



Rethinking Decision Making.

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The following Think Piece has been submitted to the UK2070 Commission in response to its Call for Evidence. The views expressed are those of the author, and not the Commission.

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1 Overview

There is a paradigm shift emerging. We have had decades where the focus has been on economic growth alone. There is a growing realisation that this is increasing inequality, which in turn is slowing growth. A redistributive growth model can and should benefit the UK as a whole.

UK2070 COMMISSION SEEKS TO....

The UK2070 Commission shows that decades of government initiatives have failed to tackle the regional economic disparities. A new approach is needed to reverse the trend of increasing disparity. This will not be a quick fix. It requires fundamental shifts in governance and investment.

PURPOSE OF THINK PIECE....

This ‘think piece’ provides ideas on how rethinking decision making can ensure the delivery of these objectives. It sets out a series of ideas that would allow the repositioning envisaged in the UK2070 Commission work, by embedding them in decision-making processes.

The example of the Suffragettes is used show how fundamental shifts in decision making can be achieved but how this takes decades if not centuries to achieve.



2 Current position

The first report of the UK2070 Commission ‘Fairer and Stronger: rebalancing the UK economy’ (May 2019), provides compelling evidence of the range and growth in social and economic disparities.

The issues of social and economic disparities are being recognised across political parties. The debates sparked by the rise of populism and Brexit are generating various initiatives. Announcements in the early days of his premiership by Prime Minister Boris Johnson are a direct response to this agenda. Announcements of funding for ‘left behind towns’, for investment in transport infrastructure in the north of England and the ‘level up’ agenda on devolution.

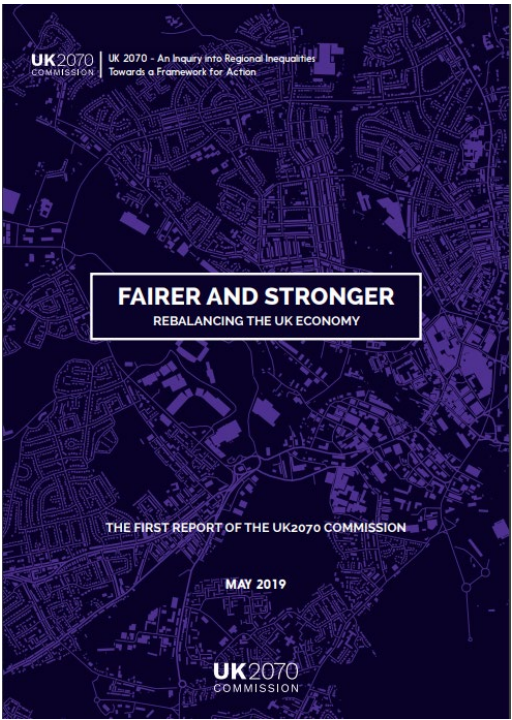
The UK2070 Commission is looking to respond to this need, build on this agenda and develop propositions. To be effective, the response needs to move beyond individual programmes. It must embed the need to address regional social and economic disparities in decision making processes.

2.1 HOW ARE DECISIONS CURRENTLY MADE Geographical Scale

Public sector direct and indirect investment in major economic development programmes and infrastructure are highly centralised in the UK. The UK is one of the most centralised of developed countries. Major investments are decided by central Government and its delivery agencies. The exception is investments made using EU funding, such as ERDF, but this will no longer be the case post Brexit.

Since the closure of the Regional Development Agencies in 2012, there is limited regional decision making. There are devolved powers to the UK nations, but in England this is very limited to the likes of Transport for the North.

In most cases local investment decisions come through local authorities. These are significantly restricted by the limited devolved powers and very limited tax and revenue raising powers.



FIRST REPORT OF UK2070
Fairer and Stronger
Rebalancing the UK economy



Process of Decision Making

The decision-making process for public investments is largely driven by Central Government which sets the requirements for how much of public sector funding is allocated. When Central Government releases a new fund for a particular type of investment, e.g. sustainable modes of transport, it sets the criteria for what the scheme promoters, often local authorities, need to meet. Little autonomy therefore remains with the scheme promoters to establish a long-term localised plan for investment; the focus is the priorities of Whitehall which risks a ‘one-size fits all’ approach. That can be hard to reconcile with the fact that say, the needs of Grimsby might be very different from, say, Grantham.

Whilst the government process ensures that projects are driven by national objectives and evaluated on a consistent basis, a strict adherence to Green Book and other government appraisal guidance risks local government authorities being unable to make decisions tailored to their local context. It also means they risk operating under the uncertainty of not knowing what new funds may come along and how their distribution will be prioritised if primarily underpinned by a national framework.

The loss of access to European funds post Brexit means a loss of consideration of some social factors in funding distribution, as these are not included in many government funding appraisals.

The increased level of devolution observed in recent years through Growth Deals and City Deals has provided increased decision power for local government in the short and long term, but there is still uncertainty as to how this will evolve. Is a deal or competition approach the most effective use of resources? Some might argue that the complexity of these deals and the difficulty of evaluating performance against them makes them difficult to sustain. Will we see a fourth round of local growth funding for the LEPs or will they suffer the same ending as RDAs? When there is an overlap of a LEP with a combined authority, how will future funding be allocated? A clearer, more stable picture of devolution coupled to greater levels of autonomy, transparency and accountability is required to support effective decision making at a regional and local level.

3 Opportunities

3.1 LOCAL THINKING AT A NATIONAL LEVEL

The UK is and will continue to be a centralised system of policy making and governance. Increased devolution is likely but from the high level of current centralisation the impact will be limited. To respond to regional and local needs, it will be necessary to embed these needs in the systemic approach to national policy development and implementation.

The recent Government policy announcement that a minimum of 80% of five major housing-related funding pots will be spent in the highest housing affordability areas is a key example of national policy not considering the broader regional and local requirements. This will result in very few areas in the North benefitting from this funding. These are the areas where viability is lower and intervention is needed. This will mean fewer homes will be built and the local economies will suffer.

There needs to be clear national framework that considers regional and local needs to direct post-EU funding, including the UK Shared Prosperity Fund. The example of the approach to the housing funding generates considerable concern for areas with viability challenges.

3.2 UK SHARED PROSPERITY FUND

The Shared Prosperity Fund will need to consider the following:

- Priorities and objectives;
- Method of allocating funding;
- Model; of funding allocation, i.e. pre-allocated or competitive process;
- Period of planning and delivery; and
- Who administers the fund, including how centralised / devolved decisions are.

The framework that responds to these points provides a significant opportunity to deliver on the objectives of the UK2070 Commission. This should be a national framework of future priorities. It can set spatial priorities for social and economic change that meets national objectives.

The Local Industrial Strategies are emerging as a means for distribution of funding. Without a national spatial/ economic framework it is hard to see how the Industrial Strategy can be successful. Flexibility and speed of decision making requires a devolved system that avoids a ‘deal making’ approach. This will need to be balanced by a national framework.

3.3 GREEN BOOK APPRAISAL

As the key guidance document underpinning businesses cases for public investments, the HM Treasury Green Book states which benefits need to be considered in a business case. The Green Book states that economic, social and environmental impacts need to be considered to obtain the net value to society. These impacts are now referred to as social value in the latest Green Book release.

The Green Book represents one of the most comprehensive and well thought-out appraisal frameworks available but it does have some shortcomings. Despite a recent shift towards social value, the appraisal of these benefits still largely depends on somewhat limited methodologies to quantify them. The evidence base on some aspects of social benefits, such as community cohesion, is still in its infancy. Appraisal tends to focus on more ‘pure’ economic benefits such as monetised time savings and productivity, as well as environmental benefits.

Social impacts, such as distributional impacts, a key consideration for rebalancing the economy and promoting social inclusion, are often overlooked and rarely quantified. They often don’t make it into the Benefit-Cost Ratio (BCR) of a scheme; the appraisal metric that undoubtedly catches the greatest amount of attention by policy makers and Treasury.

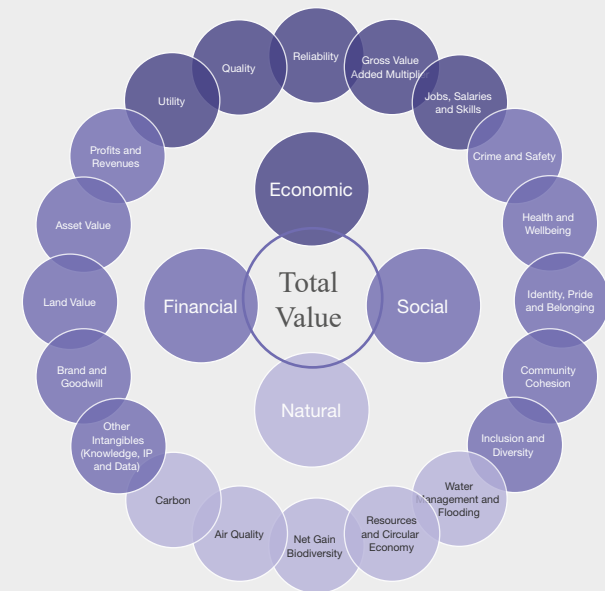
The focus on economic impacts is clearly reflected on the fact that one of the key dimensions that each business case needs to cover is the ‘Economic Case’. The ‘Economic Case’ or ‘Economic Dimension’ - as the latest version of the Green Book refers to - focuses on assessing the value for money of the public investment, comparing net economic benefits additional at a national level against costs. But there is no ‘Social Case’ or a clearly defined social value element of the economic case which affects decision-making. The government appraisal guidance needs to evolve to set the right incentives for people to capture a wider set of benefits that can help with decreasing inequality and rebalancing opportunities across the country.

Finally, there is a case for a better understanding of local impacts, as the Green Book currently focuses on net national impacts. Rebalancing the economy may require trade-offs in net national benefits in exchange for greater economic and social inclusion, which as we note, current guidance does not provide a sufficiently adequate framework to assess.

3.4 TOTAL VALUE

Arup has developed a Total Value model that brings together financial, economic, natural environment and social value into decision making. This is a more holistic approach to decision making that allows for a broader range of impacts to be considered than generally used, such as Green Book Appraisals.

Using a Total Value approach should be considered. As a minimum, social and economic value need to be embedded in decision making. Arup is looking at opportunities to embed this approach, for example in planning processes.



TOTAL VALUE MODEL

Bringing together financial, economic, natural environment and social value into decision making.

4 History of Rethinking Decision Making

A fundamental shift is needed in decision making. This can be compared to the shift progressed by the Suffragette and subsequent feminism movement; perhaps the most fundamental shift in UK politics and governance in the last 150 years, but still work in progress. It is worth briefly considering the aims, approach and components of success. As you read, swap the word ‘women’ for ‘regions’.

The movement sought the following:

- equality – women being equally represented and having the same opportunities;
- difference – recognition of women’s specific attributes
- transformation – reimagining what the world would be like for everyone, not just women.

The Suffragettes focus on votes for women was to ensure a voice for women in decision making. The Suffragettes recognised that an inclusive approach was essential for success, men had to be involved. They targeted men who supported suffrage but did nothing to advance it to ensure action; ‘deeds not words’.

Post women obtaining the vote, it was often said that the lack of women with the capability was the reason for not reaching positions of influence.

The successes and challenges from the Suffragettes and subsequent feminist movement provide valuable lessons and illustrate the scale of shift in decision making that is required.



SUFFRAGETTES
Votes for women

In government, the gender agenda has often been an add-on rather than embedded in policymaking. The Minister of Women position has always been a secondary role, much like Minister for the Northern Powerhouse, amongst others. Gender perspectives in government decision making has been most effective in select committees where constructive challenge and debate can take place.

The feminism movement noted the importance of the role of the media; Harriet Harman noted Parliament was a ‘boys club’ being reported on by a ‘boys club’. The media provide the link between citizen and state.

There is a patriarchal inertia, that means that the feminist movement is still battling for equality 100 years after women first acquired the vote. The UK2070 Commission through its name recognises how long it will take to address regional disparities. The successes and challenges from the Suffragettes and subsequent feminist movement provide valuable lessons and illustrate the scale of shift in decision making that is required.



REGIONS OF THE UK

THE GREEN BOOK

CENTRAL GOVERNMENT GUIDANCE ON APPRAISAL AND EVALUATION

2018

THE GREEN BOOK
*Central Government
Guidance on Appraisal
and Evaluation*

RETHINKING DECISION MAKING

5 Where Next?

A shift in decision making will need political courage and will. It is likely to take a number of phases and therefore time. Without the courage, the same behaviours will result in the continuing growth in economic disparities. To persevere through the ebb and flow of political and economic cycles, the changes to decision making must be systemic. This paper suggests the following are amongst the actions needed to provide a systemic change to decision making to address the growing regional disparities:

- Ensure all regions are included in the debate and proposals. Solutions need to be for the benefit of the whole.
- Call out those that support change in words alone; challenge them into action.
- Ensure regional perspectives become expected in decision making bodies particularly in Parliament, much like gender representation.
- Develop assessment criteria for assessing and improving decisions, including regional socio-economic impacts, much like sustainability appraisals.
- Ensure sufficient local capacity and do not allow this to be a dismissive excuse from centralised powers ensure central government imbues elected Mayors with a high level of respect, resources and responsibility.

The successes and challenges from the Suffragettes and subsequent feminist movement provide valuable lessons and illustrate the scale of shift in decision making that is required.

- Provide a national economic-spatial framework as a basis for Local Industrial Strategies and Shared Prosperity Funds.
- Evolve government appraisal guidance (including Green Book Appraisal) to set the right incentives for people to capture a wider set of benefits that can help with decreasing inequality and rebalancing opportunities across the country:
 - o Broaden appraisal criteria in funding decisions to reflect broad social and economic requirements.
 - o Include all elements of ‘total value’.

RESPECT
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