# Town & Country Planning November/December 2020

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**Special Section: The UK2070 Commission and Rebalancing the UK Economy**

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**Regulars**

- **On the Agenda**: Fiona Howie on holistic and inclusive planning reform
- **Talking Houses**: Becky Tunstall on black housing matters
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Special Section on the UK2070 Commission and Rebalancing the UK Economy, pages 384-424. Cover illustration by Clifford Harper. cliffordharper@gmail.com
Bob Kerslake outlines the work and recommendations to date of the UK2070 Commission on rebalancing the UK economy, and considers the role of spatial planning in delivering the levelling-up agenda.
works, to our institutions and processes, that we thought were vital to success. This included a national outcomes framework to measure progress, strong political leadership with a powerful cross-government committee to oversee delivery, and a dedicated national team to lead the programme across government.

In between the two reports, a new Conservative government was elected, pledging to ‘level up’ the country. We have welcomed this pledge but have argued that, to be effective, the government needs to have a large-scale, comprehensive and long-term plan. Anything less would raise expectations without delivering. In short, the government needs to ‘go big or go home’.

Dealing with challenges of Brexit and now COVID may have delayed the government’s work on levelling up. But the need for a plan addressing the priorities set out in our Final Report remains no less essential.

In the period since COVID first hit, the UK2070 Commission has not been standing still. We have produced two excellent new sets of think-pieces, issued as the UK2070 Papers, in which expert contributors have explored different aspects of the levelling up agenda (available for free from the UK2070 website3).

We have also published a further report in October, Go Big. Go Local,4 exploring in greater depth the impact of COVID-19 and its effects on the priorities set out in our Final Report’s action plan. In summary, we find that COVID-19 reinforces the vital importance of making progress on levelling up, and that a proper plan to deliver this has become even more urgent. However, this national plan needs to be combined with a step-change in the devolution of powers and funding. The COVID crisis has taught us much about the problems created by being such an over-centralised country.

Spatial planning

One of the recommendations in the Commission’s Final Report was that England should have a national spatial plan, as exists in Scotland, Wales, Northern Ireland, and indeed in much of Western Europe. This would provide a vital context for decisions on infrastructure and development. Our ideas are very much in accord with the work that Professor Cecilia Wong (one of the UK2070 Commissioners) at the University of Manchester has done for the RTPI over the years,5 and it also sits well as the findings of the TCPA’s Raynsford Review report.6 However, the UK2070 Commission Final Report unpacks these ideas and sets out a potential way forward.

A national spatial plan for England should be:

- prepared by a reconstituted National Planning and Infrastructure Commission (NPIC);
- linked to the country’s priorities and funding regimes;
- endorsed by Parliament;
- independently audited in a ‘State of the Nation Report’;
- co-ordinated with the devolved administrations;
- integrated with sub-national and departmental programmes;
- reviewed in line with parliamentary cycles; and
- treated as a material planning consideration.

The national spatial plan must be developed from the bottom up and not just imposed top-down. It must be informed by, integrated with and delivered through sub-national strategies and devolved mechanisms. The RTPI’s Ambitions for the North and Blueprint for a Great North Plan show what is possible. This national plan should form part of a wider renaissance of spatial planning and urban development. In his final book, Good Cities, Better Lives,7 Sir Peter Hall looked to the UK’s near neighbours in Europe to learn lessons about creating better places in which to live, work, and play. It was published in 2014 at a time when local authority planning departments were suffering large cuts, often in the very capacity needed to deliver a creative planning process. But at the heart of successful and sustainable European cities lies effective spatial planning and the powers and resources to see those plans through.

Many of the inherited assumptions about transport, density, the role of town centres, and home-working will have to be rethought in the light of what we have learnt in responding to COVID-19. But the need for more effective planning at all spatial levels remains as strong as ever. Above all, the planning profession should be seen as a creative profession, leading the work on spatial planning, not reduced to a controlling profession focused only development control. The current planning regime does need move on from the over-engineered, under-resourced and litigious process that it has become – reform is needed, but does the Planning White Paper provide the right answer?

The Planning White Paper

Starting with the positives, it’s hard to argue with the Planning White Paper’s aims. Who wouldn’t want more beautiful developments on tree-lined streets, applauded by their local communities? The support for greater use of digital technology is welcome, as is the commitment to simplify the Local Plan process. But at the heart of the problem with the White Paper is the belief that the planning process is the root cause of our failure to produce enough high-quality housing developments – despite copious evidence over many years, from the Lyons Report to the Letwin Report, that this is not the case. As a consequence of this basic error it proposes changes that will have the opposite effect to the government’s stated intentions. Let me give four examples:

- First, the importance of genuinely affordable housing in both boosting supply and meeting an essential need is seriously underplayed. The
proposal to rely on a commuted sum rather than require mixed-tenure developments through Section 106 agreements risks going back to mon- tenure estates. Replacing a negotiated sum with a fixed levy might look like a simplification, but will bring with it its own complexities and challenges.

- Secondly, moving to a zonal, rules-based approach to planning approvals in growth areas rather than approving individual applications will drastically reduce local democratic engagement and create greater rigidity. When individual schemes come forward, the public will not be happy to be told that their opportunity to comment and influence has already effectively passed. It will also reduce the scope for trade-offs that the current process allows.

- An imposed top-down figure for increased housing numbers takes us right back to the divisive, self-defeating debates of a decade ago. Grant Shapps, the first Housing Minister during my time as Permanent Secretary in the Department for Communities and Local Government, could not have been clearer in his opposition to top-down housing targets. A decade on, he forms part of a government that is going in exactly this direction. Moreover, consultants Lichfields have calculated that, of the extra 100,000 homes proposed, 90% would be in London and the South, which does not sit at all well with the levelling-up agenda.

- Fourthly, the proposal to further expand the use of permitted development rights will compound the problems that the current extension has already created – of poorly designed schemes with little or no affordable housing. What was originally intended as a limited and temporary counter-cyclical measure is now to become a fixed malignancy, working directly against the ambition of more beautiful homes.

These are just four examples of the unwelcome consequences of the White Paper proposals, but there are many more. Above all, anyone who thinks that the White Paper will remedy the current complex, contested and litigious nature of the planning process in the high-demand areas outside London is sadly mistaken. It will just alter where the battles take place. For regeneration areas, where planning is the least of the problems, the White Paper offers very little to help them address their needs.

Someone once said to me that they didn’t mind people making new mistakes; it was the repetition of old mistakes that they objected to. Sadly, the Planning White Paper is a missed opportunity at best and a serious retrograde step at worst.

**Urgency and high ambition**

There is, nevertheless, now a common recognition across the political parties that the UK will not flourish without rebalancing. We all agree on the ends if not yet the means. The title of the UK2070 Commission’s Final Report, *Make No Little Plans*, comes from Daniel Burnham, who took a leading role in the masterplans for the development of a number of American cities. It is worth considering the words from which this title was drawn: ‘Make no little plans; they have no magic to stir men’s blood and probably themselves will not be realized. Make big plans; aim high in hope and work, remembering that a noble, logical diagram once recorded will never die, but long after we are gone will be a living thing, asserting itself with ever-growing insistency.’

If now is not the right time for urgency and high ambition, then I am not sure when it will ever be.

**The Rt Hon. The Lord Kerslake**, formerly Head of the Civil Service, is Chair of the UK2070 Commission. This article is based on Lord Kerslake’s recent presentation at the online 2020 Joint Planning Law Conference, which can be viewed at www.jplc.org/conference/conference-video/ (the 2021 conference will take place in Oxford on 17-19 September – see www.jplc.org). The views expressed are personal.

**Notes**


3. The UK2070 Papers are available from the UK2070 website, at http://uk2070.org.uk/2020/07/30/the-uk2070-papers-series-1/ (Series 1 papers) and http://uk2070.org.uk/2020/09/03/the-uk2070-papers-series-2/ (Series 2 papers)


UK inter-regional inequalities are the highest in the world for any large industrialised country, and, across a range of different indicators, greater than for any other OECD country. Countries with large inter-regional economic inequalities and regionally unbalanced growth processes have no national growth advantages over those with balanced growth. The UK has been an outlier by international standards, with only a very modest long-run productivity growth performance allied with rapidly growing inter-regional inequalities.

In many countries these inter-regional imbalances have led to a growing ‘geography of discontent’, with voters in localities that perceive they are being ‘left behind’ using the ballot-box to extract political and institutional ‘revenge’ for these inequalities. This has taken place in many parts of the world, and both the 2016 ‘pro-Leave’ EU membership referendum vote and in some ways the December 2019 general election result can also be understood in this context.

Yet, what is really curious is the extent to which the UK national governance institutions, right up to ministerial levels, have given so little thought to these questions for so long. Part of the problem is the widespread lack of awareness of these problems among the UK’s high-level institutional and governance set-up – including the national media, London-based think-tanks, and even many university and research bodies, as well as much of Whitehall and the parliamentary system.

The extreme London-centric nature of the UK’s governance system means that for decades the perceptions of the problem from the centre have been fundamentally different from many local perceptions. Moreover, evidence from other OECD
countries suggests that these inter-regional economic imbalances are in part related to the domestic political choices that have been made within the UK regarding its own governance systems, choices which have left the UK ill-equipped to respond to the three-decade shocks of modern globalisation faced by many regions.

It is only very recently that there seems to have been a shift in public debate and understanding of the need for ‘levelling up’ or rebalancing. However, the curious thing is that none of these economic issues are in any way recent, so why exactly ‘levelling up’ should only now become a major political theme is rather puzzling.

Yet, whatever the reasons for these recent political shifts, in terms of regional issues the UK finds itself today at a crucial juncture. The coming months will usher in profound changes, many of which are way beyond what the general public has any real awareness of, and well beyond what the UK governance system is currently capable of responding to. There are three aspect to this – namely, Brexit, COVID-19, and the policy challenges involved in genuinely ‘levelling up’.

Brexit

If we consider Brexit, to much of the general public Brexit has already been ‘done’ – a slogan repeated frequently by politicians; yet as of late November 2020 a final post-Brexit UK-EU deal had not yet been agreed. This is important because in economic terms Brexit has not yet even started. The transition period has in effect been a period of no change whatsoever, and in this sense nothing has been ‘done’. Rather, the economic changes coming down the line very soon will be profound, and far beyond what large swathes of the general public as yet have any real consciousness of.

In particular, the final likely design of any UK-EU post-Brexit trade agreement is actually very close to a ‘No deal’ scenario, and very much at the so-called ‘hard Brexit’ end of the spectrum of the post-Brexit UK-EU trade arrangement options. Almost all UK and international analyses of the overall consequences of Brexit find that it will have adverse long-run consequences for the overall future prosperity of the UK economy; and the harder the post-Brexit arrangement, the greater will be these long-run adverse implications.

Indeed, not only a ‘No-deal’ Brexit, but even the scale of Brexit ushered in by any UK-EU agreed deal is likely to have greater long-run economic implications than the COVID-19 pandemic. As such, far from allowing for more funding for the UK health service, in comparison to our European and OECD competitor countries Brexit is likely to limit the long-run ability of the UK to fund public services and public investments in general. There is still very little public awareness of these issues.

In terms of regional issues, any final agreed deal is likely to have profound implications for the fortunes of different places, implications which, again, differ markedly from the public consciousness. The UK’s economically weaker regions are more exposed to Brexit than the UK’s more prosperous regions, and, as such, these weaker regions will have to adjust more in economic terms in order to respond to the economic challenges associated with Brexit than will more prosperous regions. Ironically, the UK’s economically weaker regions also tended to vote most strongly to leave the EU, even though their economies were more dependent on EU markets than were those of other regions.

Very recently published research also demonstrates that the adverse effects of Brexit on the competitiveness of UK regions are very serious, and especially for the UK’s economically weaker regions. Because the economically weaker regions of the UK are more exposed to Brexit, they also face greater cost increases for all parts of their industrial fabric, and consequently greater losses of competitiveness.

Moreover, these effects are evident not only in terms of inter-regional differences, but also in terms of intra-regional differences. Brexit will not only adversely affect the competitiveness of the UK’s poorer regions more than that of the UK’s more prosperous regions, but this will also be the case for areas within regions. Brexit will more adversely affect the weaker areas within regions than the economically stronger areas within those same regions.

As such, inter-regional imbalances are likely to increase between the UK regions and also within those same UK regions. In other words, on all spatial dimensions Brexit will lead to the UK becoming more unequal. Moreover, these findings are barely affected according to whether the UK does or does not finally agree a post-Brexit trade deal. The adverse economic effects of Brexit on the weaker regions of the UK are largely unresponsive and insensitive to the nature of any agreement.

While so much political and media energy and theatre is focused on the deal-brokering process and personalities, in actual fact, for the economically weaker regions of the UK, an agreed deal makes little or no difference to their long-run fortunes. The consequences of Brexit for these regions are serious, and largely unchanged according to whether a deal is or is not finally brokered. Brexit is likely to work directly against ‘levelling up’.

Politically, it may be the case that Brexit is almost ‘done’, but, in reality, in economic terms it has not yet begun. The economic shocks of Brexit, most of which will be slow-burning and long-lasting, are likely to be profound, and the ability of local government to respond to these likely local
economic impacts is very limited. UK sub-national and local government have levels of decision-making autonomy akin to countries such as Albania and Moldova, and, relative to our scale, the UK has by far the most centralised and top-down governance system in the industrialised world. Even prior to the UK’s vote to leave the EU, its governance system was almost uniquely ill-designed and ill-equipped to address the UK’s inter-regional productivity problems, and Brexit has only accentuated these challenges in two ways.

‘Both individually and in combination, the Brexit and COVID-19 shocks will work directly against any ‘levelling up’ agenda’

First, Brexit is likely to exacerbate the existing inter-regional economic inequalities, for the reason outlined above. Secondly, the sub-national tiers of UK governance have been almost entirely locked out of the UK-EU negotiations, except for some very limited inputs by the devolved administrations and representatives of London and the City. As such, UK sub-national governance is in many ways still in the dark, largely unprepared and without the tools required to address these challenges. The prognosis is not good, and the role which sub-national governments can play in any process of ‘levelling up’ is, as yet, almost entirely unclear.

COVID-19

On top of Brexit we have COVID-19. The advent of the COVID-19 pandemic has exposed and highlighted many of these underlying structural problems. Although the early stages of the pandemic heavily affected London, and in particular the poorer areas of London, since then the brunt of the pandemic has been borne by the economically weaker parts of the country, and especially poorer urban areas in the economically weaker regions. Much of the focus is currently on the challenges facing sectors such as high-street retail, hospitality, travel, and tourism.

However, in regional and urban terms the longer-term impacts of the pandemic are likely to be both qualitatively and qualitatively different from these specific issues. The reason is that the pandemic induced major shocks to the global financial system, shocks which will increase in the coming months as the scale of global and national insolvencies and bankruptcies rises.

As we know from the last major financial shock, the 2008 global financial crisis, the long-run implications are to widen the gap between the yields on investments – the required rates of return on investments – in prosperous and weaker places. In environments of uncertainty and escalating risk, investors move capital away from riskier places and into safer places. This increases the liquidity in more prosperous places, reduces the local price of capital there, and also improves the collateral position for local investors as local real estate markets move upwards. In contrast, economically weaker places face rising costs of capital, shrinking local liquidity, and declining collateral positions.

Prosperous cities and regions become, in effect, an extension of the global bond markets. This happened in the aftermath of the 2008 crisis and accounts to a large extent why we observe inter-regional divergence in most OECD countries in the last decade. Overall, these geographical capital shocks enhance the local entrepreneurial opportunities and recovery possibilities for the more prosperous places and reduce those in weaker places. As such, the current pandemic is likely to have largely similar effects, working directly against ‘levelling up’.

Both individually and in combination, the Brexit and COVID-19 shocks will work directly against any ‘levelling up’ agenda. The differences, however, are in terms of the origins of the shocks. Brexit was an internally generated shock to the UK economy, in the sense that it was an explicit political and societal decision, whereas COVID-19 is a genuinely external shock unrelated to any domestic decision-making processes. While there may be questions regarding some of the decisions made by the UK government in its handling of the pandemic, it is still fundamentally an external shock. Yet the implications are likely to be broadly similar, and the external pandemic shock has therefore thrown much sharper light on to the long-run impacts of governance centralisation due to political and policy decisions made over many decades, as well as those made very recently.

Levelling up?

Coming so soon after the recent Planning White Paper, we now have a flurry of announcements of new initiatives, including a new ‘Levelling Up Fund’, a new British Development Bank, a revised Green Book, along with a new National Infrastructure Commission strategy document. In terms of the ‘levelling up’ agenda, these potentially represent welcome steps forward, although at present we are still waiting to hear more concrete details regarding the devolution agenda or the Shared Prosperity Fund – the post-Brexit replacement for EU regional policy. Until we hear the details on these crucial aspects, it is, as yet, very hard to assess the extent to which the ‘levelling up’ agenda is being moved forward.
As the UK2070 Commission Final Report\(^1\) made clear, the scale of resources required in order to seriously advance the ‘levelling up’ agenda is far bigger than the sums of money outlined in the November 2020 Budget. Moreover, and unlike the process underpinning the ‘Town Deals’,\(^2\) a clearly articulated and long-term strategic focus needs to be built into the ‘levelling up’ agenda from the outset.

Given the sheer scale of the Brexit-related and COVID-19-related challenges that the UK now faces, on top of the existing inter-regional inequalities, developing a national narrative about ‘levelling up’ that is consistent with what is required to achieve it would be an important step forward.

*Professor Philip McCann* is Professor of Urban and Regional Economics at University of Sheffield Management School. The views expressed are personal.

### Notes


Infrastructure and regeneration investments are frequently seen as essential contributors to attempts to stimulate economic regeneration in depressed economies. The underlying ideas are rooted in Keynesian economics, where the aim is to stimulate demand through increased government expenditure. Examples of infrastructure investment being used to enhance economic development and growth can be found throughout the world – the most recent example with global implications being the Chinese Belt and Road policy initiative.

In particular, in developing countries and in countries in transition there is evidence that investment in infrastructure development can support economic development. Funding of big infrastructure projects is therefore an investment priority of development organisations and banks, such as the World Bank and other regional development banks. In the European Union (EU), the European Regional Development Funds (ERDFs) aim to strengthen economic and social cohesion in the EU by attempting to correct imbalances between its regions. Its Cohesion Fund includes investment into the EU’s Trans-European Networks programme (TENs).

This article reflects on the infrastructure and regeneration investments made in the area of the former German Democratic Republic (GDR) – usually referred to as Eastern Germany) – after unification with the Federal Republic of Germany (Western Germany) in 1990. It summarises some basic cornerstones of the associated policy and some of the lessons learned, and it describes the economic situation in Eastern Germany following unification and outlines the aims of, and actions taken under, the ‘Transport Projects of German Unity’ (Vékehrsprojekte Deutsche Einheit) infrastructure investment programme. Whether the associated ‘Solidarity Treaty’ policy of the Federal and Länder (states) governments introduced in 1994 can be portrayed as a success story is explored. An overall critical evaluation of infrastructure investment is provided, before conclusions are drawn.

The GDR’s collapsing economy post-1990, and regeneration efforts

The near total collapse of the economic system of the GDR following the July 1990 currency union and the October 1990 political unification with the Federal Republic of Germany was distinctly different from what happened in other Eastern European countries at the same time. Just before the currency union, the territory of the GDR had witnessed dramatic levels of out-migration (since the creation of the GDR in 1949, about 3 million citizens had fled the country up to 1989 – nearly 350,000 left in 1989 alone before the fall of the Berlin Wall on 9 November). Stopping or at least slowing down the drain of human skills, knowledge and labour to the West, which continued after 1989 with another half a million people leaving before 1991, became a key political priority.

The dominant political opinion at the time was that exchanging East to West German currencies (GDR mark to D-mark) partially at rates of 1:1 and 1:2 (the ‘unofficial’ exchange rate was about 1:9 in October 1989) was the best way to stop people flocking to the West. However, it was also clear that this would make most GDR businesses (usually state-owned) uncompetitive – literally overnight – because infrastructure, machinery and products were outdated compared with Western Germany; and because it would be impossible to sell products to the (former) socialist Eastern European countries, economically organised within COMECON (the Council for Mutual Economic Assistance, covering the USSR, Poland,

Thomas B Fischer looks at lessons that can be drawn from the experience of investing in infrastructure and regeneration in order to support socio-economic stabilisation of the depressed economy on Eastern Germany after German unification in 1990.
The ensuing programme, 'Aufbau Ost' (Rebuilding of the federal government in 2004 to run until 2019. It ran from 1995 to 2004, before it was extended by 'Solidarity Treaty' (Solidarpakt), was adopted in 1993. 500 billion euros went into various actions, in transport infrastructures. The remainder of the included extensions of existing as well as new shows the locations of these projects, which nine railway projects. Fig. 1 on the following page consisting of one waterway, seven motorway and Unity', a major infrastructure investment programme the above mentioned 'Transport Projects of German eurpean countries.

There was consensus in Germany overall (including in Western Germany, where at the same time the economy experienced a sustained boom as a consequence of unification and the decline of the Eastern German economy) that the situation required a decisive public response in order to stabilise what became known as the ‘new’ German Länder.

Infrastructure investment in Eastern Germany aimed at stimulating growth

A political agreement between the federal government and all the German Länder, called the ‘Solidarity Treaty’ (Solidarpakt), was adopted in 1993. It ran from 1995 to 2004, before it was extended by the federal government in 2004 to run until 2019. The ensuing programme, ‘Aufbau Ost’ (Rebuilding of Eastern Germany), consisted of numerous elements, including substantial subsidies for investment in regenerating and renewing cities, towns, regions, and infrastructure. A 'Transport Projects of German Unity' programme was directed at transport infrastructure development, as explained below.

While it is impossible to provide for an exact estimation (all the figures are contested), it has been suggested that by 2014 about 1.5 trillion euros of public money had been made available by both the western and eastern parts of Germany to support rebuilding the ‘new’ Länder (Schmid et al. mention a figure of up to 2 trillion euros). By 2009, about 100 billion euros were being invested every year.9

All this equates to about 100,000 euros per person over a period of 25 years, or 4,000 euros per person per year. In comparison, Poland, as the biggest net beneficiary of EU funds in 2019, received about 220 euros per person per year.10 With regard to infrastructure renewal and investment in city/town regeneration, there are estimates that about 500 billion euros were spent by 2014, i.e. over 30,000 euros per person or roughly 1,300 euros per person per year over a period of 25 years.11 About 40 billion euros (i.e. around 8% of the total amount) went into the above mentioned ‘Transport Projects of German Unity’, a major infrastructure investment programme consisting of one waterway, seven motorway and nine railway projects. Fig. 1 on the following page shows the locations of these projects, which included extensions of existing as well as new transport infrastructures. The remainder of the 500 billion euros went into various actions, in particular for subsidies for investment in regeneration and renewal projects.

The Solidarity Treaty – an economic necessity?

Overall, there can be no doubt that the substantial infrastructure construction efforts, as well as the investment subsidy for renewal and regeneration projects, played a key role in stabilising the ‘new’ German Länder at a time of major job and population losses as well as serious economic woes. Furthermore, the creation of a functioning, modern infrastructure has been an important factor in keeping and attracting businesses that have invested and created jobs (both in industry and services) since then. Importantly, initially the construction industry was one of the main factors in a rapid rise in GDP per person in Eastern Germany, which had stood at just over 30% of the figure in the West in 1990, and which subsequently increased to over 60% by 1995.12

Had there not been substantial rebuilding and regeneration, it is very likely that the out-migration of people and the decline of infrastructure, towns and cities would have continued at a much greater rate than what was actually observed. While average unemployment in Eastern Germany remained slightly higher than in Western Germany by 2019 (at about 7% compared with about 5%), it had fallen substantially from its peak in 2005 (when it was 19% in the East and 10% in the West). The overall employment rate in 1989 was higher in the former German Democratic Republic than it was in the Federal Republic of Germany, mainly owing to many more women being in employment. In 2019, it was still slightly higher in Eastern Germany (80% compared with 78%). Furthermore, average incomes in Eastern Germany in 2019 were somewhere between 85% and 90% of those in Western Germany.

Critical reflection

While investment in infrastructure and regeneration was particularly crucial for the transition period, there has been criticism of how the investment was used, especially after the initial five-to-ten year period following unification. Funded construction projects tended to have short- to medium- rather than long-term effects. In this context, it is of particular relevance that, to date, relative productivity levels in Eastern Germany have remained lower than in the West, creating a continuing competitive disadvantage for businesses. There has been much criticism that this is still a key issue that has not been tackled sufficiently.13 Furthermore, while infrastructure and renewal investment has created much-needed jobs, frequently these required only low levels of skills.

In 2019, the average GDP per person in the ‘new’ Länder remained at about 70% of that in the Western Länder (albeit with considerable regional differences). However, total GDP had more than doubled since 1991. Furthermore, the contribution of the construction
With hindsight, what should have received more attention and funding, in addition to investment into infrastructure, renewal and regeneration, was education and training, especially with regard to highly skilled jobs and innovation. This is in line with what was observed by this author with regard to the UK’s 2011 National Infrastructure Plan, in an article which suggested that ‘regarding the goal of economic growth, there are some indications that this would be best achieved by using public monies to invest in education and training infrastructure’. While this did occur to some extent all over the ‘new’ German Länder, the amount spent was much smaller than the investment that went into construction-related activities. A main conclusion from the experiences in Eastern Germany is therefore that, while short- to medium-term infrastructure renewal and regeneration can play a highly important role in stabilising an economy in transition, a more substantial effort needs to be made in developing sought-after skills through education and training in the long term.

At this point, it is important to underline that this article does not attempt to reflect on whether the industry to GDP in Eastern Germany had decreased considerably, from 14% in 1994 to 6.8% in 2017, with other economic activities gaining in importance. In 2017, services made up nearly 70% of gross value added to the economy of the ‘new’ Länder.

In this context, it is important to stress that regional differences in GDP per capita in countries throughout the world are not unusual, even in countries that do not have as dramatic a recent history as that of Germany. In the UK, in 2019 Wales had a GDP per capita standing at 73% of that of England (£23,866 compared with £32,857). In the same year the GDP of the ‘new’ German Länder stood at about £27,000, compared with £38,700 in Western Germany. In Italy, the difference was even more pronounced, with Calabria having an average GDP per capita of only 60% of the Italian average. What is of particular importance here is that the gaps between different regions and nations in the UK and Italy have not been reduced over the last two to three decades. Also, regional differences in Germany in 2019 were smaller than those found in, for example, France, Ireland, Czechia, Belgium, Slovakia, or the UK.
money spent has always generated a good return, i.e. whether the benefits achieved can be said to have justified the costs. In this context, Ansar et al.\textsuperscript{18} have warned that ‘investing in unproductive projects results initially in a boom, as long as construction is ongoing, followed by a bust, when forecasted benefits fail to materialize and projects therefore become a drag on the economy’.

Furthermore, while this article focuses on economic development, when considering long-term sustainable development goals there is also a need to reflect on environmental and social effects. With regards to the former, overall, in Eastern Germany air and water quality improved substantially following unification. The River Elbe, for example, was one of the most polluted European rivers prior to 1990 and is now considered to be one of the cleanest.\textsuperscript{19} However, Germany is no different from most other European countries in that biodiversity is continuing to decline,\textsuperscript{20} and there are clearly a number of negative environmental effects associated with the Transport Projects of German Unity.

‘An important lesson is that some serious effort should be put into addressing persistent regional inequalities, including economic inequalities between the nations and also within them’

In this context, it is important to note that a key reason for a decline in biodiversity in Europe is severance, particularly through roads and railway lines. Building major motorways into sparsely populated regions (which some say are the under-used) is clearly problematic. For example, the Baltic Sea motorway, the A20, cuts through what was one of the largest remaining unsevered regions in Germany, with numerous implications for wildlife.\textsuperscript{21} Similar criticism has been expressed for other projects.

Despite one of the projects (the extension of Havel and Spree rivers\textsuperscript{22} – number 17 on the map in Fig. 1) being considerably scaled down as a result of public opposition, it is probably fair to say that projects were not as thoroughly assessed as they should have been when the programme was drawn up. While Environmental Impact Assessment (EIA) was applied at the project level, no strategic assessment was conducted – such as Strategic Environmental Assessment (SEA), for example.\textsuperscript{23} This could have helped in developing a better understanding of strategic issues and cumulative effects – which, considering the scale of the projects, would clearly have been beneficial.\textsuperscript{24}

With regards to social effects, many people initially became unemployed and felt left behind, which gave rise to some considerable tension. While tensions have reduced since the 1990s, a considerable minority still feel disadvantaged and disconnected from the ‘new’ country that they are living in – especially those who never found employment again. How these perceptions and feelings could have been avoided is difficult to say. However, it is likely that the considerable regeneration and investment efforts were able to mitigate at least some of this discontent. Overall, wellbeing in Eastern and Western Germany started to converge in about the mid-1990s.\textsuperscript{25}

Conclusions

The development of Eastern Germany since unification with Western Germany in 1990 bears witness to the importance of investment in regeneration and infrastructure to support the socio-economic stabilisation of depressed economies facing numerous serious socio-economic problems, particularly in the short to medium term. As a result of unprecedented levels of investment (up to 1.5-2 trillion euros), the economy in Eastern Germany was stabilised and out-migration slowed considerably. In 1990, GDP per capita in Eastern Germany was only 30% of that in Western Germany, but within a few years that figure rose to over 60%.

While a gap remains between the two parts of the unified Germany up until this day, overall, and particularly against the backdrop of persisting regional GDP differences in other countries, economic development in Eastern Germany since 1990 can be considered a success story. Importantly, average incomes in Eastern Germany in 2019 were somewhere between 85% and 90% of those in Western Germany. This is not to suggest that no problems remain – particularly with regard to a productivity gap between the East and the West, and also with regard to other (for example social) challenges. Furthermore, a more balanced approach should have been taken in the original investment programmes, particularly with regard to the development of education and training for highly skilled jobs and innovation, and also in terms of a more strategic and environmentally aware approach to development.

Overall, though, there can be no doubt that the story told in this article would have been a different one had there not been the same level of commitment to regeneration and infrastructure investment. Despite the criticism directed at some aspects of the Solidarity Treaty, the efforts to develop Eastern Germany since 1990 are well worth studying, particularly by countries and world regions in transition, facing economic depression and unequal regional development.

For the UK, and particularly considering the current government’s intention to ‘level up’ underperforming
and left-behind parts, an important lesson is that some serious effort should be put into addressing persistent regional inequalities, including economic inequalities between the nations and also within them. This would need to include much higher levels of investment in regeneration and infrastructure, in particular for initiatives that support the development of highly skilled jobs and innovation.

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Notes


2 The Belt and Road initiative is an ambitious Chinese foreign policy, potentially including 70 countries and representing two-thirds of the global population. With a total value of over US $3 trillion by 2049, the initiative aims at unprecedented levels of infrastructure development, extending across borders of countries and being located within and between world regions. See TS Aung and TB Fischer: ‘Quality of environmental impact assessment systems and economic growth in countries participating in the belt and road initiatives’. Impact Assessment & Project Appraisal, published online 23 Sept. 2020. https://doi.org/10.1080/14615517.2020.1818520


4 See the EU Cohesion Fund factsheet, at www.europarl.europa.eu/factsheets/en/sheet/96/cohesion-fund


11 A solidarity tax raised in all of Germany (i.e. the West and East) from 1991 onwards (initially 7.5% of the tax bill of wage earners and companies; post-1998 this became 5.5%) generated about 200 billion euros

12 Jahresbericht der Bundesregierung zum Stand der Deutschen Einheit 2015. BMWi (Bundesministerium für Wirtschaft und Energie), Sept. 2015. www.bmfsj.de/blob/83626/42c7b369149d0638d598980d3e0f52/jahresbericht-einheit-bundesregierung-data.pdf


24 J Dusik, TB Fischer and B Sadler: Benefits of a Strategic Environmental Assessment. Regional Environmental Center for Central and Eastern Europe. UNDP, 2003


The case for an ‘MIT’ for the North

There is a major opportunity to help re-balance the UK’s economy by increasing in investment in R&D in the North, centred around a new, globally significant, northern centre for science and technology, say Stephen Nicol and Ian Wray

The North of England was the cradle of Britain's Industrial Revolution. Its universities played a leading role in 20th century science. In 1917, the Nobel Prize winner Ernest Rutherford became the first person to create an artificial nuclear reaction in laboratories at Manchester University. Alan Turing worked at Manchester after the Second World War, where, on 21 June 1948, Tom Kilburn built and successfully operated the world’s first stored-program electronic computer, later founding a Department of Computer Science.1 At Liverpool University, Nobel Prize winner James Chadwick, who discovered the neutron in 1932, built one of the earliest cyclotrons, later leading the British team that worked on the Manhattan project.

In spite of under-investment in industry, de-industrialisation on an unprecedented scale since the early 1980s, and a relative concentration of government-funded research and development (R&D) elsewhere, the North retains a major base of science and innovation. Research carried out for the Northern Powerhouse (The Northern Powerhouse Independent Economic Review2) has identified a raft of economic strengths and innovation capacities of national and international significance. These include four ‘prime capabilities’: in advanced manufacturing, with a particular focus on materials and processes; in energy, especially in nuclear power and offshore wind; in health innovation; and in digital technology. These are described by the Independent Economic Review as ‘international-class assets, expertise, research and businesses that are genuinely distinctive for the North, are highly productive and can compete at national and international scales’.

However, in economic and innovation terms the North remains something of a ‘slumbering giant’. Productivity levels lag significantly behind the UK and OECD averages, and on most measures of innovation there is a substantial gap with London and the wider South East. This is a lost opportunity for the North and its businesses and people. It is also a lost opportunity for UK plc. But there is an opportunity to re-balance the UK’s economy and in so doing enhance overall UK productivity and competitiveness.

The North has strong research capabilities across its universities and research institutions. But overall, as noted below, government-funded R&D activity is well below par in the North. A strong knowledge base is a critical component to economic success, as is the absorptive capacity of the economy to exploit ideas. The North has a large and diverse economy to absorb and develop ideas and a still-strong manufacturing base. There is a need to invest in the innovative capacity of the North to unleash this potential. This article argues for:

- an unprecedented increase in investment in levels of R&D in the North, particularly in translational research;3 and
- an investment focus on developing a new world-class capacity in technological innovation that can deliver sort of the step-change that the Massachusetts Institute of Technology (MIT) achieved for the US, and particularly for the North East area around Boston.

Patterns of national and regional R&D

As a nation, the UK spends much less than many others on R&D. In terms of government funding as a share of GDP, in an international comparison carried out by the Information Technology and Innovation Foundation in the USA, in university-led R&D Britain comes 20th, behind Switzerland, Denmark, Norway, Sweden, Australia, Austria, Finland, Iceland, Netherlands, Singapore, and others, spending only 0.24% of GDP. The USA comes even lower, ranking 22nd. Furthermore, the UK’s spend on all forms of R&D and as a share of its economy has been declining in relative terms. Over the last 30 years, the UK has slipped from being one of the most research-intensive
developed economies in the world to being one of the least. The government has committed to meet a target of 2.4% of GDP invested in UK R&D by 2027, and to a longer-term goal of 3%. This target is unlikely to be delivered through incremental projects and will need a major new institutional focus – and a quantum leap in thinking which should refocus the UK’s research effort in the North.

Alongside a decline in the average level of R&D intensity, R&D activity in the UK is highly skewed. Perhaps the most profound of the UK’s regional inequalities relates to research and science. In a knowledge-based economy, science and research are the bedrock of innovation and thus of economic growth and productivity. A knowledge-rich economy can prosper; a knowledge-poor economy cannot. Knowledge resides in books, research papers and institutions, but most importantly it resides in people’s heads, and is transmitted by personal interaction, especially if the end result is to be applied, with innovation leading to profitable invention.

Fig. 1 and the maps in Figs 2-4 (above and on pages 398 and 399, all abstracted from a report by Professor Wong and colleagues) graphically illustrate the issues.

There is recent evidence which suggests that things may be deteriorating in the peripheral regions to the benefit of the so called ‘Golden Triangle’ (bounded by London, Oxford, and Cambridge). In 2000 a major decision was taken to base a new ‘Diamond Light Source’ (synchrotron) project at the University’s Urban Institute shows that over 48% of this expenditure is accounted for by London and the South East, and a further 11% by the South West. Turning to the manufacturing regions the contrast is stark: the West Midlands’ share is 3.23%, the East Midlands’ 3.37%, and the North East’s 2.19%. Only in the North West and Scotland was the share more than 6% (here, however, is something to build on).

The picture is similar in the distribution of higher education research, with over 48% in London, the South East and the East of England, and in the distribution of business R&D, with no less than 52% in London, the South East and the East of England. The picture for business R&D is better in the Midlands (10.4%), but remains poor across most of the North: Yorkshire and Humberside has 4%; the North East only 1.2%.

There is recent evidence which suggests that things may be deteriorating in the peripheral regions to the benefit of the so called ‘Golden Triangle’ (bounded by London, Oxford, and Cambridge). In 2000 a major decision was taken to base a new ‘Diamond Light Source’ (synchrotron) project at the

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**Fig. 1  Share of the UK’s gross expenditure on R&D by sector and region, 2017**

*Source: Table 1 in Industrial Strategy and Industry 4.0: Structure, People and Place*
Rutherford Appleton Laboratory in Oxfordshire rather than at Daresbury in Cheshire, which had been home to Britain’s existing synchrotron. There was further debate in 2008 about the funding of a new light source facility at the Daresbury location or others in the Golden Triangle.\(^5\) In 2007 the Francis Crick Institute project to consolidate biomedical research was launched in London and completed in 2016 – with 1,500 staff, including 1,250 scientists, and an annual budget of over £100 million, making it the biggest single biomedical laboratory in Europe. Limited or no consideration was given to a location outside the Golden Triangle.

In his statement as Chancellor of the Exchequer in 2010, George Osborne announced significant national investment in science. Every major project in his list was in London and the South: the UK Centre for Medical Research and Innovation (London); the Laboratory of Molecular Biology (Cambridge); the Animal Health Institute (Pirbright), and Diamond Light Source (Oxford).

**The Cambridge story – how concentrated research spurs innovation**

Largely by accident, Cambridge has emerged as the foremost part of the UK in which a concentration of world-class research is coupled with a thriving business sector, creating a relatively small but internationally significant area of innovation and growth. The so-called ‘Cambridge phenomenon’ is well researched and stands out in the UK.\(^6\) By the 2000s, biotechnology was emerging as a formidable part of the Cambridge high-technology cluster, caused in part by the development of human genome research, as well as high-profile engagement with big pharmaceutical companies. Cambridge has benefited enormously from the location of the government-funded Laboratory for Molecular Biology (LMB), established in 1947, where Watson and Crick announced their findings on the structure of DNA in 1953. The LMB has had direct long-term funding from the Medical Research Council and has new facilities at the £200 million Addenbrooke Hospital complex.

An important example of the ‘Cambridge effect’ is the alliance between Cambridge Antibody Technology, a company that emerged from the LMB, and the UK pharmaceutical giant Astra Zeneca. In 2014 Astra Zeneca announced the closure of its in-house research facilities in North West England at Alderley Park, near Manchester, and the relocation of its research facilities to Cambridge, where it could take advantage of knowledge transfer and alliances with institutions such as the LMB.

Cambridge has been extraordinarily successful at spinning off new high-technology companies across a wide range of sectors – although it has often lost promising start-ups to predatory international buyers. In 1984, John Butterfield, Vice-Chancellor of Cambridge University, argued that among the many factors that had shaped Cambridge’s success in high-technology business should be counted its relative isolation, and its ‘sequestration from industrial society as it has evolved in Britain’s cities since the last century’. However, it is arguable that the remoteness of Cambridge-based science research and innovation within the UK has deprived manufacturing in other regions of the opportunity for interaction with bright researchers and new ideas that have so readily entered the world market. In the USA that issue was put into sharp focus for the Massachusetts economy by Professor Michael Best of the Lowell Centre for Industrial Competitiveness:

‘We run the risk of turning into Cambridge, England: we’ll have isolated clusters of the very best university research and a number of small R&D firms but not the downstream production, service and support jobs that make a vibrant economy. We’ll create all the new ideas – but others will get too much of the benefit.’\(^7\)

Cambridge has certainly excelled at innovation; but largely in one (highly internationalised) model of high-end innovation. Like other institutions in the Golden Triangle, it has given powerful leadership –

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\(^5\) UK2070 Commission and Rebalancing the UK Economy

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**Fig. 2** R&D expenditure by sector and region, 2017

Source: Fig. 22 in Industrial Strategy and Industry 4.0: Structure, People and Place\(^5\)
benefiting from its own institutional power and its close connections with powerful people (including, of course, its own alumni).

Alternative models of innovation and funding

In their discussion of the new American policies for innovation and specifically US Advanced Manufacturing initiative institutes, William Bonvillian and Peter Singer at MIT identify several models of innovation:

- **Pipeline model:** This is the traditional US approach to provide "a stream of new scientific knowledge to turn the wheels of private and public enterprise".

- **Extended pipeline model:** Support is given all the way from front-end R&D to demonstration, test bed, and initial market creation, via defence orders. The pipeline bridges what is sometimes known as the ‘valley of death’ between research and implemented technology.

- **Induced innovation model:** Here technology comes from firms spotting opportunities; the market creates demand and technology is pulled rather than pushed into innovation.

- **Manufacturing-led innovation in technology, products, and processes:** This is a more purposeful version of induced innovation, in which industry leads, but with strong government support. Applied R&D is integrated with the manufacturing process. Asian countries, including China, Japan, Taiwan, and Korea, have used this planned approach. It is a serious gap in US policy.

- **Innovation organisation:** Essentially, this is a hybrid model, taking the best characteristics of all the earlier models. It incorporates a pipeline component, an extended pipeline component, and manufacturing-led innovation and support for back-end production, going well beyond the extended pipeline model.

In Germany, the Fraunhofer Institutes implement a permanent programme for advanced manufacturing support, with no finance cut-off and with long-term strategic leadership outside government. The Fraunhofer Gesselschaft supplies overall leadership for the network of institutes, with a senate and general assembly representing the 60 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 notable: German funding is in the order of $2 billion per annum.

It is increasingly recognised in the USA that a significant government role is needed in securing...
innovation, as in Germany and China. In particular, manufacturing institutes need to be joined together in a supporting network, with operational autonomy for each institute, but a public-private council to oversee broader performance.

Compared with Germany, UK levels of funding for R&D in general, and for the new advanced manufacturing institutes in particular, are very modest. In 2010 the coalition government provided £200 million to establish seven Catapult centres for advanced manufacturing over a four-year period (£50 million per annum). In his review of the UK’s Catapult initiative in 2014, Dr Hermann Hauser called for a £1 billion per annum programme by 202010 – comparable with, but much less than, the German programme. In August 2018 the UK government announced a further £780 million investment in the Catapult network. The funding builds on the £180 million investment announced by the Prime Minister for centres in the North East earlier in 2018, taking the total of additional funding to almost £1 billion over the next five years.11

This sounds impressive but at £250 million per annum is only a quarter of the funding implied by Hauser’s 2014 review, and only a fraction of the £2 billion per annum provided in Germany.8 A great deal is being done, and that is very welcome. But there needs to be a huge shift in volume and quality, with a strong new skew towards the North.

An ‘MIT’ for the North

In summary, the UK spends too little on R&D compared with many other economically advanced countries. In particular, it spends much too little on innovation organisation and manufacturing-led innovation compared with other countries, and especially in comparison with Germany. The UK’s national research efforts are overly concentrated in the Golden Triangle, distant from the North and much of the nation’s manufacturing base.

Although there are some excellent research universities and individual departments in the North, the UK’s globally important institutions, with scale and mass, are largely in the Golden Triangle, where government research institutes, and increasingly private sector research activity, are congregating. The North has been left out in the cold, and the opportunity to build on its excellent business base and sectoral strengths is hampered.

Our proposal for an ‘MIT’ for the North is designed to create a new northern institute for science and technology, tackling all these problems and related difficulties head on. It would aim to create a new, globally significant resource for science and technology in the North, able to rival Oxbridge on its own terms, just as the northern redbrick universities created in the 19th century outshone Oxford and Cambridge and woke them from a gouty slumber.12 It could expect to attract very significant contributions from the private sector and philanthropic institutions, both in the UK and internationally.

We have chosen to call this proposal an ‘MIT’ for the North in part to attract attention. However, it certainly would not be a carbon copy of the original MIT, based in Cambridge, Massachusetts, USA. It would not be a new plate-glass building, or a new university which would compete with existing institutions in the North. It would – like the USA’s DARPA (Defense Advanced Research Projects Agency) model13 – carry out high-level research on its own, pulling in some of the best research professors in the world. It would act as a national counterweight to the Golden Triangle. It would be required to work collaboratively as part of a distributed network, sharing funds and research contracts across the North. It would work in partnership with the N8 Research Partnership and other universities, with advanced manufacturing institutes, with the private sector, and with government research institutions, especially if they can be persuaded to relocate, in whole or part, to the North.

Draft objectives for the new institution would be as follows:

● **Prime objectives for the UK and the North:**
  - To act as a focus for additional public, private and philanthropic investment in the UK in research, especially translational research to raise the nation’s game internationally.
  - To increase rates of innovation across the North, and so productivity.
  - To bring to and retain in the North the best talent in the world.

● **Institutional objectives:**
  - To create a new endowment-funded, world-class institution in the North, focused on science and technology, with scale, independence and longevity, which would become equal in status to Oxbridge or the top-flight London universities over the next two to three decades – built on government research and public funding, in tandem with international business and philanthropy.
  - To work in a collaborative way as part of a network, working in partnership with the best of the North’s existing universities, research bodies, and businesses.
  - To act as the central and distributing institution for funding and supporting the North’s current and future advanced manufacturing institutes, focused on turning new ideas into monetised products, services, and processes.

Making all this work would demand long-term thinking on a 20-50 year time horizon. It would have to be big, and would need to acquire huge institutional weight. It would require large-scale, long-term and consistent funding, at least on the scale of the
funding allocated to the German Fraunhofer Institutes – in the order of £1 billion to £2 billion per annum. This would give a ten-year public funding profile in the order of £10 billion to £20 billion, supplemented by private research contracts, international partnerships, and philanthropy. This sounds like a huge sum, but even the upper end is less than a quarter of the current estimated cost of HS2 (£86 billion) and in the same order of magnitude as the costs of Crossrail, London’s new rail tunnel (£18 billion).

To ensure that the funding is sustained across political cycles, there would need to be effective ring-fencing, whether by use of endowment funding or, as in the case of the 19th century US technological universities (including MIT), through grants of land and property. Cambridge University is the beneficiary of long-term returns from its extensive land-holdings.

We are conscious that there are different models for how such an institution could work. There needs to be a strong spatial focus to ensure cross-fertilisation and the place-specific development and generation of ideas. This could lend itself to a highly centralised institution in one location. However, equally there is an opportunity and indeed a need to work across the North, building on and enhancing the excellence that already exists. This points to a more distributed model, with outlets or nodes in several different parts of the North, and is essentially the model for ‘Centres of Excellence’ supported by the UK2070 Commission in its Final Report and repeated in its recent follow-up report, Go Big. Go Local.

Equally, there are different possible models for how the institution would work with other bodies in the North (and elsewhere in the UK). The pure MIT model would be very much a stand-alone institution, carrying out the bulk of teaching and research in-house, albeit working with others. An alternative model (similar to DARPA) would be one in which the new institution primarily works with other universities and bodies in the North to contract for research (and teaching).

Whatever model is followed, it will need to have its headquarters located in a place that is already strong on technology and R&D, with high-speed connections to the other northern university cities and to London, as well as international airport connections. It may be beneficial to have a link across to existing educational institutions, particularly in the early years of set up – acting as a host.

We realise that any decision on location would be contested and highly political, as indeed would the proposal as a whole if it is perceived as a threat to existing institutions. There will also be a legitimate debate about whether a similar institution is needed in the Midlands. With the arrival of HS2, the Midlands will be much better plugged into London’s research base, as well as the rest of the Golden Triangle. At
this stage, the North should be the location, with a potential second, sister institution in the Midlands if good progress is made.

What difference would it make?

What then are the potential benefits of our proposal, particularly the difference it could make to the North? An ‘MIT’ for the North would become a world-leading centre for science and advanced research. It would have stability and scale in funding, over long timescales, working in active partnership with, and giving support for, five-star-rated university departments and others across the North. It would become a focus for attracting government and private sector research institutes (within and beyond the UK), for attracting and managing national and international private sector and philanthropic funding on a very large scale, and for attracting and supporting venture capital funds into and within northern high-technology and business.

There is strong body of literature on the economic returns from investment in public R&D. A recent review report concluded that ‘recent evidence, looking at how different industrial sectors interact with publicly-funded R&D, has estimated positive and significant social returns of around 20% for UK public R&D investments’.18 The report also confirmed that private sector return on private R&D averaged around 25%-30% and that the wider social returns could be two to three times this figure (as a result of spillover benefits). Furthermore, it concluded that this estimate is likely to ‘to understimate the economic return to public R&D spending’.

It is also the case that public R&D spending can lever in international and private R&D spending, with ‘every £1 of public spend leveraging about £1.40 of private spend’ according to some estimates.19 This means that at a UK level the return from every £1 invested in public R&D on average could produce a wider economic return of £1.20 as the very minimum, but that the full returns could be as high as £4.50 to £5.00.20 So, over time, a £2 billion per annum R&D boost via an ‘MIT’ for the North could see a boost of £4 billion per annum, and potentially as much as £11 billion per annum, to the UK’s economy – but spatially concentrated in the North, thus helping both to boost overall UK economic performance and to bridge the gap between North and South.

A northern location should be an important attraction for top professors and leading research students, internationally. Because congestion and the cost of living is much lower in the North, it should offer a better lifestyle and work-life balance, with rapid access to the Golden Triangle and London via HS2.

An ‘MIT’ for the North would have the potential to supply stable long-term funding – on a much larger scale – for the North’s advanced manufacturing institutes, with strategic direction from above on the German Fraunhofer Gesselschaft model, promoting much stronger connections between thinkers and makers. We would expect to see, over time, substantial spin-outs, on the Oxford and Cambridge model. Especially in medicine and life sciences, already recognised as key northern strengths, there would be the opportunity to utilise a key challenge and a uniquely important research issue and database: ill-health and the relative stability of family cohorts.

There would be other wider benefits which would not be trivial. An ‘MIT’ for the North could help to transform the North’s international image. It would bring significant and independent institutional power to the North. It would help to utilise and develop key current and future assets – Manchester International Airport, HS2, and northern high-speed rail. And there would be catalytic and symbiotic effects with urban regeneration, sustainable transport, and high-speed rail, especially in city cores.

The government is now committed to a major national expansion of investment in science and R&D.21 The spring 2020 Budget set out plans to increase public R&D investment to £22 billion per year by 2024-2025. This is the fastest ever expansion of public financial support for R&D. The funds will be rolled out between this year and the financial year 2023-2024, aiming to take direct support for R&D
to 0.8% of GDP and placing the UK among the top quarter of OECD nations – ahead of the USA, Japan, France, and China. £800 million of this new funding is going towards setting up a new, high-risk, high-reward research agency modelled on the American DARPA, and £900 million is going to supporting nuclear fusion technology, the National Space Innovation Programme fund, and the e-vehicle supply chain.

Where will the new DARPA style facility be located – in the North, close to the research universities, Cumbria’s nuclear industry, and critical components of the aerospace industry in Lancashire, or in the Golden Triangle? It will be a critical test for the reality of Boris Johnson’s ‘leveling up’ agenda.

All of this new policy is welcome and, it might be said, long overdue. But our central argument remains unchanged: if a national ‘re-levelling’ is to be secured, the North of England must become – and it must remain – a long-term focus for that increased level of public and private scientific investment. Without a powerful new institution in the North, we doubt that this can be achieved.

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Notes
1 S Lavington (Ed.): Alan Turing and His Contemporaries. British Informatics Society, 2012
3 A concept developed in medical research to describe the process of taking basic research and translating it into research and clinical developments that improve health outcomes
13 DARPA (Defense Advanced Research Projects Agency) was created in 1963 to oversee the US space research programme, separating its civilian and military components. Through its support for high-risk R&D projects at the frontiers of research, implemented through contracting institutions, it became a crucial driver and funder in the creation of the internet
20 The lower figure is based purely on the direct social return from public R&D; the higher figure also includes the estimates of additional private (and other) R&D levered in and the social return on that
Jim Steer outlines the requirements of a fully functioning, national public transport system designed to support the ‘levelling up’ of the UK economy and meet the nation’s net-zero carbon ambitions

Improved transport connectivity has a role to play in meeting the government’s aim of ‘levelling up’. The chosen approach needs to be reconciled with another government objective: to achieve net-zero carbon by 2050. In a recent report prepared for the UK2070 Commission (COVID-19, Cities and Public Transport1), Greengauge 21 has set out a long-term pan-UK transport network to meet these two overarching government objectives within a very different post-Coronavirus world. The summer 2020 post-lockdown reliance on private car transport cannot continue without major road congestion and negative environmental consequences. The current price paid for carbon dioxide emissions will need to be increased to help achieve a shift back to more sustainable transport modes.

How the Coronavirus will impact on overall travel demand patterns in future depends particularly on what happens to cities and city centres. There are many unknowns, but cities have overcome setbacks repeatedly throughout history. While public transport use has been discouraged in the UK for much of 2020, evidence from the New York subway suggests that it is unlikely to be a major source of Coronavirus spread.2

The overall strategy set out for the UK2070 Commission has four elements:
- re-allocation of road space nationwide in support of a planned expansion of walking/cycling (active travel modes) to support local neighbourhoods;
- creation of a much more user-friendly, nationwide, scheduled public transport network, accessible by active and demand-responsive travel modes and essentially operated with electrically powered vehicles;
- ensuring that the national public transport system provides efficient connectivity to well-off/high-accessibility places and less-well-off/peripheral places alike; and
- creating a national logistics network that reduces dependency on HGVs, with electrified rail freight (and, potentially, hydrogen-fuel-cell-powered HGVs) linking a much expanded set of distribution centres from which customer fulfilment can be made by fleets of rechargeable electric vans and cargo bikes.

The need to re-allocate road-space in favour of active travel modes rules out an approach that would increase dependency on the national highway network for car-based travel: it will have insufficient capacity.

A radically improved, user-friendly public transport network needs to serve the whole nation, not just its more prosperous parts. Investment is needed because:
- The nation’s scheduled public transport system is not joined-up. Buses and trains are managed entirely separately. They have separate fare systems; they present very different challenges for mobility-impaired travellers; and, while interchanges between bus and rail exist, they are not always where they would be most expected and most helpful – even in London. Timetables are rarely matched for through-travellers, and information sources are scattered across the internet.
- Some parts of the public transport network are seriously unreliable due to road and rail congestion.
- Public transport is still provided to a significant extent through diesel-powered vehicles, which need to be eliminated to avoid poor outcomes, in terms of both carbon dioxide emissions and air quality.
- The public transport network suffers from some serious gaps.
The 2070 pan-UK transport network developed for the Commission operates, inter-connectedly, at three levels:
- inter-city (longer-distance travel);
- in urban-metropolitan areas; and
- across the wider urban-rural continuum.

It is at the third level that the most disadvantaged places, as measured by social mobility scores, are to be found. A truly national network has to be fully joined up across all three levels and avoid the economic inefficiencies that occur when different modes of transport fail to offer joined-up travel opportunities.

Living on the periphery

It would be wrong to return to the status quo ante and earlier, pre-COVID-19, investment priorities. The challenge of ‘levelling up’ – the distributional component in transport policy – needs a higher priority and new thinking. Peripheral areas may not need high-capacity investment in motorways or fast rail links, but they do need to allow people day-by-day access in a timely and affordable way to jobs, healthcare facilities/hospitals, and higher-education opportunities. Very often, this means travel to the ‘regional centre’. If this travel option is not available, those seeking advancement will make the choice to leave home, and, in doing so, deprive communities left behind of their personal skills, drive, and ambition. Supporting the ability to commute is a way to maintain age balance, support local economies, and strengthen the overall health of local communities.

EU funding which has been channelled as a matter of policy into areas of relative deprivation will soon end. A new funding programme is needed. Retaining and improving transport connectivity in the more peripheral and ‘left behind’ areas needs to be prioritised. Current congestion-driven project appraisal approaches need to be changed.3 Strengthening overall UK economic performance involves a shift away from investing just where the economy happens to be doing well (pre-COVID-19).

Places with the worst Social Mobility Index scores display a clear (and perhaps surprising) pattern across the country:
- Relatively few are in cities/conurbations.
- Most are in broadly rural settings, and most of these are in former single-industry areas (for example coal-mining and steel-making).
- Many are in coastal areas.
- More are on the eastern side of the country (in both England and Scotland).

Across the rural-urban continuum, many rail and bus services have disappeared over the decades as car ownership has grown. The pattern of public transport that remains is patchy and lacks coherence, with bus and rail subject to completely different funding and regulatory regimes.

Some quite small places, almost as if by chance, retain local rail stations; others have the fortune to be served by high-quality inter-urban bus routes. Provision of ongoing financial support for localised, demand-responsive transport services is going to be needed in the post-COVID-19 recovery period if increasing numbers of communities are to avoid being cut off.

People living in remote, peripheral and ‘left behind’ areas pay an economic price through lack of access to job opportunities and higher education; and a social and health and wellbeing price through isolation and inaccessibility to key services. This pattern is perhaps most severe for post-industrial towns. Whereas some have successfully transitioned (ex-steel town Corby, for example), others (ex-steel town Consett, for example) have struggled, even with financial support packages. In many places, the post-industrial regeneration task is incomplete, and they remain ‘left behind’.

Cities with a good range of job and higher-education opportunities may be tantalisingly close to hand, yet still too hard to access for those on low incomes. In other cases – and this seems to be true of many (if not all) coastal towns that once relied typically on fishing industries and domestic tourism – transport network weaknesses stem from a failure to provide the good interconnectivity that is needed to attract new businesses. East Coast ports are already expanding in preparation for Brexit. The UK2070 report identifies the infrastructure and operational measures needed to make a difference:
- some rail line re-openings/new rail lines;
- connected inter-urban express bus lines;
- a set of mobility hubs (where transport modes come together for passenger convenience and to help foster services in the local economy) and
support for community-based and demand-responsive travel services;
● some new estuarial crossings, to expand the catchments and economic strength of disadvantaged coastal communities; and
● an integrated (national) fares and public transport information system for ease of use, and to support concessionary fares systems for those that most need them.

City regions

There is a pressing need to enhance metropolitan rail networks. Funding programmes that were once available to city authorities to support the creation of, for example, the Tyne & Wear Metro and Liverpool’s ‘loop and link’ networks in the 1970s no longer exist. Yet without better metropolitan rail networks, not only will economic development be held back, but the benefits of investment in better inter-city connectivity, now in hand, will not be fully realised.

New metropolitan-area S-Bahn-style rail services and networks need to be created for Birmingham, Bradford, Manchester, and Leeds. Bristol, Cardiff, Nottingham and Southampton each need to develop metro systems (Nottingham having a head start with its expanding light rapid transit (LRT) system). A set of LRT (or equivalent) systems are also needed for the ‘next size down’ cities and towns, accompanied by major improvements to the public realm in urban centres, with pedestrianisation measures. This programme should be used to prioritise active travel alongside an appropriate zero-carbon transit system for all cities over 175,000 population.

In all these cases, access from outlying areas to the services and opportunities that only larger urban centres can provide needs to be examined, unconstrained by historical administrative boundaries.

Inter-city rail to become the mode of choice for longer-distance journeys

HS2 should be configured as an ‘X’- rather than a ‘Y’-shaped network, allowing it to perform a cross-country (inter-regional) function, as well as linking major cities with the capital. This proposition requires the implementation of the Midlands Rail Hub proposal, integrating Birmingham’s Moor Street and Curzon Street stations (which adjoin each other) for easy passenger interchange. It will place Birmingham at the heart of the national high-speed network, rather than on a short branch line from it.

While some London HS2 services could serve the eastern side of the country, it is not possible to make the comprehensive switch achievable with the West Coast. Upgrading the East Coast Main Line (ECML) should become a high priority.

Government has expressed enthusiasm for a fixed connection (bridge or, as presumed here, tunnel) across the Irish Sea – specifically between South West Scotland and Northern Ireland. This could make a major contribution (once built) to reducing UK carbon dioxide emissions, reducing the need for short-haul flights and lengthy HGV movements, as well as improving connectivity with Northern Ireland.

The environmental imperative

HM Treasury’s Green Book guidance was modified to take account of climate change as long ago as 2009. But at current pricing levels, carbon dioxide and emissions affecting air quality such as nitrous oxides and particulates hardly affect cost-benefit appraisal outcomes. The polluter pays principle means that a much higher price needs to be set on carbon. This would lead to an emphasis on measures that reduce the demand for travel and shorten trip lengths. Paris Mayor Anne Hidalgo reflects this with her 15-minute neighbourhood concept, with ‘grocery shops, parks, cafes, sports facilities, health centres, schools and even workplaces just a walk or bike ride away’.

This needs a complementary policy measure to ensure that sustainable and affordable connectivity is retained across the wider (city, regional and national) geography – provided by transport systems that are zero-carbon with ultra-low emissions. This should be based primarily on electrified rail-based systems. The South East of England is well placed in this regard, but the rest of Britain is lagging.

A fairer and more equitable society

Transport improvements may not impact beneficially on labour markets as directly as some might suppose. This point was explained recently in the following terms, thinking about rail enhancements for the North of England:

‘No one expects unskilled workers in Blackpool to commute to jobs in Manchester. But more skilled workers can make the journey whether they are attracted to places with weaker economies by lower house prices or more likely because they have existing personal or family connections with these places. And once there their wages will inject spending power into the local economy creating jobs for those on lower wages. This is exactly the pattern which has emerged in the more successful US cities, where successful economies create well paid jobs and these in turn help to create a buoyant local service economy.’

Notably this ties together the question of stimulating local economies with the advantage of sustainable medium-distance transport (Blackpool-Manchester is a rail line that has recently been electrified). Transport is only one factor in tackling inequality, in levelling up; but it is an important one.

Devolution is a factor in economic recovery

One of the biggest drivers of city economies, even in a country with such an established recent history of downsizing the public sector, is
government itself. The rationale for business co-location is very strong in supporting the functions of government, prompting this conclusion: ‘UK cities need devolution of powers and links to London to succeed.’

With so much UK government activity centred on London (which contributes almost a quarter of the country’s output and broadly 30% of its economy-related tax take), this adds to the problem of regional imbalance. The degree of centralisation in London deprives other centres of a share of this part of the economy. Cities with devolved governments, such as Cardiff and Belfast, have bucked wider economic trends, as their economies have built smaller versions of the wider business infrastructure that supports London. Between 2008 and 2010, London and Edinburgh were the only UK cities in the world’s top 20% worldwide by gross value added per head.

How public transport works

To function efficiently and provide a substantive nationwide alternative to car use, the public transport network has to offer an interconnecting set of routes that come together in a series of hubs, intersections, or junctions – the network ‘nodes’. On the rail network, these key nodes are generally found in cities, and usually in city centres. This is why, regardless of the likely long-term impact of Coronavirus on cities themselves, if public transport is to form the core medium-long distance national network, services to these key hubs, which are mainly in cities and major towns, must be retained – and improved where they are deficient. And places that lack good interconnections – even if they are geographically peripheral – must be provided with them, if public transport is to be a truly national facility.

Within the public transport network, it has to be recognised that inter-urban bus speeds are very
low compared with rail speeds. For example, in a Greengauge 21 survey of West Country inter-urban bus routes between places with over 5,000 population (so ignoring deep rural routes) carried out in 2018, of 98 services identified, only eight achieved end-to-end operating speeds of over 20 miles per hour. The other 90 were all in the range 10-20 miles per hour. Rail speeds are typically much faster, of course.

So, when it comes to a joined-up national network that can obviate or at least reduce car-dependency, a rail network, suitably backed up by limited-stop inter-urban (as well as local) bus services, is what is needed to join local communities with each other, and with regional centres, the national capital, and international gateways. In short: active travel locally, and public transport for medium- and long-distance travel.

Implications for transport policy

The UK2070 Commission report, COVID-19, Cities and Public Transport,1 sets out what such a network would look like, the investments needed to create it, and the necessary complementary policy measures. The national public transport network serves the whole nation, not just its more prosperous parts, and should be designed to attract a widespread shift away from both short-haul flying and ‘long-haul’ car journeys – each of which has unacceptable carbon dioxide outcomes.

The rail network shown in Fig. 1 on the preceding page must be a fully joined-up system, with both local and inter-urban bus networks, and avoiding the idiosyncrasies of locally set fares systems and timetables defined separately for ‘competing’ modes of transport.

New technology will help with ticketing, and, in due course, with easier-to-negotiate ticket and security checks, it will also provide travellers with personalised guidance through complex hub stations. A simplified fares system – such as a national zonal design that can be extended to work on feeder transport modes11 – will be needed, too. It must become easier for those with mobility difficulties to use the rail system, which often lags in this respect compared with what is on offer from the bus network. A renewed focus on network benefits, with live travel information and support, is long overdue. These customer needs apply in the heart of a busy network, but also at its – sometimes neglected – periphery, where dependence on connections with low service frequencies can be especially challenging.

The overall strategy has to address the complex geography of places others refer to as ‘left behind’, and it achieves this through:

- a comprehensive approach to inter-city connectivity;
- a set of metropolitan regional rail plans to link surrounding towns and ex-industrial areas with growing commercial centres;
- selected rail line re-openings to reconnect places with the national rail network;
- attention paid to coastal areas where rail connectivity is still limited by a failure to provide estuarial crossings that have been provided for the highway network many years ago (new rail estuarial crossings could be highly beneficial for locations such as Grimsby, Hull, and Middlesbrough); and
- integration into the national rail offer of a set of connecting high-quality inter-urban bus services,12 and also demand-responsive transport and mobility services.

Jim Steer is Director of Greengauge 21. The views expressed are personal.

Notes

5 D Helm: Net Zero: How We Stop Causing Climate Change. HarperCollins, 2020
8 A Bounds: ‘UK cities need devolution of powers and links to London to succeed’. Financial Times, 6 May 2014. www.ft.com/content/35c7a600-d51f-11e3-9187-00144feabdc0
The UK and, especially, England are among the most highly centralised major countries internationally. The UK had a relatively stable level of decentralisation between 1950 and 1986, underwent further centralisation until the late 1990s devolution, and has settled at a relatively higher level. In addition, the UK and England have long-standing and persistent geographical inequalities in economic and social conditions that are high in an international context. While the causal relationship between centralised governance and spatial inequalities is not clear and direct, it has been a persistent association in UK political-economic and geographical history.

The need to find appropriate forms of decentralised governance for England has been a recurrent concern. In the post-war period, decentralisation resembles a pendulum swinging between different geographical scales and institutional arrangements at the local, sub-regional and regional levels.

The limited decentralisation since 2010 has been ad hoc, incremental, and piecemeal. Multiple rationales have been presented, pulling decentralisation in different directions and muddling its objectives. These motives comprise local growth, public service reform, expenditure reductions, democratic renewal, and addressing societal challenges such as ageing and climate change. This episode has been based on the informal governance of deals and deal-making in negotiated central-local government agreements on decentralised powers, responsibilities, and resources. Differentiated combinations of powers and resources have been allocated to different areas. This kind of decentralisation has created a complex map and patchwork of different governance arrangements across England.

Addressing the central problem of highly centralised governance and marked geographical inequalities, this article sets out the definitions, rationales, benefits and costs of decentralisation, and considers the UK2070 Commission’s initial proposals for decentralising governance in England. Specifically, it examines the establishment of trans-regional ‘provinces’ by situating them in their national and international context in Europe and assesses their appropriateness as governance arrangements alongside mayoral and combined authorities. It argues for a more comprehensive and strategic approach to clarify what decentralisation is for, what powers and resources it comprises, and how it works in England. A clearer and more transparent policy is needed to articulate and progress this agenda.

Definitions, rationales, benefits and costs of decentralisation

Decentralisation is defined as the allocation of powers and resources from national to sub-national levels of government. There are different kinds of decentralisation, distinguished by their powers and resources, ranging from the highest level, devolution, to the lowest level, administrative (see Table 1). What is called ‘devolution’ in the discussions about decentralised governance in England is more accurately termed ‘delegation’ because of the limited nature of the powers and resources involved.

The main rationales for decentralised governance are better matching of public expenditure and services to local preferences, mobilisation of local knowledge
on economic potential and costs, and increased accountability of local governments to citizens. Depending upon its form and combination of powers and resources, decentralisation can generate potential benefits and costs (see Table 2). While there are other countries, such as France, Italy and Spain, that have asymmetrical or geographically uneven decentralised governance systems with different powers and resources allocated to different areas, the degree of asymmetry in England is acute. Asymmetrical forms of decentralisation have specific potential benefits and costs, too (see Table 3).

The UK2070 Commission’s proposals for decentralisation

Addressing the problem of intermediate governance in England and the complex patchwork of current arrangements, in the UK2070 Commission’s first report proposals for ‘effective devolution’ comprised:

- increasing devolution of powers and resources to the ‘local’ level, to a ‘comprehensive framework’ of mayoral and combined authorities and rural counties;
- setting up four new ‘trans-regional arrangements’ for ‘provinces’ for the North, the Midlands, the
South East, and the South West, constituted from existing local leaders and aiming to ‘complement’ strategic planning for pan-regional issues at the local and joint or combined authority level; and
● decentralising national government functions, responsibilities and budgets covering England to ‘align with’ the ‘local and trans-regional devolution’.

Similar proposals were originally outlined in the Institute for Public Policy Research (IPPR) Commission on Economic Justice recommendations to create a ‘new tier’ of ‘English regional authorities’ or ‘economic executives’ that would be ‘responsible for regional economic and industrial strategy’ and ‘able to deploy significant assets and capabilities’.6 The proposed Northern and Midlands Economic Executives would be created from the existing Northern Powerhouse and Midlands Engine institutions.7 National consultation was suggested for the new South East and South West Economic Executives.

Focused on economic development functions at the regional level, the proposed responsibilities for the Economic Executives included:
● regional industrial strategies, including innovation clusters, supply chains and inward investment, and regional infrastructure planning, including transport, energy, communications, and environmental and resource management;
● regional immigration policy, and regional spending of a new ‘Inclusive Growth Fund’;
● oversight of inter-city rail networks and franchises, and a proposed new ‘major road network’; and
● oversight of the regional divisions of a new ‘National Investment Bank’.

The proposed Economic Executives were seen as large enough to represent their regions internationally in order to attract investment and people, exercise a political voice to secure resources from central government, borrow to invest through the National Investment Bank’s regional arms, and, following the examples of the Northern Powerhouse and Midlands Engine, overcome lower-scale rivalries between cities and towns. In terms of governance and democratic accountability, the proposal is that each Economic Executive would be governed by a new Regional Council, elected indirectly from their constituent local authorities. Proposed funding arrangements would be based initially on a block grant from the UK Treasury and then a new and more decentralised fiscal framework for England.

**English ‘provinces’ in context – regional governance geography in Europe**

In the context of past regional governance geography in England, the proposed ‘provinces’ are remarkably large. This can be demonstrated by comparing them with the nine standard regions, now only used for statistical purposes but until 2010 constituting the regional tier of decentralised institutions in England. Two of the provinces (North, South East) each group three standard regions, and one other (Midlands) combines two. This geography raises the question of whether such large provinces are out of line in comparison with regional institutions with similar economic development responsibilities in comparable countries in Europe. Table 4 identifies the five larger European Union countries comparable to the UK in terms of size measures of population, economy, and land area. Table 5 then identifies each country’s regional tier of institutions with decentralised economic development responsibilities, reporting their number and their average size on each of the three parameters.

This comparison suggests that the English provinces, when taken along with the other UK nations (Scotland, Wales, Northern Ireland) which they are proposed to sit alongside, are rather out of line when their average size values are compared with those of the principal regional institutions in

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**Table 3**

<table>
<thead>
<tr>
<th>The benefits and costs of asymmetrical decentralisation</th>
<th>Potential benefits</th>
<th>Potential costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodating diverse preferences for autonomy across regions</td>
<td>Lack of accountability and transparency</td>
<td></td>
</tr>
<tr>
<td>Adapting the institutional and fiscal frameworks to the capacities of sub-national governments</td>
<td>Complexity and co-ordination costs</td>
<td></td>
</tr>
<tr>
<td>Advanced form of place-based policies</td>
<td>Lack of clarity for citizens</td>
<td></td>
</tr>
<tr>
<td>Experimenting</td>
<td>Potential risks of increased disparities (in capacities)</td>
<td></td>
</tr>
<tr>
<td>Sequencing decentralisation</td>
<td>Secession and autonomy</td>
<td></td>
</tr>
<tr>
<td>Providing the enabling institutional environment to design territorial development strategies more targeted to local needs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Tailoring solutions for special challenges

Source: Adapted from Asymmetric Decentralisation: Policy Implications in Colombia. OECD, 2019.
www.oecd.org/collection/Asymmetric_decentralisation_Colombia.pdf
the five comparator countries. The key reason is that there are only seven provinces/nations, whereas the other countries are divided into around two-to-three times more regions. The one size measure on which the UK regional average is not larger than all the comparators is land area: the highest average is that of the French regions, while the Spanish equivalent is close to that of the proposed seven authorities in the UK.

Although land area size might not seem very relevant to economic development policy, its significance stems from the long-term trend for the integration of previously distinct local economies. An authority with a narrowly defined area, such as a single city, might independently deliver some economic development policies (for example land use), but delivering a comprehensive regional economic strategy (and perhaps having some tax-raising powers) is usually given to an authority covering a larger and self-contained territory, such as Scotland. This is the economic geography of subsidiarity: the appropriate size of regions depends on the extent and nature of the powers which are to be devolved to them. The high level of interactions across the boundary of a geographically small region, such as London, means that policies operating solely within that boundary are unable to match the scale of the key relations and processes determining regional economic development.

Table 6 ranks by population the seven proposed provinces/nations, alongside all the regions with devolved economic development responsibilities in the five comparator countries whose populations are 5 million or above. France has seven such regions, Germany five, Italy four, Spain three, and Poland just one. This might suggest that the proposal for the UK is not out of line with practice elsewhere, as not only Germany but also France has more regions with over 5 million residents than would the UK, with its four English provinces together with Scotland. It is significant that France has the highest number of larger-population regions: several of these are recent amalgamations of previously separate smaller regions, and this is an example of a trend towards larger regions that is in part a response to economic relations and processes operating over wider areas.

Table 6, taken together with the count of regions in Table 5, offers some support for an alternative interpretation. Only two of the seven proposed UK provinces/nations – and none of those in England – have fewer than 5 million residents, whereas in four of the five comparator countries over two-thirds of their regions are of this smaller size. Even in recently reorganised France the proportion is almost half. At the other end of the scale, three of the four provinces proposed for England have populations of 10 million or more, a proportion unmatched in any comparator.
country. All these three provinces also have land areas whose sizes put them at the upper end of the range among the large-population regions in Table 6.

England has been ‘regionalised’ by government several times previously, but none of these regional boundaries have been widely accepted, partly because none had the historical authenticity and cultural and political identities of regions such as Bayern, Lombardia, or Catalunya. The relatively large population and area size of the proposed English provinces might be seen as a realistic structure designed to tackle processes operating over large areas in a highly integrated national economy. Yet it is also arguable that the provinces are a technocratic proposal that is fated to fail as a result of a lack of popular identification with its new amalgamated regions.

Finding the appropriate balance and geography is challenging. Drawing lines on maps to limit jurisdictions is relatively straightforward, but creating meaningful local and regional boundaries is more difficult. Since 2010 in England, the approach has been to prioritise ‘functional economic areas’, for example reflecting ‘travel-to-work areas’. However, effective regional governance requires the support of citizens. Questions of local and regional identity matter because boundaries need to pay attention to a shared sense of place and patterns of belonging and attachment.8

Successful democratic polities operate across territories that are understood to have real meaning to citizens and voters. Where this is not the case, it can be a recipe for indifference, discontent, or dysfunction. Centrally determined boundaries, which may make sense in national government departments in Whitehall in London, can produce regions that have little popular affiliation. Such regions may dispense large amounts of tax-payers’ money in ways which appear opaque, distant, and unaccountable. Equally, the deal-making approach to decentralisation can produce regions that are neither functional nor popular,

Table 6
Regions with devolved economic responsibilities and populations of more than 5 million people

<table>
<thead>
<tr>
<th>Country</th>
<th>Regions/UK provinces/nations</th>
<th>Population 2019, million</th>
<th>Area, square kilometres</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>England: South East</td>
<td>22.7</td>
<td>39,800</td>
</tr>
<tr>
<td>Germany</td>
<td>Nordrhein-Westfalen</td>
<td>17.9</td>
<td>34,100</td>
</tr>
<tr>
<td>UK</td>
<td>England: North</td>
<td>14.9</td>
<td>38,200</td>
</tr>
<tr>
<td>Germany</td>
<td>Bayern</td>
<td>13.1</td>
<td>70,600</td>
</tr>
<tr>
<td>France</td>
<td>Île-de-France</td>
<td>12.1</td>
<td>12,000</td>
</tr>
<tr>
<td>Germany</td>
<td>Baden-Württemberg</td>
<td>11.0</td>
<td>36,800</td>
</tr>
<tr>
<td>UK</td>
<td>England: Midlands</td>
<td>10.1</td>
<td>28,600</td>
</tr>
<tr>
<td>Italy</td>
<td>Lombardia</td>
<td>10.1</td>
<td>23,800</td>
</tr>
<tr>
<td>Spain</td>
<td>Andalusia</td>
<td>8.4</td>
<td>87,300</td>
</tr>
<tr>
<td>Germany</td>
<td>Niedersachsen</td>
<td>7.9</td>
<td>47,600</td>
</tr>
<tr>
<td>France</td>
<td>Auvergne-Rhône-Alpes</td>
<td>7.9</td>
<td>69,700</td>
</tr>
<tr>
<td>Spain</td>
<td>Catalunya</td>
<td>7.5</td>
<td>32,100</td>
</tr>
<tr>
<td>Spain</td>
<td>Madrid</td>
<td>6.7</td>
<td>8,000</td>
</tr>
<tr>
<td>Germany</td>
<td>Hesse</td>
<td>6.2</td>
<td>21,100</td>
</tr>
<tr>
<td>France</td>
<td>Hauts-de-France</td>
<td>6.0</td>
<td>31,800</td>
</tr>
<tr>
<td>Italy</td>
<td>Lazio</td>
<td>5.9</td>
<td>17,200</td>
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<tr>
<td>France</td>
<td>Nouvelle-Aquitaine</td>
<td>5.9</td>
<td>84,100</td>
</tr>
<tr>
<td>Italy</td>
<td>Campania</td>
<td>5.8</td>
<td>13,700</td>
</tr>
<tr>
<td>France</td>
<td>Occitanie</td>
<td>5.8</td>
<td>72,700</td>
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<tr>
<td>France</td>
<td>Grand Est</td>
<td>5.6</td>
<td>57,400</td>
</tr>
<tr>
<td>UK</td>
<td>Scotland</td>
<td>5.4</td>
<td>77,900</td>
</tr>
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<td>Poland</td>
<td>Mazowsze</td>
<td>5.4</td>
<td>36,600</td>
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<tr>
<td>UK</td>
<td>England: South West</td>
<td>5.3</td>
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<tr>
<td>Italy</td>
<td>Sicilia</td>
<td>5.0</td>
<td>25,800</td>
</tr>
<tr>
<td>France</td>
<td>Provence-Alpes-Côte d’Azur</td>
<td>5.0</td>
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<tr>
<td>UK</td>
<td>Wales</td>
<td>3.1</td>
<td>20,800</td>
</tr>
<tr>
<td>UK</td>
<td>Northern Ireland</td>
<td>1.9</td>
<td>14,100</td>
</tr>
</tbody>
</table>

Source: Calculated from Eurostat data
setting back the aims of democratic decentralisation. The recent experience in France demonstrates considerable dissatisfaction at the amalgamation of historic regions (for example Alsace, Lorraine and the Champagne becoming the new region Grand Est).

The conclusion is that while the proposed English provinces are relatively large on average, the only one notably out of line with regions in comparator European countries is the South East (as it includes both London and its wide hinterland). It is critical to recall that the appropriate size of regions depends on the extent and nature of the powers that are to be devolved to them. Large regions such as the proposed provinces may be appropriate for a highly integrated economic geography such as that of England, but perhaps only if each province is entrusted with powers similar to those of Scotland, including the ability to raise its own taxes.

Mayoral and combined authorities and rural counties and trans-regional ‘provinces’ as governance arrangements for England

The UK2070 Commission’s initial proposals for decentralisation aimed to move from the current patchwork towards a kind of multi-level governance system in England that is evident in other comparable countries. The proposals would effectively fill in the map of England with mayoral and combined authorities and rural counties at the ‘local’ level and introduce a new level of trans-regional economic executives at the level of the four new provinces. This reform would potentially create a more comprehensive and even coverage of governance arrangements across England. What kind of decentralisation this represents depends upon the powers and resources decentralised to the existing and new mayoral and combined authorities and the rural counties and provincial economic executives (see Table 1). Questions of the size of the regions would then need to be related to their purpose, powers, and resources.

Evaluating the potential effectiveness of decentralisation confronts difficult issues. Establishing whether or not decentralised governance enables better decision-making and generates benefits for economic and social outcomes and delivers on public policy objectives is not a straightforward question. This is because of numerous problems: the development of appropriate proxies relevant to particular national contexts; assembling available data of appropriate quality, historical coverage, and international comparability; disentangling and isolating the specific effects of decentralisation; and attributing causation among decentralisation’s multiple relationships with broader economic and institutional change.9

Key questions emerge in considering the proposed new governance geography for England. Can these new arrangements maximise the benefits and minimise the costs of decentralisation, and what would the net outcome be? Could they better match public expenditure and services to citizen preferences at the local and trans-regional levels? Would they gain enhanced knowledge on economic potential and costs? Would the arrangements increase the accountability of local governments to citizens? Indirect election is a feature of the proposed new arrangements at the local and trans-regional levels, potentially echoing the charge of weak accountability and scrutiny levelled at the Regional Assemblies/Chambers in England during the early 2000s.

Considering the political feasibility of the proposals raises difficult issues given the history of decentralisation in England and its ad hoc and piecemeal evolution of institutional arrangements since 2010. The pendulum swings have created churn and disruption, described as ‘compulsive re-organisation’ and ‘perpetual restructuring’.10 Further reforms and the establishment of new mayoral and combined authorities and rural unitary counties in areas currently without them may encounter resistance and would take time. Changing current two-tier local authority areas into single-tier unitaries will face political resistance, potentially from shire counties confronting reorganisation and especially from shire districts facing abolition and amalgamation. In other countries with asymmetrical decentralisation, such as Spain, the evidence is that areas seek the powers and resources they see granted to other places; and as new areas gain, the existing areas push for even greater levels of decentralisation.

Setting up new executives at the trans-regional level would be similarly challenging. While building upon existing institutions in the Northern Powerhouse area is a potential way forward, this is likely to be more difficult for the Midlands Engine, which lacks an institutional and legal basis and capacity in its current form. Crucially, this approach would be much more problematic in the South East and South West, given their histories and more recent antipathies to trans-regional collaboration. Existing co-operation – such as the Cambridge-Milton Keynes-Oxford Arc – is thematically focused and working on different and fuzzier geographies. Indeed, the description of the regional executives as a ‘new tier’ of institutions and administration would likely attract criticism from opponents who may characterise it as another layer of administration and bureaucracy and a talking shop for politicians – re-using the arguments from the campaign against the elected Regional Assembly in North East England in 2004.11

The proposed arrangements would encounter the issue of how to align, co-ordinate and integrate the new institutions between and across different spatial levels. How will their aspirations and visions, strategies and spending plans be aligned, co-ordinated, and integrated? Where will the legitimate locus of power to prioritise reside? How will new institutions and activities mesh with existing institutions? If the new
Where decentralisation in England goes next – its form, nature and resources – is critical

This is not an argument for a top-down blueprint designed and delivered from Whitehall. It is a call for an open, transparent and systematic approach. Such a road map would provide greater fairness and equity in setting out what kinds of powers and resources are on offer for places. For those areas in the early stages of thinking about what decentralisation might mean for them, it would provide a normative sense of the kinds of powers and resources that specific types of areas should be seeking. Such a road map would remove the existing opaqueness and lack of accountability of the current deals designed, formulated and made between particular political leaders and senior officials at the local and national levels at specific points in time. Otherwise, the problems and costs of co-ordination, integration and alignment between governance actors and institutions will be reproduced and, potentially, multiplied as further pieces are added to the existing patchwork.

Given the changes in government in 2019, the impact of the 2020 pandemic, and Brexit, it is difficult to assess the current administration’s commitment to decentralisation in England. Decentralisation slowed following the EU referendum in 2016 and general election in 2017, afflicted by ‘Brexit blight’ and lack of political and administrative capacity in Parliament and Whitehall, and despite the appetite for decentralisation in parts of England. A ‘Devolution Framework’ could have provided some elements of a road map. Meanwhile, further devolution deals were agreed with the government in 2019-20.

The new government formed in December 2019 stated its ambition on ‘levelling up’ economic and social conditions across the UK. This includes ‘levelling up’ the powers and resources of decentralised governance institutions, enabling more to benefit from the mayoral combined authority model deemed successful in London and Greater Manchester and to exercise their voice in housing, infrastructure, public services, and transport policy. A new Devolution White Paper was in the Queen’s Speech in December 2019 and was under development as the Brexit transition period started and the pandemic struck in early 2020, delaying its potential publication into 2021.

Where decentralisation in England goes next – its form, nature and resources – is critical. There is a need for the meaningful decentralisation of powers and resources to enable places to tailor place-based institutions, policies and public services to address their particular combinations of aspirations and needs. Evident in government’s moves on devolution policy, the current episode of decentralisation in England and its deal-making approach are reaching their zenith. First, areas that secured deals in earlier waves are increasingly seeking further deals in a bid to acquire additional powers and resources, reproducing governance by deals with all its benefits and costs.12 Second, areas putting forward deal proposals are having to wait for Ministerial and civil servant consideration and response, demonstrating the lack of political prioritisation and administrative capacity at the national level, or receiving rejections for not meeting unstated criteria. ‘One Yorkshire’ proposals in 2018, for example, were rejected by the then Secretary of State James Brokenshire because they did ‘not meet our devolution criteria’.13 Yet no such criteria have been published.

Third, knitting together the strategic aims and work of the decentralised institutions and their differentiated powers and resources within the broader patchwork is becoming more difficult as it becomes more complex and heterogeneous. While there is evidence of co-operation and joint announcements among the higher-profile metro-mayors,14 evidence is limited that the overall system of governance in England is working as coherently and effectively as it might in improving public policy outcomes and people’s lives.

Conclusion

The argument here is not against further decentralisation, especially given the highly centralised system in England and the UK. Nor is it a call for
Yorkshire Universities and Visiting Fellow at CURDS. The views to address the scale and long-term nature of the wellbeing, but whether the powers and resources across the UK is vital for future prosperity and economic recovery plans to the needs of places and cope better with any future public health emergencies than does the present more centralised system. Indeed, at the time of writing, the government is still planning to release an English Devolution and Economic Recovery White Paper, although it has been delayed to 2021. Decentralisation may also provide a ‘golden thread’ to Brexit and an opportunity to reverse centralisation and ‘take back control’ of local affairs from a distant and unresponsive national government and political establishment.\(^\text{15}\)

There are political risks in limiting decentralisation, too. The lack of economic opportunities and voice for so-called ‘left behind’ people and places and its perceived unfairness has fuelled discontent and political fragmentation and division in recent years across the UK.\(^\text{16}\) The current government’s ambition of ‘levelling up’ economic and social conditions across the UK is vital for future prosperity and wellbeing, but whether the powers and resources to address the scale and long-term nature of the task will be put in place remains in question.\(^\text{17}\) Lack of public engagement and interest in the current episode of decentralisation is already evident – for example in turn-outs in devolution deal ballots and in metro-mayor and police and crime commissioner elections. Engaging the public more effectively suggests the need to decentralise governance in England in a different way.

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**Notes**


12. See, for example, L Sharman: ‘Liverpool submits £230m ‘Green City Deal’’. LocalGov, 30 Jul. 2019. www.localgov.co.uk/Liverpool-submits-230m-Green-City-Deal/47894


two masters –
the dilemma of central-local relations in England

Mark Sandford looks at the thorny question of central-local government relations within initiatives to introduce – and aspirations to increase – devolution and decentralisation in England.

The UK2070 Commission’s task, to address the deep-rooted spatial inequalities of the UK, is a daunting one. Few political actors in the UK would challenge the existence, or salience, of the issue, and recent governments have frequently heralded large-scale policy programmes to address it. While it is hard to point to tangible policy impact in recent decades, it would be equally hard to argue that policy ideas themselves are underdeveloped: there is no shortage of research and think-tank reports advocating the wholesale transformation of UK governance. This suggests that obstacles to change exist at the stage of politics and implementation.

A transformative policy programme such as that explored in the Commission’s first two reports inevitably has implications for regional and local government institutions, and for the relationship between them and central government. The Commission’s first report, *Fairer and Stronger: Rebalancing the UK Economy*,1 recognises this, devoting a section to ‘effective devolution and decentralisation’. It recommends ‘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’.

This unassuming sentence highlights a long-standing conundrum – present in modern government generally, but one with particular bite in the UK. How does central government lead, fund
and implement a transformative policy programme while simultaneously acknowledging legitimate demand from local political actors to implement variations to the national government’s aims? This article explores this question, and addresses some critical checks on productive central-local relations within the UK’s existing system of governance.

Central-local relations in the UK

Central-local relations are at the heart of implementation of the kind of policy transformation proposed by the Commission. And indeed, the Commission’s Fairer and Stronger report notes (on page 10) that ‘we will therefore want to clarify the role of national policy in working with local government and other institutions who deliver and support the foundations of the local economies’. But this issue is rarely explored in depth. Most contributions gloss over the potential for conflict arising from the involvement of more than one elected tier of government.

A recent example – but by no means the only one – is Lord Heseltine’s June 2019 report, Empowering English Cities. This report states that ‘no government with a parliamentary majority will accept the right of elected politicians at a subordinate tier to frustrate its manifesto pledges’. But on the very next page it commends metro-mayors’ ‘ability to think and act outside the legal box. They will push the frontiers and so they should. It will be a brave government that tries to put them back in the box where local public opinion is strongly behind them.’ Some similar reports barely address central-local relations, assuming by omission that they will be unproblematic.

This absence sits alongside a paucity of constitutional or political science thinking about the nature and purpose of local government in the UK. Two broad traditions of thought can be discerned over the last 50 years. One is a view that local government is principally a delivery vehicle for public services provided according to nationally set legal entitlements. This view, broadly dating from the Attlee government, was reflected in local authority practice for many years, and it also justified a finance system in which the majority of local government expenditure arose from central grant transfers. The other tradition, dating roughly from the 1969 Redcliffe-Maud Report, sees local governments as governments, with a broader responsibility for the wellbeing of their electorates: a role described by the 2007 Lyons Report as ‘place-shaping’.

These traditions of thought are largely unspoken, and have only a ghostly presence in present-day debates. This in turn can have the effect of closing off critical questions, such as: if and when large-scale, transformative policy is delivered, how should an activist central government and a collective of strong, elected ‘regional’ governments interact? How does ‘place-based leadership’ handle demands for a degree of transformation that requires a level of financial (and legislative) resource that is not available at the local level?

The stock answer to this type of question in current debates is to demand ‘more powers’ for mayors, combined authorities, local authorities, communities, individuals, and any other actor that is not part of central government. Alternatively, arguments are made that central government, especially ‘Whitehall’, needs to ‘let local government go’ or ‘allow more freedom’, without any exploration of why such a worthy intention has been overlooked for 50 years or more.

Devolution of more power may be desirable, both administratively and politically – as argued by other contributors to the Commission. However, this article argues that devolving powers or functions is a necessary, but not, alone, sufficient, route to creating ‘effective devolution and decentralisation’. Other aspects of UK governance practice have a decisive influence on central-local relations that is often overlooked. Identifying and exploring them is a critical ingredient of effective devolution: without this, central-local relationships are likely to continue to throttle attempts to devolve power, even against the better judgement of all involved.

How does devolution of power work in England?

Powers have been devolved to mayors and combined authorities via parliamentary orders under the Cities and Local Government Devolution Act 2016. The powers devolved were agreed between government and local areas during 2015 and 2016 through a series of non-statutory ‘devolution deals’. This process largely stalled under Theresa May’s premiership, but the 2019 Boris Johnson government made a number of promises of future movement. The then Chancellor of the Exchequer, Sajid Javid, committed in September 2019 to a White Paper on English devolution, including a framework for devolution of more powers to a broader number of areas and for ‘levelling up’ of existing devolved powers.

Many commentators have critiqued features of the ‘devolution deals’, on the grounds that the powers and funding available to them do not match the range of challenges they face, and have proposed the transfer of additional powers. Nevertheless, it is also true that current English devolution policy contains more scope than its predecessors in the 1960s-1970s and 2000s for eroding centralism. Elected institutions have been created at sub-regional level, in statutory form, and they have been granted statutory powers and discretion over certain central funding regimes. They have begun to carve out a local role via three main routes: convening local partner organisations to harmonise their aims; seeking to maximise
Metro-mayors – governance constraints

The government views metro-mayors principally as local delivery partners of choice for central government initiatives. Although its statements emphasise mayoral accountability, the broader sweep of policy implementation underlines the government’s ‘expectation ... that devolved governance and delivery structures should be rigorous and effective will remain a paramount consideration’. Expressing local political preferences, and policy innovation or divergence, come second to upward accountability.

This government perspective is not, on the whole, enforced by overt political disagreements, but through structures of governance. The English devolution system diverts aspirations to policy divergence into bureaucratic process – preventing them from developing into energy-sapping political disputes. This is visible via two types of constraint upon metro-mayors seeking to develop distinct and independent policies: structural constraints and accountability constraints.

Structural constraints

Structural constraints take three forms. First, although metro-mayors have access to a broad range of powers, most of them are shared with other public bodies (‘concurrent powers’). In practice, this means that they must develop relations with other public bodies, local authorities, and private sector actors. Their influence over these partners emerges from a blend of the ‘electoral chain of command’ and the strategic capacity of the mayor’s office: creating a local vision that can be taken seriously.

For instance, mayoral strategic priorities can direct the spending of Local Growth Fund money, but this requires the approval of the area’s Local Enterprise Partnership. In matters where mayoral combined authorities have minimal funding, such as housing provision, or gaps in powers, such as transport regulation, this leads their policy options to become dependent upon external relationships. This type of partnership working has a long pedigree, but it minimises the ‘decision space’ available to the mayor.

Second, consensus and partnership are built into many aspects of mayoral decision-making. Many mayoral policies must be agreed by a majority of combined authority members (representatives of the local authorities in the area), and some require unanimity. Although the mayor can make many financial decisions alone, his/her budget can be rejected by a two-thirds majority of members.

Alongside the need to co-ordinate with other public bodies, this is likely to reduce the capacity of mayors to deliver manifesto commitments.

Third, British governance provides no automatic link between assigning a function to a public body and providing funding to exercise that function. This means that ‘unfunded mandates’ – the practice of assigning a responsibility to a subordinate government without sufficient funding to exercise it – are common within English devolution. Examples include bus franchising, smart ticketing, local growth hubs, public land commissions, establishing mayoral development corporations, and spatial strategies. The mayors have very limited capacity to raise revenue locally. Although most have a power to set a precept on council tax, only Greater Manchester and Liverpool City Region have used it to date – and in any event, the sum of money that the precept can yield is not transformative. In short, the mayors’ access to exercisable powers is not as broad as it appears from the devolution deals and the parliamentary orders establishing them.

‘In short, the mayors’ access to exercisable powers is not as broad as it appears from the devolution deals and the parliamentary orders establishing them’

Taken together, these constraints mean that mayors often do not have the means to deliver expansive policy change. And the constraints would apply equally to any additional powers transferred by central government. For instance, metro-mayors took on powers over the adult education budget in 2019. This provides a substantial additional source of funding, but mayors will still need to work alongside other public bodies to have an impact.

Accountability constraints

Furthermore, the powers that mayors do exercise are subject to a number of reporting requirements. These comprise upward accountability to the government – and importantly, this accountability is fragmented as it is directed towards different government departments, whose aims may not align. The reporting requirements provide ‘assurance’ to central government that the devolved powers have been exercised in accordance with the ‘devolution deals’ which preceded the creation of metro-mayors. ‘Assurance’ covers both appropriate spending of public money (parliamentary accountability) and the delivery of objectives agreed with the government (contractual accountability).
In 2019, these requirements were consolidated in the 90-page National Local Growth Assurance Framework (NLGAF). This includes requirements for a business case and an accountability statement for each of the powers devolved under the devolution deals; an evidence-based list of prioritised projects; a value-for-money and cost-benefit assessment; and plans for monitoring and evaluation. Localities are expected to use central government methodologies for these assessments, including WebTAG (the Department for Transport’s appraisal guidance), ‘Homes England good practice’, ‘Skills Funding Agency good practice’, and the Treasury’s Green Book (the financial management standard for the UK Government). The NLGAF also includes assurance requirements for the ‘single pot’, which refers to a pool of certain funding streams devolved to mayors. If ‘significant divergence’ takes place after sign-off of the local assurance framework, adjustments may need to be agreed by the Accounting Officer for the Department, in consultation with relevant Accounting Officers across Government.

‘Currently, there is a mismatch between the government’s expressed aim to enhance local choice and accountability and the automatic introduction of bureaucratic systems that can work against those outcomes’

The straitjacket of accountability

These procedural requirements mean that the political ‘decision space’ available to mayors is likely to be small. It is possible to attribute these onerous upward accountability requirements to narratives of traditional British centralism, with an ingrained distrust of the capacity of local authorities. As the Institute for Government’s report, Achieving Political Decentralisation, succinctly put it in 2014 (on page 20):

‘ministers and civil servants simply do not trust sub-national government to competently exercise additional powers and – in the words of a former minister at our roundtable – constantly worry that they will ‘do something barmy’. The centralised political and media culture of the UK contributes to this obstacle. Civil servants, whose instincts are to protect their ministers, will generally advise them not to risk devolving power without requisite accountability structures in place.’

This type of concern should not be dismissed out of hand. Local failures can and do end up on Ministerial desks. But this is an argument for acknowledging this issue and, if devolving power is a government’s aim, explicitly working against a reflex imposition of assurance requirements. (This is not impossible: for instance, the government has resisted the temptation fully to take over the functions of the Royal Borough of Kensington and Chelsea following the Grenfell Tower fire in 2016.) Currently, there is a mismatch between the government’s expressed aim to enhance local choice and accountability and the automatic introduction of bureaucratic systems that can work against those outcomes.

Furthermore, this reflex approach to assurance aligns with UK constitutional norms. Devolution of power within England remains subject, both conceptually and actually, to the British constitutional doctrine of parliamentary accountability for government spending:

‘Parliament expects the Government to provide it (through the Public Accounts Committee) with assurance that the money voted to departments has been used for the purposes for which it was authorised (regularity), has been spent within the rules on propriety and that value for money has been achieved.’

The government recognised the potential clash between parliamentary accountability and devolution of power in its 2011 publication Accountability: Adapting to Decentralisation, which states that ‘the focus of Accounting Officers’ accountability … should be on ensuring that there is an effective system in place to ensure that funding that is devolved is used appropriately and, overall, secures value for money’. At first glance this is unobjectionable – no-one would argue for using funding inappropriately or achieving bad value for money. But this tells us nothing about what this ‘effective system’ should be. How fine-grained should it be? What veto points should exist, and to whom? What reserve powers should central government hold? What sanctions should there be for disregarding the system or for failure?

Accountability: Adapting to Decentralisation sets out a lengthy design for a system that includes multiple veto points and reporting requirements. This is also reflected in the accountability requirements underlying health devolution in Greater Manchester, which provide a range of reserve powers and reporting requirements for the NHS. In short, the reflex imposition of assurance requirements is a systemic issue.

Implicitly, the degree of upward accountability suggests a lack of faith in local accountability arrangements. Mayoral combined authorities appoint scrutiny committees from among back-bench councillors on their member councils. A
Centre for Public Scrutiny (CfPS) investigation noted limited resource availability and a focus on information-gathering, rather than ‘forensic scrutiny’, by these committees. CfPS has been at the forefront of proposals for ‘Local Public Accounts Committees’ (LPACs), better-resourced independent bodies tasked with examining the spending and decision-making of all public bodies in a given area.

The current answer to this question is already visible, illustrated by developments in February 2019, when the government withdrew a £68 million housing funding package for the Greater Manchester Combined Authority (GMCA). This funding had been made available on the basis that Greater Manchester would plan to deliver 227,000 new homes over 20 years. A revision to the Greater Manchester spatial strategy in January 2019 intended to reduce this figure to 200,800.

Several features of this decision can be identified. First, upward accountability trumped local preference: the spatial strategy rewrite resulted from local pressure, but the existing devolution agreement between the government and the GMCA was deemed to outweigh local democratic preferences. Second, Greater Manchester has no route to appeal against decisions of this kind; central spending decisions are entirely for the government. Third, the decision betrayed a central-local relationship that is transactional and unequal. For instance, the funding package could have been reduced commensurate with the reduced number of homes, rather than withdrawn. But no body of principle exists through which such a compromise might have been determined: the system operates through government fiat.

This decision sends a strong signal that, in English devolution, local electoral preferences rank below upward accountability to the government, even if the requirements of the NLGAF turn out to be light-touch and/or largely performative in practice. Consequently, unless there is a conscious effort to the contrary, it is reasonable to expect change of the type proposed by the UK2070 Commission to be directed from the centre, with local discretion restricted to matters on which the government holds no firm opinion. Aspirations towards policy divergence will continue to be diverted into bureaucratic procedures. This will amplify the sense that metro-mayors operate within a system in which they are not expected to function as political actors, despite their directly elected status.

Metro-mayors are well aware of the constraints that they face, and their acquiescence with existing practices has a clear logic. If the UK’s territorial governance practices are so entrenched that change can only be glacial and incremental, then the existing devolution deal agenda is the optimum route to that change, because it does redirect some decision-making power while reassuring existing power-brokers via the language of partnership and assurance. The hope for metro-mayors would be that a time will come when they, and mayoral combined authorities, are sufficiently established institutions that transferring additional powers downwards and scaling back assurance will seem natural to policy-makers.

That type of narrative aligns with the expansive approach to economic and social policy adopted by...
a number of metro-mayors, including an emphasis on ‘generative power’ – the idea that mayors’ profile, legitimacy, and convening and envisioning powers obviate the need for responsibilities and money in order to get things done. Another response has been to advocate greater fiscal devolution for mayors, or ‘fiscal autonomy’ for English local government. The logic is easy to see: if central government exercises control over local government via money, local government’s best escape from that control is to establish direct access to alternative sources of funds.

New narratives of accountability

Such perspectives accept the prevailing concept of parliamentary accountability, which amounts to ‘he who pays the piper calls the tune’. At one level this is an intuitive definition of accountability: but, perhaps surprisingly, the practice of government in the UK already includes many examples of less stark approaches. Accountability need not be achieved solely through making one individual or body answerable for specific decisions: there are alternative approaches that reflect the messiness of decision-making with greater accuracy.

The assurance requirements for the devolution deals ‘single pot’ represent a move, although small, away from distinct departmental accountability for spending. Elsewhere, since 2011 the government has referred to a ‘London settlement’ within parliamentary estimates: the Accountability Officer System Statement says of this that ‘accountability for spending decisions rests solely with the Mayor of London and scrutiny of those decisions with the London Assembly’.

Within local government more generally, the Ministry of Housing, Communities and Local Government has emphasised accountability to local councillors for policy decisions through the 2010s, refusing to become involved in active monitoring of local policy decisions. Intriguingly, it maintained this line in the face of concerns expressed by the National Audit Office (NAO) in the mid-2010s about parliamentary accountability and value for money. The NAO itself recognised that:

‘A system of accountability in which local authorities and other local public bodies report to individual departments is at odds with emerging patterns of local service delivery in which local bodies from different sectors pool budgets and work across institutional boundaries to tackle complex local issues.’

The clearest example in the UK of an alternative approach to ‘accountability’ is visible in the provision of grant funding running into billions of pounds, by the UK Parliament, for the Scottish Parliament, the Northern Ireland Assembly, and the National Assembly for Wales. There is no audit or accountability relationship between these three bodies and the UK Parliament. They are not required to develop business cases or commission evaluations, nor are they threatened with a loss of grant funding if they deviate from central policy preferences. Responsibility for good working practices is theirs alone. The argument may be made that these are ‘nations’ with comprehensive political systems of their own. But the broader point stands: although the UK provides them with substantial grant funding, it does not call the policy tune.

This erosion of the idea that direct accountability must always accompany financial transfers parallels broader debate on local government accountability in the late 2010s. Critics have emerged of the value of purely financial concepts of accountability. Murphy et al. suggest that shared understandings of its meaning are not always real: ‘accountability is ... a ‘chameleon’ concept. It appears easily understood by the public, politicians, and academics alike, yet when financial and/or service failure occurs, and we start looking for people to hold to account, this shared understanding tends to come apart fairly easily.’ The Accountability: Adapting to Decentralisation report showed awareness of this in 2011:

‘local bodies have a number of different accountability relationships. To local people as users or taxpayers; to local third parties for their contribution to collective goals, especially where they are pooling resources; and to the centre for the funding they receive and their contribution to national outcomes.’

Strong governments working together

Metro-mayors have sought expansions in their powers almost since the day of their election: in a recent example, the Mayor of London, Sadiq Khan, has sought powers to impose rent controls in London. But the devolution and operation of any such powers would, as things stand, take place within the structural constraints identified above. These would imply a lengthy negotiation of how the powers in question would be used, including reserve powers for central government; a business case being developed by the mayors seeking to take them on; a requirement for independent evaluation; and separate negotiation of any transferred funding, which would likely be provided for a fixed period.

In short, accumulating additional power will not in itself alter the relationship between central government and metro-mayors. Mayors wishing to become fully fledged political actors, advocating local electoral preferences that may be at odds with those of the national government, will need to pursue a more substantial change: towards parity of esteem between central and local government. While this sounds improbable, even alien, in the British context, a precedent has been set over the last 20 years in...
Scotland, Wales, and Northern Ireland. This demonstrates that the UK political system can easily accommodate different concepts of accountability – and therefore of central-local relations.

I suggest therefore that the UK2070 Commission’s proposed ‘local devolution, rolled out systematically with transfer of powers and resources’1 cannot avoid engaging with the accountability relationship between metro-mayors and central government. And in doing this, it will engage, explicitly or implicitly, government perspectives on the role and purpose of metro-mayors and devolution. How might this lead towards ‘effective devolution and decentralisation’? Potential ways forward include the following:

- A more explicit understanding of the ways in which Whitehall interprets requirements for policy and financial accountability; and how these could be relaxed to permit greater policy divergence. This implies a more strategic central government approach to relations with local government.
- 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. This in itself would be a step towards the aim of parity of esteem.
- A realistic exploration of the options around fiscal devolution.34 Many proposals for devolving taxes would face large differentials of tax incidence across England, and/or would raise peripheral amounts of revenue: any concrete proposals would need to take those factors into account.

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Notes

1 Fairer and Stronger: Rebalancing the UK Economy. First Report. UK2070 Commission, May 2019. https://drive.google.com/file/d/1DaPlONpLXwxS1ElE2kLu3aQvKOEEmFLwB/view


5 This is visible in the way that most commentators – including the 2070 Commission – do not critique or challenge the current system of mayoral combined authorities and devolution deals in England. The structure of these institutions and the process for devolving powers to them frame how they work and what they can achieve, yet they are mostly accepted as the stock starting point for further change.


The White Paper has yet to appear at the time of going to press (late November 2020)


15 See the Centre for Cities’ log of mayoral manifestos, at www.centreforcities.org/publication/everything-need-know-metro-mayors/

16 There are a small number of exceptions to this point where the government has provided one-off funds – for instance, bus franchising in Greater Manchester, and the South Thames Development Corporation

17 See ‘Money talks: The finances of English Combined Authorities’ (see note 9) for data on the revenue available to combined authorities and projections of the revenue that mayors could raise from council tax and business rates


19 There was some awareness of this tension at the outset of English devolution policy in 2014-15, but it largely fell away with the departure of George Osborne as Chancellor of the Exchequer


21 Accountability: Adapting to Decentralisation (see note 20)


31 Public Service Accountability (see note 30)

32 Accountability: Adapting to Decentralisation (see note 20)

