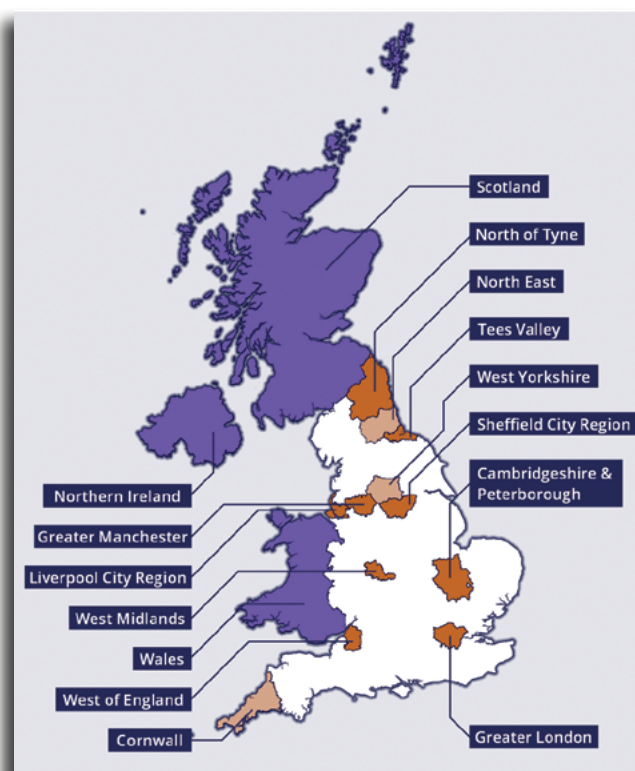
The ten potential principles raised in this review reinforce the proposals set out in the Second Report of the UK2070 Commission, and the approach recommended in this Final Report.

Although there is general agreement across a wide cross-section of interests some issues require further consideration as set out in the following sections. These relate to the need to establish:

- An outcome-based devolution;
- Inclusive devolution;
- Devolved Funding arrangements;
- Rebalanced Central–Local Relations; and
- Collaborative Devolution.

Outcome Based Devolution

A key finding of the research undertaken for the Commission is that devolution should be outcome based. A comprehensive and systemic approach to devolution should be to unlock the potential of local government and to provide whole place leadership. For example, in Leeds the Council has used its influence and convening power to intervene in the economy and drive innovation and economic development, with a focus on social responsibility. With greater freedoms and flexibilities and a willingness to commission at the level of place, cities and localities could take such an approach much further. This has been demonstrated already, for example, by Cornwall County Council (see Case Study).



Source: House of Commons Briefing Paper Number [CBP 8599](#), 19 June 2019.



Inclusive Devolution

It is also essential that devolution is not simply a transfer of power between different parts of government – it must be inclusive. It means that decisions work for everyone and no part of the country is ‘left-behind’. All the evidence suggests that ‘ordinary people’ want their own places to be better represented within national decision-making. A study⁷⁹ undertaken for the Commission by UCL highlighted the need to rebalance the ‘voices’ within decision-making processes.

This requires a more inclusive and participatory system of governance; processes of government must ‘open up’ to new stakeholders and there must be more reliable means for public participation. This requires place-based engagement and national mediation, with some mechanisms determined locally and a communication system operating uniformly across the country. Drawing on international practice, some routes forward identified need to be explored, including adopting the principles of Participatory Democracy⁸⁰ through:

- Co-produced decisions;
- Participation from the outset and integral throughout the planning processes;
- Information being developed collectively;
- Clear rules of operation and decision making;
- Access to a choice in the means of expression and new technologies;
- Genuine deliberative and reflective techniques; and
- An independent appeal process to protect the rights of individuals and communities.

Case Study: Cornwall and Isles of Scilly Inclusive Devolution

[Cornwall Council](#) was the first rural authority to secure a Devolution Deal in 2015. It provides place-based leadership that works for an area with very different needs and priorities to those in mayoral metropolitan areas. The Cornwall and Isles of Scilly Leadership Board is based around an alternative governance model for rural areas, delivering significant [impact](#).

Activities have enabled to:

- ◆ Local management of over £568 million of public funds;
- ◆ Introducing services to tackle fuel poverty to funding support for adults’ social care services;
- ◆ Business support through its Growth and Skills Hub and £40m Investment Fund (in 2017, + 11,000 businesses supported);
- ◆ An integrated rural transport and renewable energy programme to support communities (resulting in a 20% increase in bus patronage);
- ◆ A post-Brexit [New Frontiers](#) partnership framework setting out future devolution ‘tasks’, relating to policy, fiscal and specific sectors (e.g. housing and transport).

Devolved Funding

Unlike Northern Ireland, Scotland and Wales, no taxes are devolved specifically to England and its regions. Greater local control over resources is therefore a common ambition. There is, however, concern that fiscal devolution could reinforce the patterns of spatial inequality across the UK, since local taxes in any form are not raised equally around England. This is illustrated by the fact⁸¹ that the largest council tax base per person in Kensington and Chelsea is three times larger than the area with the smallest, Nottingham.

It is also essential that in the transfer of responsibilities locally, Whitehall does not retain control of the level of resources. The UK2070 Commission does not seek to make recommendations on the most appropriate detailed mechanism for fiscal reforms but recommends the principles in set out in the box be applied to revenue funding.

These principles for revenue funding also apply to capital funding. There is a similar need for a new approach to capital funding which is not silo-based departmentally and is on a sustained basis. The UK2070 Commission proposes that there should be a significantly enhanced level of local administration in the management of the Shared Prosperity Fund (as discussed in **Action 9**).

Rebalanced Central–Local Relations

Devolution requires a changed relationship between local and central government if it is to be more than a transfer of responsibilities but not powers and initiative to local communities. Detailed centralised management of devolved arrangements needs to be eliminated. This would not require a lessening of the status of the government's own national strategy. It would, however, require a change in culture to create a '*parity of esteem*' between central and local government, which is currently missing.

Potential ways forward for achieving this include:

- A review of the ways in which Whitehall interprets requirements for policy and financial accountability; and how these could be relaxed to permit greater policy divergence;
- Piloting of the concept of Local Public Accounts Committees. These could be established relatively easily in mayoral areas. They would enable practical exploration of the alternative approaches to accountability outlined above, as they could cover both devolved and non-devolved spending decisions;
- An exploration of the options around fiscal devolution which overcome the large differentials of tax incidence and capacity to generate revenue.

Principles of Funding

- Block allocations to allow greater local flexibility in prioritising and integrating activities and remove silo-based budgeting;
- Block allocations of resources do not, over time, revert to functional departmental subdivisions with the change in the Chancellor;
- Take account and offset the potential distortions of established patterns of wealth and land and property values;
- Levels of funding should be linked to long-term needs set out in national, regional and local spatial strategies;
- There is a move more generally to a place based multi-year integrated budgeting of public services; and
- Any City Region funding deals must be co-ordinated and properly aligned with strategic spatial planning.

Collaborative Devolution

There are matters that need a wider geographical perspective and capacity to act on a greater scale than an individual metropolitan area. These require a strategic collaborative approach which is pan-regional. These potentially include:

- Pan-regional transport and energy infrastructure;
- The national *hub and spoke* centres of excellence (see Action 3);
- Pan-regional environmental frameworks (e.g. climate mitigation afforestation);

Resource management (e.g. regional allocations of the Shared Prosperity Fund and Green Book procedures).

For England, in the immediate future, the emerging pan-regional arrangements provide the most practical basis for taking these matters forward. They include the Northern Powerhouse, Midlands Engine and the newly created Greater South-West partnerships. There is, however, an absence of an equivalent strategic capacity for London and the Wider South East. Various models have been promoted in the past. A useful starting point will be to convene a high-level grouping comparable to the Tristate of the Regional Plan Association in New York-New Jersey-Connecticut.

The current emerging approach to pan-regional collaboration has the benefit that it:

- Allows integration across the plethora of spatial units used by the statutory authorities;
- Allows flexible geographical partnerships to be put together according to the specific issue, e.g. transport or flood management;
- Clearly differentiates from the major metropolitan joint planning areas;
- Justifies ministerial representation, thus enabling financial block allocations and the regional application of Green Book rules; and
- Allows growing recognition on public debate, e.g. 'powering up the North'.

The potential for developing spatial strategies at this scale has been tested by the RTPI *'Ambitions for the North'*⁸² and the One Powerhouse Consortium mega-region blueprints. These confirm the potential value of spatial planning at this pan-regional scale as has been recommended by the UK2070 Commission. The report *London 2065*,⁸³ prepared by AECOM, illustrates an example of this approach for London and the Wider South East.



Principles of Collaboration

Any regional arrangements in England must avoid creating new layers of government or merely end up with central government operating out of regional offices. Specific arrangements must be tailored to the context of each area with devolution of powers to local councils. They must avoid the detachment and disenchantment of citizens from the political decisions, which applies to local as well as UK politics.

The UK2070 Commission therefore proposes the Principles for Collaboration that should guide the choice of the most appropriate regional configuration in England and allow for a diversity of areas in size and scope. Whatever regional geography is created, it should be based on a collaboration between existing bodies and communities.



Yves Fauve © Conseil Européen des Urbanistes

Principles for Collaborative Pan-Regional Arrangements in England

The following principles should be applied in developing pan-regional arrangements comprehensively across England:

- The area, structure and organisation of any sub-national organisation should be based on groupings of existing English local authorities and have boundaries to ensure simplicity, transparency and accountability;
- Any powers or responsibilities should be collectively exercised by the constituent authorities, and not create another tier of government;
- Places may belong to more than one kind of partnership related to the specific pan-regional issue being addressed, e.g. cross border;
- They should have ministerial portfolios, a cabinet level champion and report to a parliamentary committee;
- They must build on current strategic and sub-national planning initiatives;
- They must be of a sufficient scale that differentiates them from Combined Authorities and other strategic planning bodies – so that new regional arrangements create clarity over powers, responsibilities and expectations;
- They must have regard to existing strong sub-national institutions such as universities, local authorities, and chambers of commerce;
- They must have engagement arrangements that can include the whole of civil society;
- There must be regular exchange between nations and devolved regions, to ensure review of the national balance in relation to socio-economic and environmental challenges across the UK;
- They must be designed with reference to local identity, culture, history and experience;
- They are not required to meet any specific population threshold; and
- A framework should be established to support cross-border collaboration between the English regions and with the devolved administrations.

Policy Implications

The current ad hoc deal-based system of devolution in England needs to be replaced by a comprehensive framework of powers and responsibilities for all areas. Powers and responsibilities must be transferred to the lowest viable practical level of government and should not be restricted to elected mayors or combined authorities.

It is therefore essential that different places are allowed to move up through different levels of devolution according to local ambition, need and capacity. A full portfolio of powers should be available for local authorities to select as they see best related to their local needs and capacities to manage.

In addition, England needs a new regional framework to facilitate common strategic approaches to address regional 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.

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 new inclusive mechanisms for citizen engagement to be ensured.

Any future roll-out of devolution arrangements should be based on:

- Future devolution being defined by outcomes, and not just a redistribution of powers and resources;
- A shift in emphasis towards local and sub-regional partners taking the lead with a clear portfolio of powers available to all;
- A '*triple devolution*' to individual authorities, combined authorities and wider regions without creating further tiers of government through a 'leaders' convention' for the each of the regions;
- A clear link to the Cabinet and Parliament based on a *parity of esteem*; and
- New inclusive processes.

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

Context

The low level of skills in the UK threatens its international competitive position.⁸⁴ Compared with other developed countries the UK overall is underperforming on measures of skills and investment in training. This is compounded by the significant regional disparities in the level of skills which is only partly linked to the industrial structure. Low pay, low investment in increasing productivity and low wages are all interlinked. As a result, a higher and higher proportion of people in poverty are now in working families. Levels of earnings for low-income working families need to increase.

Raising the demand for skills and ensuring skills are used effectively are a significant challenge for the UK. The skills issue however needs to be related to the more fundamental challenge of educational provision and standards of literacy and numeracy.

Too many people⁸⁵ are stuck in low-paid, insecure jobs, with little chance of progression and too few hours of work to reach a decent living standard. Workers need more security, better training and opportunities to progress, particularly those in part-time jobs or in certain areas of the country. The skills agenda is key to breaking through these barriers.

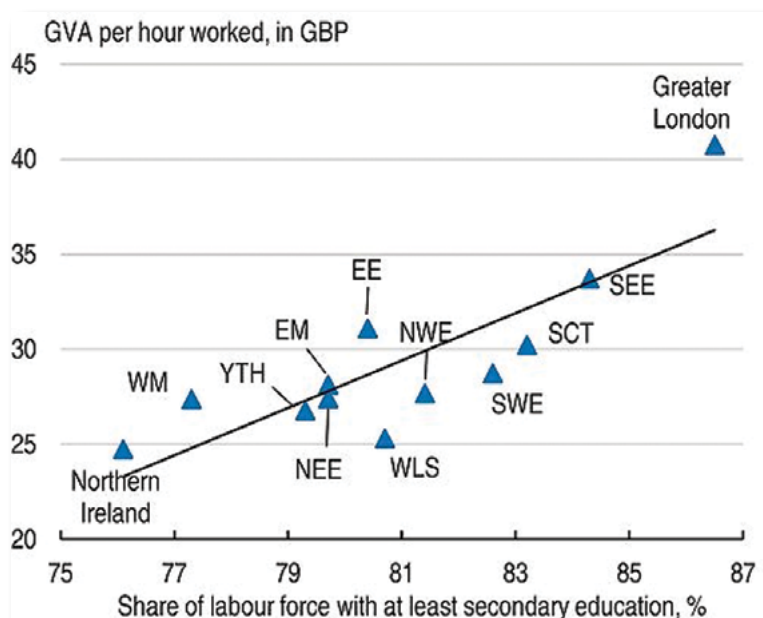
Skills and Productivity

Regional variations in educational performance mean that some parts of the UK have fallen behind, contributing to lower productivity. There is a vicious circle here: low skills, low labour costs, 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*'. This can be linked to attainment levels, school performance, progress to higher education, graduate retention and businesses based on low value-added products.

Educational attainment and productivity are closely linked at the regional level⁸⁶ (see graph). This results in what has been described as a '*low skills equilibrium*' with low levels of skills among the population, and employers operating business models based on low value-added product market strategies. Such employers tend to compete mainly based on cost rather than quality, and they tend to have a low demand for skills.⁸⁷

Secondary education and productivity.
(SEE: South East England; SWE: South West England; NWE: North West England; NEE: North East England; EE: East of England; EM: East Midlands; WM: West Midlands; YTH: Yorkshire and The Humber; SCT: Scotland; WLS: Wales)

Source: OECD (2017) Regional Innovation. OECD Regional Statistics (database), April; and ONS (2017) Sub-regional productivity: March 2016.



Inequality and Educational Attainment

The quality of education of poorer children is strongly linked to their geographic location (see graph). This creates a link between low skills and low wages that needs to be broken. Attainment levels in London, Manchester and Birmingham have improved and are higher than national average, despite having high levels of disadvantage. This demonstrates that where there is sufficient political will, plus targeted programmes and resources (e.g. in leadership), the link between poverty and low educational performance can be broken.

As highlighted by the Social Mobility Commission, the ‘vicious’ cycle of learning⁸⁸ needs to be broken whereby currently those with the lowest or no qualifications are much less likely to get education and training and the highest qualified are likely to receive the most. This needs to be reversed urgently through a focus from employers and government on supporting those with low or no qualifications, those in the lowest skilled occupations, and those in the lowest socioeconomic groups.

A shift to a more innovative, higher skilled economy that is inclusive and competitive requires fundamental change, tackling the current problems. of:

- Low levels of worker participation in continuing vocational training;
- Declining employer investment in skills; and

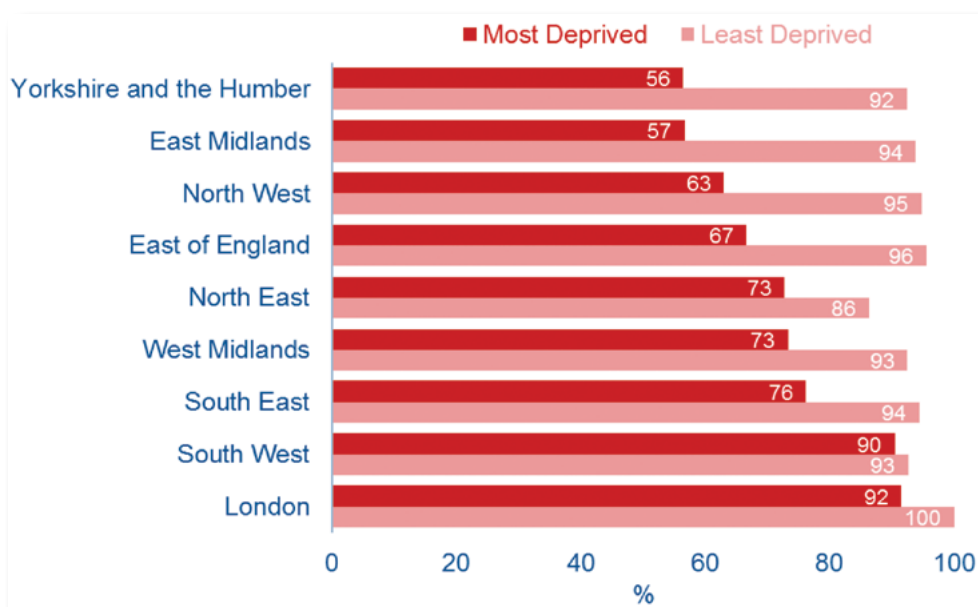
- Declining government support despite the fact that workplace training programmes largely follow government incentives.

A range of measures are being promoted through a wide range of bodies, including local enterprise partnerships (LEPs), think tanks and others. The UK2070 Commission sees these as being supportive of the agenda for rebalancing the economy, for example, by targeting increased spending on lower-skilled, low-paid workers and on access to courses for those who cannot pay.

Despite the benefits of these individual programmes there is a need for a more holistic regional approach to open life-long learning targeted at those areas of acute need that have shown receptiveness to change (i.e. the inner cities) and those that are least able to respond locally (i.e. the smaller industrial towns and remoter communities).

Increasing skills is therefore a key component of the Industrial Strategy for the UK in driving productivity and increasing personal incomes. The delivery of action to tackle these issues is, however, seen as being essentially at the local level but is a critical part of the agenda to level-up and reform the economy. Therefore, the interface between national policies associated with an innovation strategy and local employment strategies associated is critical.

Percentage of secondary schools with good and outstanding leadership by area deprivation and region, 2016.
Source: Ofsted, 2016.



Current Initiatives

The IPPR study, [Skills 2030](#), demonstrated that the current system has failed to tackle entrenched regional and social inequalities. It has not supported those adversely affected by economic change in the past, leaving many post-industrial areas trapped in low skills.

The devolution of adult skills training has been poorly coordinated and funded. With notable exceptions, like the Sheffield AMRC and Chesterfield Borough Council (see Case Study), the apprenticeship levy will stimulate investment most in the areas where it is needed least; London and the South East have more businesses who will pay the levy and invest in training, but they have higher levels of qualifications, and lower skills needs.

The levy raises less, and stimulates training less, in the regions which have greatest need. Adults who would most benefit from training – those with low skills, in low-pay occupations and in lower socio-economic groups – are the least likely to participate. The decision to charge adults for the full cost of some courses has led to a 31% fall in participation.

A related issue is that of government funding levels for all study programmes and especially for T Levels.⁸⁹ The current funding is insufficient and undermines the industrial strategy. It has been recommended that the 16–19 base rate be increased by 25% to create parity but this does not reflect past cuts nor the fact that technical education comes at a higher cost. It generally involves smaller groups sizes, world class facilities and staff with up-to-date sector expertise. In addition, capital budgets need to support these reforms.

Future Needs

The current information revolution will accelerate the demand for technological skills. For example, the spread of automation and AI will drive productivity in some sectors but also displace some lower skilled jobs. The demand for highly skilled labour will increase, as R&D and innovation become critical in a future tech-led economy and the new major infrastructure investments.⁹⁰

The potential for addressing the skills gap is demonstrated by the work of some leading local councils. For example, Chesterfield Borough Council's *Skills Action Plan* includes the *DRIIVe* project and the *HS2 Skills and Supply Chain* skills programmes of Chesterfield Borough Council show how the area

has maximised opportunities presented by rail related activities and potential inward investment. Over 240 students, including primary aged children have benefited from STEM and Rail career engagement activity.

The IPPR report, *Skills 2030*, recommended that the Government expands the apprenticeship levy into a wider skills levy, raising over £5 billion/year (doubling the apprenticeship levy) which could be used to form a regional skills fund, worth £1.1 billion, to be devolved to regions with lower skills to invest in high quality, specialist vocational training. This would increase employer investment generally from 52% of the EU average to at least 80%.

However, 80% of the 2030 workforce is already in the workforce today: 7 million of these workers could be under-skilled for their job requirements; this would currently constitute about 20% of the labour market. The reskilling of the existing workforce is therefore the priority especially as it is estimated that the following levels of reskilling are required:

- 5 million workers in basic digital skills;
- 2.1 million workers at least one core management skill (leadership, decision-making or advanced communication);
- 1.5 million workers in at least one STEM workplace skill.

In the past, for example within the Golden Triangle, economic growth has depended on international labour to fill skills gaps. Future strategy cannot and should not expect to rely upon this as the basis of promoting the global centres of excellence in the North of England.

Case Study: Re-Skilling the UK Chesterfield Skills Action Plan

Chesterfield has many of the issues common to older industrial communities but is also well placed to harness the benefits of the investment in HS2. It therefore has developed a Skills Action Plan based around:

- ◆ DRIIVe;
- ◆ HS2 Supply-Chain;
- ◆ Apprentice Town;
- ◆ MADE in Chesterfield;
- ◆ Careers Hub

As well as Labour Activity requirements linked to new developments.

See: [Skills Action Plan Chesterfield](#)

Policy Implications

The UK has underperformed and underinvested in skills for a very long time. There are geographical 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.

Adult upskilling and reskilling are needed for levelling-up as the effects of automation and other forms of structural economic change will not be felt equally across the UK. There is a risk that we will repeat the experience of the deindustrialisation of the 1980s which hit some communities far harder than others.

A comprehensive retraining programme can help counterbalance this. The [National Retraining Scheme](#) is a good first step in this regard, but needs to be rolled out beyond the six pilot areas given the scale of economic challenge the UK faces. This is particularly important in the promotion of applied research in New Centres of Excellence (Action 2).

Further Education (FE) disproportionately serves deprived communities so the neglect of FE over recent decades has translated into neglect of these communities. As such, greater investment in further education generally will help to address spatial inequality in the UK. What is more, investing in local FE colleges can increase their role as focal points of local communities and anchor institutions for local economic development. This can then foster the integrated approach called for in this Report.

It is therefore essential to raise skills levels for all areas to the current levels of the best is reviewed. This could include linking attainment levels, school performance, progress to higher education and graduate retention.

Policy should focus in particular on the following:

- The increase in demand for highly skilled labour, as R&D and innovation become critical;
- Giving priority to the funding of skills development in growing the foundational economy in areas that have been ‘left-behind’;
- Rolling out across the UK the experience of transforming educational performance in places like London and Manchester in communities with the greatest levels of inequality;
- Prioritising rural areas distant from universities which are currently dependent on underfunded local FE opportunities, and increasingly expensive and poor 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

Context

The levelling-up of economic performance is a national goal agreed by all parties but this will not be achieved unless there are the tools and resources available to deliver it. Past levels of action have been too little, too late and piecemeal. This has constrained the effectiveness of policy, wasted time and resources and has had unintended consequences. This needs to change.

Changes needed to budgetary processes,⁹¹ must include:

- Aligning budgets with the stated medium-term strategic priorities of government for a just transition to a zero-carbon economy;
- Ensuring that they take account of the increasing fiscal burden that will arise from increasing transfer payments to support struggling parts of the UK and the diseconomies of production that will arise in the overheated areas of the economy; and
- Empowering local government and release local enterprise in ways that are inclusive, cost-effective and locally relevant budgetary choices.

The fiscal reform must also ensure that the scale of resources meet the scale of the task in hand. A five-fold programme of reform is therefore proposed:

- An enhanced UK-wide investment fund;
- The lifting of the spending caps on key investment priorities;
- Enabling better local access to funding;
- Sharing more equitably the uplift in wealth arising from investments; and
- Adopting criteria for projects selection and evaluation that reflect their wider value.

UK-Wide Investment Fund

There is a need for a more direct link between social and economic goals and expenditure programmes. At present there is a fundamental barrier created to transforming or opening up new markets because public funding tends to rely on demonstrable short-term returns on investment, essentially based on to past experience. Traditional banking and venture capital funding however will only enter new markets which have been public sector-led or underwritten.

In the past this problem would have been met in part European funding which together with matching funds going forward might have been of the order of £5bn per annum. This however was never sufficient on its own, and the proposed Shared Prosperity Fund would replicate the deficiency if it is not enhanced.

There is therefore an emerging gap created by the loss of EU structural funding (related access to the EIB) and the need for levelling-up and rebalancing the economy have become more acute (e.g. with climate and technological change and new global market relationships post-Brexit). There is a strong case for the creation of a UK on a scale equivalent to the German Solidarity Fund linked to an explicit set of spatial and regional priorities, which was introduced to help the unification process.⁹² An equivalent fund for the UK with the same intent of reducing inequality is estimated to be in the order of £15bn annually.

During its consultation the UK2070 Commission received general support for such a proposal. Since its First Report, however, the scale of inequalities has been increasing. In addition, greater weight needs to be put on the valuation that needs to be put on longer-term well-being rather than just short-term econometric measures. As a result, it is proposed that the Shared Prosperity Fund should be in the order of £15bn annually beyond existing spending plans, higher than initially suggested.

New operational procedures will be required for the Fund as a part of an integrated levelling-up of access to finance set out later in this section.

Lifting the Cap on Capital Investment

The level of capital investment in infrastructure in the UK has fallen since 1980. The current national infrastructure proposals are constrained by a ‘cap’ of 1.2% GDP on major infrastructure spending. This is 25% lower than in the 1980s and half that of our international competitors in the EU.

The ‘cap’ on levels of investment means in effect that no new projects beyond those already identified can be brought forward before 2030. This constrains necessary investment in long-term projects. This is of concern given the regional disparities in investment rates, with over 70% of investment in 2016 made in the South East of England. It also reduces project funding to a *beauty contest* between needed projects (as with recent major rail schemes) or *spreading the jam very thinly* (as with the recent Towns Fund).

It is therefore proposed that the current spending ‘cap’ of 1.2% of GDP needs to be lifted to 3% to be comparable to other countries, unlocking an additional £40bn per annum, i.e. £1 trillion over a 25-year period.

There is a similar gap between the rhetoric and reality of policy in terms of the funding of research and development. The current level of funding at 1.7% GDP is already accepted by the Government as being too low. Its new target of 2.4% GDP by 2027 will, however, still only match the current OECD average and be much lower than what our closest comparators spend already. It would be much more consistent with the importance that needs to be attached to R&D in shaping the new economy for the UK, if the funding target were nearer 5% and that a short-term target of 3% be delivered within a parliamentary cycle rather than risking being kicked into the *long grass* as the responsibility of a future administration.

Better Local Access to Funding

Local access to financing is particularly critical for the SME sector. The current regional disparities of access to risk funding requires better connections with London-based venture capital funders, or that the venture capital funding power of London is replicated throughout the country.

There have been recent initiatives to address this problem which could be built on and extended. These include the British Business Bank, the Northern Powerhouse Investment Fund and the Scottish Investment Bank. The Manchester based [GC Business Finance](#) Growth Company also provides alternative funding targeted at the SME sector.

Based on this experience and other studies the following mechanisms are proposed:

- A comprehensive regional investment bank structure helping SMEs access risk capital, and funded commensurate with the size of the SME base and potential increased productivity; and
- A UK Investment Bank to replace the loss of access to low-cost anchor finance from the European Investment Bank; to maintain domestic expertise in infrastructure investment; and as a means of channelling the UK-wide Investment Funds regionally, targeted at the local renewal agenda emerging from local collaborative strategies.

Sharing the Uplift in Land and Property Values

The current system for capturing the uplift in value and wealth requires considerable reform if it is to become an effective mechanism for the provision of local infrastructure. This is the conclusion of recent studies and governmental reports across Britain.⁹³

Most of the uplift in value and wealth created by public investment, infrastructure and policy is not shared equitably. There is scope for a more proactive approach to enable land and property value to be created that would not otherwise exist⁹⁴ by being plan-led, as was historically the case with the development of New Towns.

The UK therefore needs to capture a higher proportion of the uplift in land values for public purposes than is currently achieved. This would involve a more direct link to the provision of infrastructure that helps to create it than under the current systems of taxing development values (e.g. Stamp Duty Land Tax).

This could also be achieved by a more strategic approach with the pooling of land value uplift and sharing the longer-term strategic returns; for example, within combined authorities or labour markets. The most notable example of this type of thinking being applied is in the funding of Crossrail. It is possible to envisage such principles being used in tiered funding on a regional basis. For example, such a regional approach could be applied in and around Cambridge help fund the renewal of the rail link to Wisbech in Fenland, one of the most deprived areas in southern England.

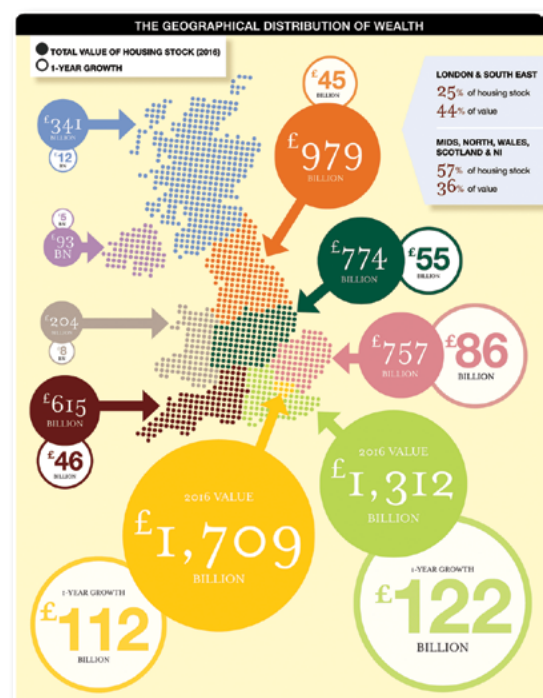
A more strategic approach could also be applied to the harnessing of land-value uplift locally. Experience,⁹⁵ for example in the Netherlands and Germany, demonstrates the value of working with landowners to fund necessary infrastructure and key obligations, such as affordable housing, whilst having benefits for landowners. The experience of the UK New Towns, urban development corporations and urban development companies, has shown their value as mechanisms for very large schemes requiring front-end loading of infrastructure costs. This is especially the case where 'market values' are being created in currently depressed areas, allowing the pay-back as when values increase in the medium to longer-term.

Project Selection and Evaluation

The Green Book, and other measures⁹⁶ fail to fully value investment in 'levelling-up', for example, on the levels of enterprise or reducing the benefits bill. In particular, there is little guidance on the spatial dimension of infrastructure investment in areas of need. As a result, investment has been skewed towards already successful areas such as the London and the Wider South East.

Such changes are within the powers of established bodies to implement by:

- Linking projects to strategies through a new criterion of the 'strategic fit' that any individual project has in contributing to the implementation of the approved national or regional spatial plan;
- Regionally-based criteria to reflect that the level of return on capital will vary according to regional economic context; and
- Building into the criteria the extent to which a project meets the overarching long-term policy goal of rebalancing the economy (as has been done in building in the need to give higher value to the long-term benefits of tackling climate change).



The geographical distribution of wealth. Source: Savills Research (https://www.savills.co.uk/research_articles/229130/214759-0).

Policy Implications

A new fiscal regime is needed to fund the restructuring of the UK economy in order to:

- Establish a dedicated top-sliced UK Investment Fund by increasing the size of the Shared Prosperity Fund to £15bn per annum for twenty years;
- End the bias in public and private funding regimes which reinforce inequalities by being short-term and trend-based;
- Lift the 1.2% 'cap' on major infrastructure to the comparable 3% level internationally;
- Ease access to private financing on investment outside the London region;
- Share more equitably the uplift in land values associated with development across regions; and
- Offset the loss of key EU sources of funding.

The operational procedures needed to implement these changes require:

- Linkage to national and pan-regional spatial strategies;
- Linkage to the sharing of the uplift of capital land and property values;
- The use of development corporations for long-term regeneration programmes;
- Review of the Green Book rules;
- In partnership with devolution administrative arrangements;
- Linkage to a National Infrastructure Bank;
- Regular governmental reporting at Budget; and
- Independent auditing by existing bodies (e.g. Audit Commission and Parliamentary scrutiny committees).

This would also involve updating current procedures for projects funded by Government, whilst maintaining fiscal discipline and transparency in order to:

- Support proposals and policies which have a clear 'strategic fit' with the strategic spatial priority to rebalance the economy;
- Open up new markets where there are no applicable metrics, in terms of assumptions about the return on capital expenditure; and
- Update the guidelines on assessment criteria to promote wellbeing, environmental and other criteria that reflect the value of longer-term impacts from levelling-up of social conditions and rebalancing the economy.

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

Context

The UK is facing a ‘tipping point’, particularly from climate and technological changes. This future is not inevitable. How it unfolds will be shaped by the decisions we take about where, when and how government marshals resources and directs investment.

Currently, the future of the UK is being shaped by the incremental, short-term and ad hoc nature of government policy. Policy approaches are sectoral and operate within different time frames. This makes them fragmented and at times in conflict with each other.⁹⁷ This concern is reflected in the view of the business community that finds it hard to see how the industrial strategy and pan-regional initiatives, such as the Northern Powerhouse, the Midlands Engine and Great Western Gateway, all fit together.⁹⁸ It also raises questions about how they relate to London and the Wider South East, and the national frameworks in Scotland, Wales and Northern Ireland.

In contrast, a key means for coordinating and reconciling policy in most advanced nations is through explicit national and regional spatial frameworks which:

- Set out explicit long-term strategic priorities for development linked to budget allocations;
- Hold together wide-ranging, diverse and multi-agency programmes of action; and
- Provide the context for, and link to, sub-national spatial frameworks.

There are national spatial frameworks for Scotland, Wales and Northern Ireland. However, there is no such Spatial Plan for England, contrary to the UK’s commitment to the New Urban Agenda⁹⁹ and SDG11’s support for regional development plans integrating population projections and resource needs.

The current National Planning Policy Framework for England (NPPF) is not intended to fulfil this role. However, England does have a de facto but unstated national spatial plan expressed in the cumulative spatial impact of decisions, taxation regimes and spending programmes. This de facto strategy can be characterised as giving priority to maintain London as a global centre for financial and other services.

However, this de facto national spatial plan is not articulated and nor is there any forum in which it can be interrogated or influenced. This situation is not only undesirable in principle, but it has also resulted in the failure to meet the stated objectives of all political parties – namely ‘*a country that works for everyone*’. Those affected by change often feel excluded from having a voice in decisions. This gap needs to be remedied as a priority by the preparation of a National Spatial Plan for England.

Scope of a Plan for England

Effective national spatial plans have explicit interlocking goals.¹⁰⁰ For the UK, there is a need to secure the UK’s global economic role, whilst meeting the double-headed crisis of deep-rooted inequality and transition to zero-carbon economy.

The scope of a national spatial framework should be limited to those matters which can only be, or are best, defined at a national level in relation to such matters as:

- **Climate Change:** Priority actions to respond to the climate change emergency including an indicative renewable energy framework;
- **Competitiveness:** The balance between the global role of London and the major cities and economic centres in delivering Industry 4.0 and shift in R&D investment;
- **Core Infrastructure:** Investment priorities in the Connectivity Revolution, including transport, energy and digital infrastructure, to all cities, towns and regions;
- **Wellbeing:** Priorities for meeting universal standards of services, environmental quality and accessibility for communities at risk; and
- **National Ecosystems:** National priorities to support and harness vital ecosystems and enhancing Green-Blue networks, agricultural productivity and forestry cover.

It would provide a consistent basis for sectoral programmes of investment, in terms of the overall scales and balance of economic and demographic change and priorities for the levelling-up of the nation.

Organisational Implications

The UK2070 Commission has considered the options in terms of the status of the plan, who commissions it and how it is maintained, and reached the following conclusions.

Status: A key objective of the National Spatial Plan is to provide a context within which local and sub-national action can be taken with confidence and fit into the wider national agenda. Although Scottish the National Planning Framework (NPF) is a statutory document, the English context is different in terms of scale and constitutional arrangements. It is therefore considered that the National Spatial for England should be a non-statutory expression of national policy proposed by the government of the day and endorsed by Parliament.

Commissioning Body: The national plan for England must not be seen as a departmental document. Its very nature is crosscutting and integrated. It is important therefore that it is serviced with an independent and permanently established technical capacity. There are various options based on experience elsewhere.¹⁰¹ However, in view of the specific context of England and the potential relationship to its existing role, it is recommended that the National Infrastructure Commission's role should be redefined as the *National Infrastructure and Spatial Planning Commission*. This body might also be able to be independently funded out of the 'national infrastructure levy'.

Monitoring and Review

The systematic review of the plan is essential in the light of any changing circumstances and as proposals are implemented and new challenges emerge. More importantly, any national plan must be owned by each incoming government. This should be built into any system and could be linked to the five-year fixed term of governments.

The need for credibility is particularly important today, in a world of alternative truths, big data and social media. It is important that those who make the decisions should not be judge and jury on the quality of their evidence base. Again, there is a range of models for providing this building on existing capacities (e.g. UK Statistics Authority, ONS and OBR). This would be supported by research institutes through a form of national spatial observatory to form a *UK Knowledge Hub*, discussed in the next section of this Report.



Relationship to Sub-National Strategic Planning

The relationship between a national and sub-national planning will be key. There is a well-established basis for local joint strategic planning, most notably in Scotland for the metropolitan area of Glasgow and the Clyde Valley (see Case Study). There are also strategic spatial plans emerging through the work of the Combined Authorities (e.g. Greater Manchester and Greater Cambridge and Peterborough) or joint statutory plans (e.g. Oxfordshire).

The long-standing gap in strategic planning capacity in England therefore is now starting to be filled, but needs to be extended across all of England, for all metropolitan and city regions, and elsewhere for the major rural counties. There are however issues (e.g. for transport and economic development) which require a pan-regional perspective, wider than individual city regions. The pan-regional partnerships for the Northern Powerhouse, Midlands Engine and Great Western Gateway have started to reflect this. As yet they do not have a linked spatial strategy and there is a void in the London and Wider South East pan-regional area.

The work of the One Powerhouse Consortium has sought to prepare four '[Spatial Blueprints](#)' which illustrate the potential for a pan-regional scale of spatial plan. These are based around five key themes: Economy and Prosperity and Innovation; People and Placemaking; Transport and Connectivity; Infrastructure; and Energy and Resilience. It is recommended that this scale of strategic spatial policy should be taken forward for the three existing pan-regional partnership areas of England (The North, Midlands and the South West), and options explored for London and the Wider South East, including the Regional Plan Association model (discussed in recommendations on devolution in *Action 7*).

Case Study: Sub-National Strategic Planning Clyde Valley Plan

The Glasgow City Region is Scotland's only metropolitan city region with a population of 1.8m and accounts for 30% of Scotland's GVA.

The City Region has had fifty years of continuous strategic spatial planning which has given it resilience in responding to the collapse of its manufacturing base in the 1980s. This has also strengthened the local voice in shaping national policies, particularly on urban regeneration, in what is recognised internationally as the transformation of the City region.

Most recently joint strategic planning has been through the [ClydePlan](#) and new City Region governance structures, i.e. Glasgow City Region Cabinet, Chief Executive's Group and the Regional Economic Partnership. This has enabled a range of joint initiatives including:

- ◆ 'Climate Ready Clyde' partnership of sixteen organisations to produce an Adaptation Strategy and Action Plan for the City Region;
- ◆ Linked Regional Economic and Regional Transport Strategies for the City Region.

Scotland has the benefit of a National Spatial Framework which is now part of the statutory development plan. This, however, has affected the balance of central-local accountability which needs resolving in the light of the current strengthening of the regional agenda.

Policy Implications

Unlike the rest of the UK, there is no spatial plan for England. As a result, there is no overall plan to meet the objectives agreed by all political parties – namely, ‘*a country that works for everyone*’. There is no coherent vision and framework to which diverse and disparate parties can relate.

It is therefore proposed that the National Infrastructure Commission is tasked to create a national spatial plan for England to guide investment and support the development of local spatial plans.

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. A spatial framework for England would set out explicit long-term funded priorities, and integrate multi-agency urban and rural programmes of action to meet future development needs sustainably.

A National Spatial Plan for England will facilitate collaboration with the Scottish, Welsh and Northern Ireland governments on spatial policy agendas of common interest. It will also provide a stronger context for the preparation of sub-national spatial strategies, especially for the combined authorities, and emerging transregional frameworks for the Northern Powerhouse, Midlands Engine and Great Western Gateway. It will also provide a context for developing a more strategic approach to the long-term development of London and the Wider South East.

ACTION 10

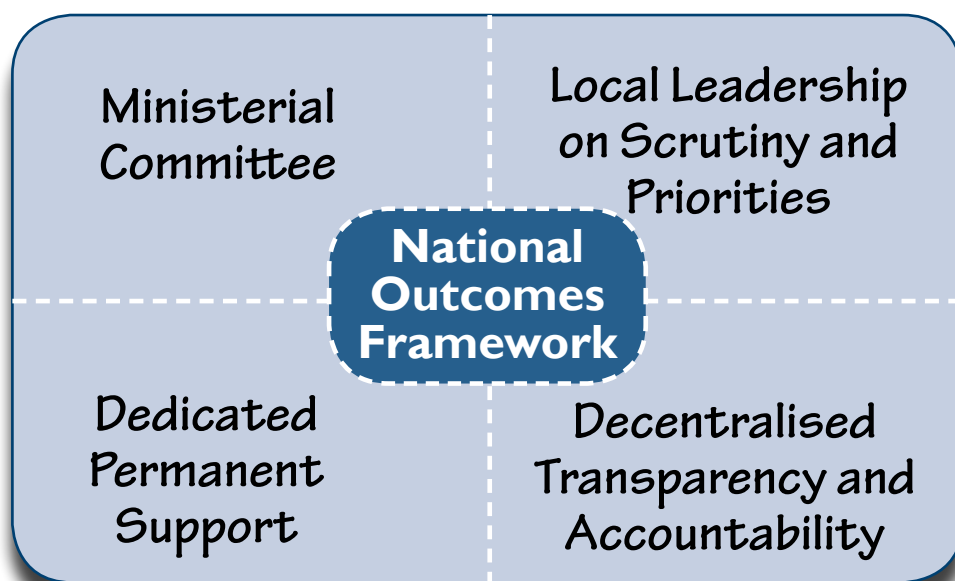
Shaping the Future: A National Spatial Plan for England

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.

PART 3

Creating New Institutional Structures and Processes



The Need for Change

The UK2070 Commission's Ten Point Action Plan sets out a new ambition for the UK. This Action Plan is not a shopping list from which to pick and choose. It is an interlocking set of necessary policies and programmes. Each one is desirable but on its own will not be sufficient to deliver the step-change required to redress fifty years of growing inequality and failed policies.

The policy tools behind this Plan have been well-rehearsed for some time. The obstacles to change lie in the inadequacies of our regional and local institutions, and the relationship between them and central government. This underlines the need for enhanced local devolution, rolled out systematically with transfer of powers and resources to a comprehensive framework of mayoral and combined authorities, and for rural counties.¹⁰²

The Government in the past has recognised the potential clash between Parliamentary accountability and devolution of power in its 2011 publication [*Accountability: adapting to decentralisation*](#). There is a long-standing conundrum – present in modern government generally, but one with particular bite in the UK.

How does a central government lead, fund and implement a transformative policy programme whilst simultaneously acknowledging legitimate demand from local political actors to implement variations to the national government's aims?

Central–Local Dilemma in the UK

Central–local relations go to the heart of implementing the transformation proposed by the Commission.¹⁰³ As Lord Heseltine's 2019 report *Empowering English Cities* warned, while the central administration recognises metro-mayors' ability to think outside the box and push frontiers, it often frustrates the ability of these local politicians to do so.¹⁰⁴

This requires change whereby local government is not just seen as a delivery vehicle for public services provided according to nationally-set legal entitlements,¹⁰⁵ but provides the local place-based leadership to 'get things done'.

Devolution of more power is necessary but, on its own, it will not be sufficient to create effective devolution and decentralisation. The way the UK is run will be decisive. The importance of central–local government relations is often overlooked. Without a fundamental change in these central–local relationships, the central administration is likely to continue to throttle attempts to devolve power, against the better judgement of all involved.¹⁰⁶

Therefore, there are key steps that need to be taken by central government if the proposals for establishing a comprehensive framework for devolution set out in **Action 7** are to be delivered efficiently, effectively and urgently. These relate to four key issues:

- Government Committee Structures;
- Technical and Administrative Support;
- Flexible Funding Regimes; and
- Embedded Principles of Levelling up and Rebalancing.

Cross-Government Ministerially-Led Committee

At a UK-level, it is essential that all government departments work to the same overriding *Shared Commitment of Intent* as set out in the UK2070 Declaration. The separate departmental programmes and policies must become aligned in a way which has clearly not been the case in the past. The continued risk of conflicting policies and countervailing action must end.

There have been previous suggestions on how this could be achieved, including the recent Heseltine Report.¹⁰⁷ These have included proposals for a new Department of the English Regions including planning, local government, housing, transport, skills and the employment agenda.

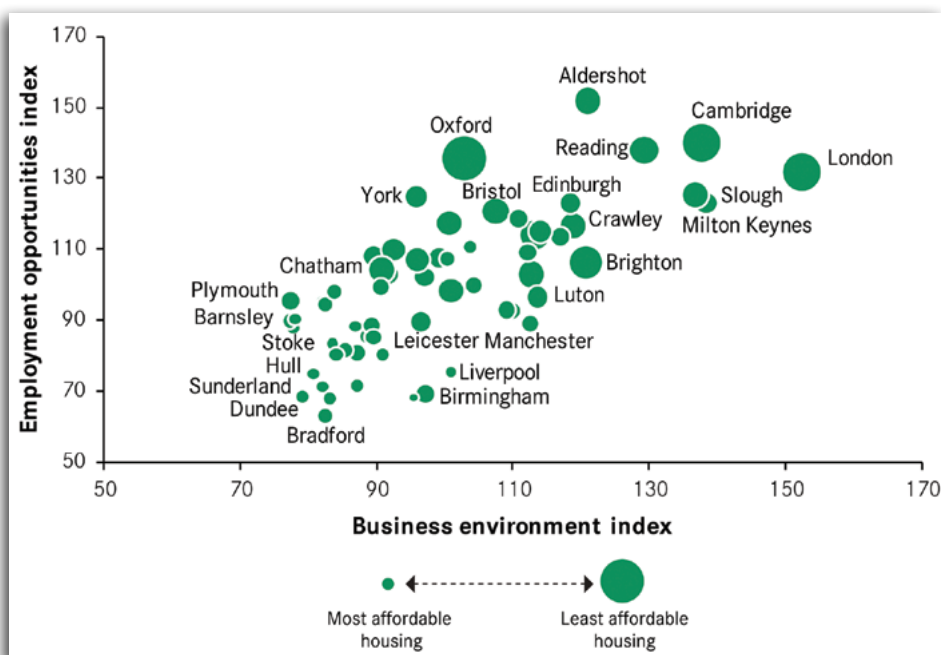
However, the agenda for change needs to be embedded in government. All departments have to take responsibility for tackling inequality and working with others to that end. The Commission therefore recommends establishing a powerful **cross-government ministerially-led committee** to oversee the delivery of the programme, to which there would be associated select committees in both Houses of Parliament.

Dedicated UK-Wide Team

There is a need for an **independent and resourced national team to provide** for effective support and to oversee the programme and service the cross-government committee and complemented such bodies as the Office of National Statistics (ONS), Office of Budget Responsibility (OBR) and the National Audit Office (NAO).

The need for a dedicated team is essential given the cross-cutting nature of the issues and perspectives required. This is highlighted in a range of studies and most recently in the Centre for Cities [report](#) on measuring 'levelling up'. This demonstrates the need for a new cross-cutting and integrated policy approach, for example, in dealing with the inter-relationship between business, job opportunities and housing affordability (see Graph).

This Team would draw on the technical capacity and expertise of all bodies and support their adaptation in order to embed the task of levelling-up social conditions and rebalancing the economy. The new technical networking of *Geographers in Government* should help cross-fertilisation of ideas, data, and analysis across government.



The relationship between the business environment index and the index of employment opportunities. Source: Centre for Cities (<https://www.centreforcities.org/wp-content/uploads/2020/02/Measuring-levelling-up.pdf>)

Flexible Block-Grant Funding

A central component of the Action Plan is the need to transfer powers and funding from Whitehall, in ways that are not a micro-managed process. In addition to setting up the UK investment fund referred to in *Action 9*, there is a need for **flexible ‘block-grant’ funding**, where local discretion can be used in the allocation of resources.

This approach underpinned the work of the Scottish Office before the Scottish Parliament was established, allowing locally tailored priorities and also more flexibility in liaison with partners. In England this could involve collocating government policy offices outside London led by an official at Director General level, as suggested by Lord Heseltine. However, the right geography for this should not be determined by the historical administrative regional areas.

Embedded Principles

The **principles of levelling-up wellbeing and rebalancing the economy** need to be embedded in key government strategies and agencies and built into the process for making investment decisions including revision of the Green Book. Proposals for the review of assessment procedures are set out in the recommendations for accessing local finance in the Ten Point Action Plan.

However, in addition, as highlighted in the Heseltine Report, governments must take all necessary steps to ensure that not only their departments but also all quangos cooperate in the exercise of their responsibilities. Of particular relevance in England are the following bodies: Homes England, Highways England, Network Rail, the Environment Agency, Education and Skills Funding Agency, Office for Students and Regional Schools Commission, UK Research and Innovation, Sports England, and the Arts Council.

Cross-Border Collaboration

There is a need for a framework to support and encourage cross-border collaboration on spatial development between the administrations of the UK. That framework should take account of the need to engage with the Republic of Ireland and the governments of the Isle of Man, Jersey and Guernsey on the development of spatial policies.

Collaborative Spatial Planning

British–Irish Council

Work on Cross-border collaboration by British–Irish Council Administrations is **led by** the Northern Ireland Executive and includes working together across borders to plan for, and implement, key infrastructure.

It brings together officials from each of the Member Administrations who are responsible for national, island and regional development strategies. The group meets regularly throughout the year to exchange information and perspectives on current spatial planning challenges.

Its current focus is exploring how spatial planning across the BIC community supports housing delivery by preparing a strategic paper which will:

- Identify key challenges in respect of housing delivery;
- Identify innovative solutions which have supported housing delivery across the Administrations;
- Produce a number of best practice recommendations, taking account as appropriate, of the ongoing work of the BIC Housing Work Sector.

UK Knowledge Hub

There is a need to address the differing national long-term horizons and assumptions used in different policy areas. There is no common horizon used for national policy development or an agreed economic context for these. There is a need to get away from being driven by past trends and to move to testing future policies over longer strategic horizons which extend over many electoral cycles.

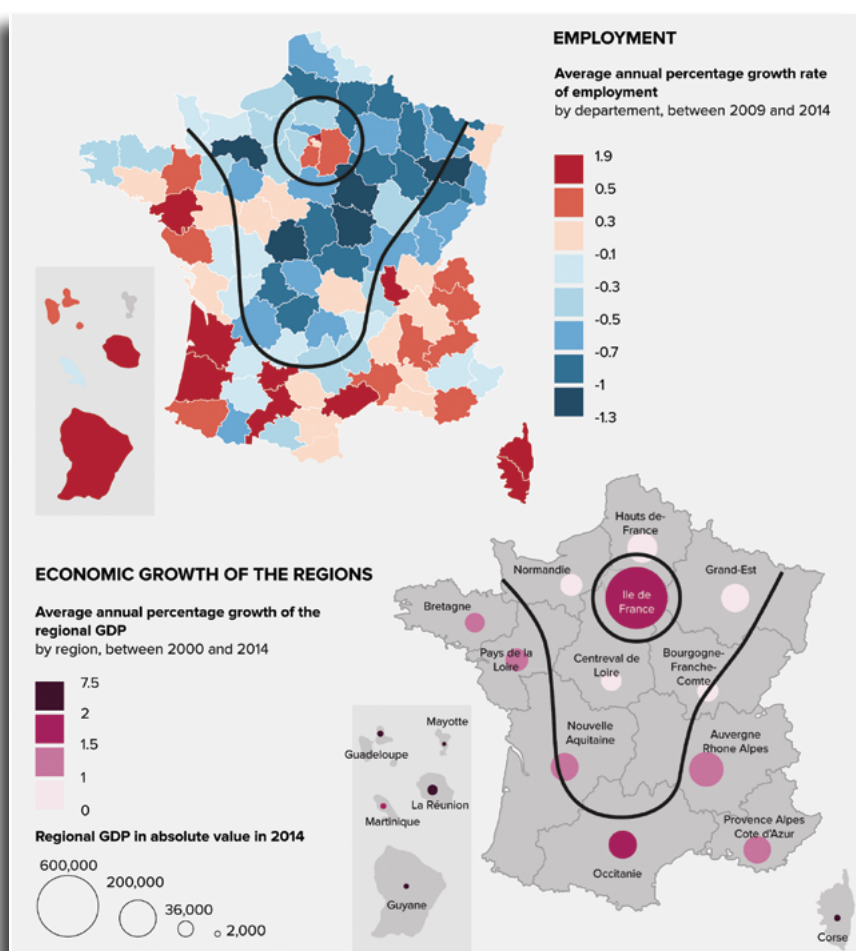
Common and agreed analytical frameworks and future perspectives are therefore required which set out 'the State of the United Kingdom' – a form of National Balance Sheet of the scale and form of development that is aspired to over the longer term, and which goes beyond the role of, for example, the OBR on policy or the ONS on analysis.

The First Report of the Commission explored the options for undertaking this, including DATAR

(Délégation Interministérielle à l'Aménagement du Territoire et à l'Attractivité Régionale) and the CGET (Le Commissariat général à l'égalité des territoires), in France. The French model has much to commend it.

Such an approach is seen as potentially a major contribution to the development of common platforms which will be essential in the delivery of the Government's [ambitions](#) to develop a digital planning regime, building on the established international capacity in spatial analysis of some of the UK's leading universities.

Whatever model is adopted, there is a need for the capacity to stress test issues against Government policies and to hold Government to account both through support and challenge. It is therefore proposed that a **UK Knowledge Hub** should be established through a partnership of government and joint research council funding.



Changing fortunes of French regions.

Source: Xavier Desjardins, National Spatial Planning in France, in National Spatial Strategies in an Age of Inequality (Heseltine Institute, University of Liverpool).

Required Changes to Institutions and Processes

Taking forward the agenda set out in the Ten Point Action Plan requires a fresh culture in which decisions are taken and where there is a move away from the ‘culture of negotiation and deals’ to one of collaboration in a long-term national goal for levelling-up, while 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 an executive team of staff to develop and deliver the programme and be informed by an independent UK Spatial Knowledge Hub, in conjunction with Joint Research Council funding.

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

There is also a need for a need for transparency and accountability in exercising this presumption of levelling-up wellbeing and rebalancing the economy. Auditing needs to 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.

The width of this agenda would benefit from the preparation of a cross-government **Plan** setting out the *Principles and Practice of Levelling-Up the Social Conditions and Economic Performance of the United Kingdom*.

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.



APPENDICIES

APPENDIX A: COMMISSIONERS

APPENDIX B: ACKNOWLEDGEMENTS

APPENDIX C: LIST OF BACKGROUND DOCUMENTS

APPENDIX D: NOTES AND REFERENCES

APPENDIX A

UK2070 Commissioners and Steering Group

Commissioners

Chair – Lord Kerslake: Chair of the Centre for Public Scrutiny (CfPS), Chair of London CIV, President of the [Local Government Association](#) and Chair of [Peabody](#).

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Professor Jagjit Chadha: Director of the [National Institute for Economic and Social Research](#) (NIESR) and previously Professor of Economics at the Universities of Kent and Cambridge & Gresham College, St Andrews.

Ed Cox: Director of Public Services and Communities within the [Action Research Centre of the RSA](#), and Chairs of Levenshulme Inspire and Involve organisations.

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Trudi Elliott CBE: Chair of the Board of the Planning Inspectorate for England and Wales, Chair of the Housing Committee and a Board member of The Sanctuary Group, and Visiting Professor at The University of Reading, Henley Business School, and Patron of the [Commonwealth Association of Planners](#).

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Julia Goldsworthy: Director of Strategy for the [West Midlands Combined Authority](#) and Chair of the Brexit Advisory Commission for Public services facilitated by CIPFA.

Michael Henson: Associate Director at global construction consultancy [Turner & Townsend](#).

Jim Hubbard: Head of Regional Policy at the [Confederation of British Industry](#) (CBI).

Dr Andrew Jones: Programme Leader of [AECOM](#)'s Design Planning + Economics team and Cities programmes.

Dr Anna Leach: Head of Economic Intelligence at the [Confederation of British Industry](#) (CBI) and replaced by Jim Hubbard during the course of the Commission).

Dr Sarah Longlands: Director of [IPPR North](#).

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Mark Sitch: Senior Planning Partner at [Barton Willmore](#) LLP.

Sir Hugh Sykes: Industrialist and Philanthropist, former Chairman of the Sheffield Development Corporation.

Professor John Tomaney: Professor of Urban and Regional Planning in the [Bartlett School of Planning](#), University College London.

Phil Williams: Former Director of Planning and Place at Belfast City, and Head of Planning for Cardiff County Council, and a Past-President of the [RTPI](#).

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Professor Ian Wray: Visiting professor and [Heseltine Institute](#) fellow at the University of Liverpool and Vice Chair of World Heritage UK.

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<i>University of Liverpool</i>	Professor Ian Wray
<i>Lincoln Institute of Land Policy</i>	Armando Carbonell
<i>The RSA:</i>	Ed Cox
<i>Turner & Townsend:</i>	Michael Henson and Sioban Campbell
<i>University College London:</i>	Professor John Tomaney and Dr Lucy Natarajan
<i>University of Manchester:</i>	Professor Cecilia Wong, Tom Arnold and Matthew Harrison
<i>University of Sheffield:</i>	Professor Alasdair Rae and Philip Brown

APPENDIX B

Acknowledgements

Although the views expressed in this report are those of the Commission, the Commissioners wish to acknowledge the wide range of support that it has received in the preparation of this report and its earlier reports, in terms of the background research, advice and guidance, consultative engagement, report preparation and production. In particular, it wishes to thank the following organisations and people:

Report preparation and production: Members of the UK2070 Steering Group in particular Professor Ian Wray (the Heseltine Institute) Dr Lucy Natarajan (Bartlett School of Planning, UCL), Professor Cecilia Wong and Tom Arnold (Manchester Urban Institute), Ann Rudkin, Richard Burton, Mark Sitch and the staff of Barton Willmore and Turner & Townsend.

Research undertaken for the Commission by the Universities of Manchester (Urban Institute); University of Sheffield Departments of Management and Town & Regional Planning; UCL (Bartlett School of Planning); University of Liverpool (Heseltine Institute and Geography Department); University of Cambridge (Martin Centre for Architectural and Urban Studies); Greengauge21; and David Simmonds Consultancy.

Although the views expressed in this report are those of the UK2070 Commission, it is very grateful for the advice and guidance it has received from a very wide range of people networks, in particular the following whom contributed published 'Think Pieces' for the Commission or participated in focus sessions.

Dr Marc Adams (NAO); Dame Kate Barker; Professor Mike Batty (UCL); Professor Duncan Bowie (Highbury Group); Professor Mark Boyle, Thomas Fischer and Dr Francisco Rowe (University of Liverpool); Professor Gillian Bristow and Dr Neil Harris (Cardiff University); Dr Armando Carbonell (Lincoln Institute); Margaret Clark and Trevor Cherrett (Rural Coalition); Professor Paul Collier (University of Oxford); Professor Jagjit Chadha, Dr Ying Jin, Steve Denman, Dr Li Wan, Dr Ben Gardiner, Professor Ron Martin and Professor Pete Tyler (University of Cambridge); Ed Cox (The RSA); Dr Benjamin Clayton and Professor Tony Crook (The University of

Sheffield); Dr Emma Degg (NWBLT); Professor Xavier Desjardins (Sorbonne Université); Professor Trudi Elliott, Leo Eyles, Dr Nicholas Falk (URBED), Dr Arianna Giovannini (IPPRNorth); Julia Goldsworthy (WMCA); Dr Nick Green (University of Liverpool); Paul Hayes (Key Cities); Dr Andrew Jones (AECOM); Dr Benjamin Kulka (The British Academy); Anna Leach and Jim Hubbard (CBI); Professor Greg Lloyd (Ulster University); Dr Sarah Longlands (IPPRN); Professor Philip McCann and Alasdair Rae (University of Sheffield); Bill McElroy and Michael Henson (Turner & Townsend); Professor Duncan MacLellan (University of Glasgow); Professor Niamh Moore-Cherry (University College Dublin); Sadie Morgan (dRMM); Professor Chris Murray (Core Cities UK); Dr Brendan Murtagh (Queen's University Belfast); Professor Peter Nears; Dr David Nguyen (NIESR), Hector Pearson; Andrew Pritchard (EMC), Dr Richard Prothero (ONS); Dr Graeme Purves, Dr Mark Sandford, Mike Shields, Dr David Simmonds (DSC), Dr Martin Simmons, Dr Jim Steer (Steer Group); Dr Tim Stonor and Ed Parham (Space Syntax); Dr Corinne Swain and Jane Healey-Brown (ARUP); Sir Hugh Sykes; Professor Marilyn Taylor and Professor Bob Yaro (University of Pennsylvania); Sandy Taylor and Dave Thew (FNWM); Professor John Tomaney (UCL); Professor Karel Williams, Professor Cecilia Wong and Dr Caglar Koksall (University of Manchester); Phil Williams and Dr Stephanie Wyse (Royal Geographical Society); Professor Baback Yazdani (Nottingham Trent University).

And also the following:

ARUP, UK Collaborative Centre for Housing Evidence (CaCHE), Centre for Advanced Spatial Studies (UCL), Martin Centre for Architectural and Urban Studies (Cambridge), the Greater Manchester, West Midlands, North of Tyne, Tees and West of England Combined Authorities; the Greater London Authority; the City Councils of Bristol, Cardiff, ClydePlan, Leeds, Sheffield and Wakefield; Greengauge 21, the Common Futures Network; Foundation Economy Collective; Spatial Policy & Analysis Laboratory (MUI); the RSA, RTPI, TCPA; South Tees Development Corporation.

APPENDIX C

List of Background Documents

This Final Report and the earlier First and Second reports of the UK2070 Commission have drawn on a wide range of sources, which are referenced respectively in each of them. In addition, the Commission has been supported by a range of think pieces, research papers and consultancy studies which are available from the UK2070 website. These include the following:

Ian Bateman and Sara Zonneveld: *Building a Better Society: Net Environmental Gain from Housing and Infrastructure Developments as a Driver for Improved Social Wellbeing*. (University of Exeter)

Mark Boyle, Aileen Jones, Olivier Sykes and Ian Wray: *'National' Spatial Strategies in An Age of Inequality: Insights from The United Kingdom, Ireland and France*. (University of Liverpool and Liverpool City-Region Combined Authority)

Tom Bridges: *The MIT of the North? Building an Innovation-Driven Economy*. (Arup)

Xavier Desjardins: *National Spatial Planning in France: From Nostalgia to Reinvention?* (Sorbonne Université, Paris)

Devoconnect: *Devo 3.0 Review: Laying the Foundations for More and Better Devolution: An Audit of Devolution Decision Makers' and Opinion Formers' Views*.

Neil Harris: *The Evolution of National-Level Planning in Wales: A Retrenchment from Spatial Planning to Land-Use Planning*. (Cardiff University)

Jane Healey Brown: *Rethinking Decision Making*. (Arup)

Nicholas Falk: *A Fairer System for Funding and Delivering Housing Growth*. (Town & Country Planning: Tomorrow Series Paper 20)

Nicholas Falk: *Sharing the Uplift in Land Values: A Fairer System for Funding Growth and Delivering Housing Growth*. (URBED Trust, in partnership with the TCPA)

Nicholas Falk: *Making Fairer Places: A Think Piece on Land Values*. (URBED Trust)

Thomas B. Fischer: *The Use of Infrastructure and Regeneration Investment to Support Stabilisation of*

Eastern Germany during the Period of Post-Unification Transition: A Summary and Lessons Learnt. (University of Liverpool)

Trudi Elliott: *Agenda 2030, the New Urban Agenda and the Sustainable Development Goals – What do Our International Commitments Mean for Reducing Spatial Inequalities in the UK?* (The Henley Business School at The University of Reading)

Julie Froud, Colin Haslam, Sukhdev Johal, Nick Tsitsianis and Karel Williams: *Foundational Liveability: Rethinking Territorial Inequalities*. (University of Manchester)

Julie Froud, Colin Haslam, Sukhdev Johal and Karel Williams: *Diversity in Leading and Laggard Regions: Living Standards, Residual Income and Regional Policy*. (The Foundational Economy Collective)

Vincent Goodstadt: *A New Agenda for England and the UK: The Missing Pieces in the Jigsaw*. (Common Futures Network and University of Manchester)

Greengauge21: *The UK's 2070 Transport Infrastructure Requirement*.

Alexander Jan: *Tackling Long Standing Regional Imbalances in England – The Case for More Radical Devolution*. (Arup)

Ying Jin, Steve Denman and Li Wan: *UK2070 Futures Modelling Technical Report*. (UK2070 Futures Modelling Team Martin Centre for Architectural and Urban Studies, University of Cambridge)

Greg Lloyd: *National Strategic Planning in Scotland: Past, Present and Future*. (Ulster University and Wageningen University)

Duncan MacLennan, Linda Christie and Julie T. Miao: *Housing for Growth and Inclusion: A Note to the UK 2070 Commission*. (University of Glasgow and University of Melbourne)

Philip McCann: *Perceptions of Regional Inequality and the Geography of Discontent: Insights from the UK*. (University of Sheffield Management School)

- Richard McWilliams: *A Just Transition: How Improving the Energy Performance of Social Housing can Help Mitigate the Impact of Climate Change on Disadvantaged Communities by reducing Fuel Poverty, Improving Quality of Life, and Creating a New Industry*. (Turner & Townsend Infrastructure)
- Niamh Moore-Cherry: *Project Ireland 2040: Business as Usual or A New Dawn?* (University College Dublin)
- Brendan Murtagh: *The Regional Development Strategy Northern Ireland, Inequality and Balanced Development*. (Queen's University Belfast)
- Lucy Natarajan: *Participatory Democracy for Inclusive Devolution: A Think Piece for the UK2070 Commission: 2019*. (The Bartlett School of Planning, UCL)
- Lucy Natarajan, Elisabeta Ilie and Hyunji Cho: *Civil Society Perspectives on Inequality: Focus Group Research Findings Report*. (The Bartlett School of Planning, UCL)
- David Nguyen: *Regional Disparities and Development in the UK*. (National Institute of Economic and Social Research)
- Stephen Nicol and Ian Wray: *Towards an 'MIT' for the North: A Modest Proposition*. (Nicol Economics and Heseltine Institute, University of Liverpool)
- Andy Pike, Mike Coombes, Louise Kempton, Danny MacKinnon and Peter O'Brien: *A Response to UK2070's Second Report*. (The Centre for Urban and Regional Development Studies at Newcastle University)
- Graeme Purves: *Strategic Development in Scotland*.
- Francisco Rowe, Nikos Patias and Dani Arribas-Bel: *Policy Brief & Neighbourhood Change & Trajectories of Inequality in Britain 1971–2011*.
- Mark Sandford: *Two Masters: The Dilemma of Central–Local Relations in England*.
- Mike Shields: *Did the RDAs Work? Lessons for Policy from Establishing and Running the Former Northwest Development Agency*.
- David Simmonds Consultancy: *Modelling a Pan-National UK Network*.
- Sandy Taylor and Dave Thew: *Strategic Spatial Development in the West Midlands: A Long View Perspective*. (Futures Network West Midlands)
- John Tomaney, Lucy Natarajan, Elisabete Ilie and Iqbal Hamiduddin: *Towards a Second Generation of Spatial Planning in the UK? (Town & Country Planning, November 2019)*
- John Tomaney, Andy and Lucy Natarajan: *Land Use Planning, Inequality and the Problem of 'Left-Behind-Places'*. (The Bartlett School of Planning, UCL)
- Cecilia Wong, Wei Zheng, Andreas Schulze Baing, Caglar Koksak and Mark Baker: *Industrial Strategy & Industry 4.0: Structure, People and Place*. (Spatial Policy & Analysis Lab, Manchester Urban Institute, University of Manchester)
- Ian Wray: *Soft Infrastructure and Regional & National Development: A Discussion Paper*. (Heseltine Institute, University of Liverpool)
- Midlands Connect : *Case Study Input into UK2070 : Integrated Connectivity*

APPENDIX D

Notes and References

1. See: <http://uk2070.org.uk/2019/01/22/professor-philip-mccann-publishes-think-piece-on-perceptions-of-regional-inequality/>. Slovakia is more inter-regionally unequal than the UK according to 14 measures, but is equal to the UK on 2 measures, and the UK is more unequal than Slovakia on 8 measures. Ireland is more inter-regionally unequal than the UK according to 13 measures, while the UK is inter-regionally more unequal than Ireland on 12 measures. Poland displays equivalent inter-regional inequality to the UK. Poland is more inter-regionally unequal than the UK according to 10 measures, the UK is more inter-regionally unequal than Poland on 10 measures, and they are both equal on 2 measures.
2. Eurostat data.
3. See UK2070 Commission's [First Report](#) which documents the range of inequality across the UK.
4. <https://bit.ly/2O11U3q>: Structurally Unsound: UCL.
5. Neighbourhood analysis 1971–2011 for Commission: refer also to file:///C:/Users/user1/Downloads/brief_draft_27122018.pdf.
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8. Refer to Chart 3: <https://bit.ly/2uyx9Mn>.
9. <https://www.oecd-ilibrary.org/docserver/54293958-en.pdf?expires=1555651316&id=id&accname=guest&checksum=D6EA11B24C8E5F384CE4AA9581B37FB9.10>. https://www.centreforlondon.org/wp-content/uploads/2019/02/London-and-the-UK_Report_Digital.pdf.
11. <https://pdf.euro.savills.co.uk/market-in-minute-reports/residential-development-land-q1-2019.pdf>.
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14. Patias, N., Rowe, F. and Cavazzi, S. (2019) A scalable analytical framework for spatio-temporal analysis of neighbourhood change: a sequence analysis approach, in *The Annual International Conference on Geographic Information Science*. Cham: Springer, pp. 223–241.
15. *Ibid.* and Francisco Roew, Nikos Patias and Dani Arribas-Bel: Policy Brief & Neighbourhood Change & Trajectories of Inequality in Britain 1971–2011.
16. *Ibid.*
17. *Ibid.*
18. These findings are reinforced by the *An English Atlas of Inequality* (2019).
19. As set out in the Centre for Cities report [Trends in economic inactivity across the OECD](#).
20. For example the DEFRA study on air quality https://uk-air.defra.gov.uk/assets/documents/reports/cat09/0701110944_AQinequalitiesFNL_AEAT_0506.pdf.
21. https://www.cbr.cam.ac.uk/fileadmin/user_upload/centre-for-business-research/downloads/working-papers/wp507.pdf.
22. Mia Grey and Betsy Donald: <https://blogs.lse.ac.uk/usappblog/2018/08/18/can-we-solve-both-the-economic-crisis-and-the-environmental-one-seeking-new-models-in-uncertain-times/>.
23. https://neweconomics.org/uploads/files/NEF_trust-in-transition.pdf.
24. <https://www.nic.org.uk/news/water-shortage-warning-highlights-urgency-of-resilience/>.
25. <https://www.nic.org.uk/news/water-shortage-warning-highlights-urgency-of-resilience/>.
26. Greengauge21 report for the Commission: <http://www.greengauge21.net/wp-content/uploads/The-UKs-2070-Transport-Infrastructure-Requirement-.pdf>.
27. *Ibid.* This shows that non-exhaust emissions from road transport now account for 73% of all road sector PM10 emissions, and notes that a switch to electric road vehicles does not resolve the problem. Whereas cars on average have an emission factor of 8.7 mg of PM10 per kilometre from tyres and 11.7 mg from brakes, for buses the equivalent PM10 values in urban areas are 21.2 mg/km and 53.6 mg/km.
28. See 'Holding the Line Scenario' in the [First Report](#) of the UK2070 Commission.
29. Research to be published 2020 on the UK2070 Commission website: <http://uk2070.org.uk/commission/>.
30. Published in parallel with the First Report. This accepted that there are inevitable uncertainties and unpredictabilities of trends and events over a long period. However, this is why it is critical that there is a UK scenario-based approach to testing the future of the UK's economy. This work was consistent with the OBR study which suggested that UK employment could range from 32m to nearly 40m workers by 2070.
31. <http://uk2070.org.uk/wp-content/uploads/2019/05/UK2070Commission-MODELLING-TECHNICAL-REPORT.pdf>.
32. <https://www.centreforcities.org/wp-content/uploads/2019/02/The-Evolving-Economic-Performance-of-Britain%E2%80%99s-Cities-Patterns-Processes-and-Policy-Implications.pdf>.
33. <https://www.jrf.org.uk/report/uk-poverty-2019-20>.
34. <https://www.centreforcities.org/publication/cities-outlook-2019/>.
35. This section draws on a paper prepared for the Commission by Mark Sandford to be published on the Commission's website: <http://uk2070.org.uk/commission/>.
36. *Ibid.*
37. *Ibid.*
38. *Accountability for Taxpayers' Money*, HC-849 2015–16, 2016
39. NAO, *Local government funding: assurance to Parliament*, HC-174 2014–15, 2014. See also NAO.
40. <https://www.niesr.ac.uk/publications/prospects-uk-economy-forecast-summary-2>.
41. See First Report of the 2070 Commission: <https://drive.google.com/file/d/1DaPIONpLXwxS1IE2kLu3aQVvQkOQEmFLwB/view>.
42. Figures taken from Lichfield Report <https://lichfields.uk/blog/2018/january/23/are-you-uplifted-land-value-uplift-and-economic-appraisal/>.
43. *Ibid.*
44. [Spatially Rebalancing the UK Economy](#): Martin et al: 2015 RSA.
45. *Ibid.*

46. [State of the Nation 2019](#): Connecting Infrastructure with Housing: ICE report.
47. The Real Deal: 2016: [SPERI-CLES](#).
48. *Ibid*.
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Art production and typesetting by PNR Design, with acknowledgement to the assistance of Barton Willmore LLP.

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