

The UK2070 Papers



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The UK2070 Papers are a collection of think pieces and essays produced for the UK2070 Commission since the publication of our Final Report in February 2020. For more information and contact details please visit our website - www.uk2070.org.uk

The UK2070 Commission is an independent inquiry into the deep-rooted spatial inequalities that exist across the UK, chaired by The Right Honourable, The Lord Kerlake. It published its findings in its Final Report published in February 2020. This Report drew upon a substantial body of

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1) A civil society perspective on inequalities: the COVID-19 revision

*Dr. Hyunji Cho, Elisabeta Ilie and Dr. Lucy Natarajan,
The Bartlett School of Planning*

This paper re-examines the ‘civil society perspective’ on engaging in strategy that can respond to the current rapidly changing context by unpacking the roles of civil society organisations throughout the pandemic. The evidence collected through this research shows the need to recognize civil society’s efforts and contributions to the wellbeing of their communities.

COVID-19 and regional inequality

The extent of inequality in the UK is amongst the most extreme in high-income countries. The richest region of Europe, London, is to be found in the UK, but so are six of Europe’s ten poorest regions.¹ COVID-19 and local lockdowns in 2020 have been shown to accentuate the inequality between regions in the UK, which has been observed throughout the past decades. Within that context, our previous report, *Civil Society Perspectives on Inequality*,² aimed to explore through conversations with representatives of both local and national civil society organisations how these non-governmental groups experience and understand economic, social, and environmental inequality. Through the five focus-groups held with organisations across England, we heard reflections on issues of existing regional disparity. A priority concern that emerged from those research events is the ‘economic insecurity’ hindering communities from moving towards their goals.

From the perspective of the focus group participants, economic insecurity as experienced in the communities where they worked was associated with a growing number of low-income households and a sharp fall in local standards of living. A lack of job security, and inadequate skills training and funding for social projects, together with an overall increase in living costs sharpened the effects of widening economic inequality. The dynamic is clearly producing insecurity for disadvantaged communities; it both impacts on quality of life and fuels feelings of social alienation amongst these groups.³

There is no reason to suppose that these concerns identified by civil society organisations in relation to the existing patterns of regional inequality would have diminished throughout the pandemic. On the contrary, recent UK data shows that the recent decline in GDP decline is the largest seen in 300 years,⁴ and deprived

¹ McCann P (2019) Perceptions of Regional Inequality and the Geography of Discontent: Insights from the UK.
<http://uk2070.org.uk/wp-content/uploads/2019/01/01-McCann-UK-Regional-Inequality-Debates.pdf>

² Natarajan L, Ilie E, and Cho H (2020) Civil Society Perspectives on Inequality: Focus Group Research Findings Report. Report, Sheffield University, UK, February.
<http://uk2070.org.uk/wp-content/uploads/2020/02/UK2070-Civil-Society-Perspectives-UCL-2020.pdf>

³ Ibid.

⁴ [Office for National Statistics \(2020\) Labour market overview, UK: August 2020.](https://www.ons.gov.uk/economy/gdp/grossdomesticproduct/gdp-revision)

communities tend to experience the worst health impacts from the first wave of COVID-19.⁵

During the pandemic the compounding effects of socio-economic performance on public health are apparent both at regional and national levels. Nine of the ten worst affected local authorities are in the Midlands and North West experience higher levels of infection, while typically economically high performing regions such as Oxford, Milton Keynes, London, and Edinburgh remain less exposed to the effects of COVID-19.⁶ There are also implications for recovery, as recent research by the Joseph Rowntree Foundation⁶ demonstrated. That investigation of unemployment in the UK during COVID-19 highlighted that the regions where recovery from COVID-19 is likely to be hardest are concentrated in geographic areas with low-performing economies.⁷ Moreover, areas with low pre-pandemic employment levels were found to be on average more than twice as likely to be in danger of COVID-19 related job losses, amounting to 'double distress' in those specific areas.⁸ Inequalities of the impact of COVID-19 on employment opportunities is particularly evident between rural and urban areas. In rural areas, Universal Credit and Jobseeker's Allowance claims increased by 88% between March and April 2020, as compared with the 59% increase in predominantly urban areas.⁹

Notably, the present crisis highlights not only regional differences but also differential impacts on social groups.¹⁰ The economic effects of COVID-19 tend to place extra pressures on already vulnerable groups, effectively trapping them in untenable economic positions. In addition to those who are unemployed, the circumstances of rough sleepers, and those off sick or self-isolating are of particular concern.

The socio-economic gaps between different English regions has also led to disparities in terms of gender, age, ethnicity, wealth, health, education, and skills, which all have a spatial component to them.¹¹ For example, the sectors hardest hit by the pandemic are accommodation and food services, arts and recreation, and wholesale and retail

⁵ Public Health England (2020) Disparities in the risk and outcomes of COVID-19. GOV.UK, Public Health England, August.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/908434/Disparities_in_the_risk_and_outcomes_of_COVID_August_2020_update.pdf

⁶ Office for National Statistics (2020) COVID-19 Infection Survey pilot: England, Wales, and Northern Ireland. GOV.UK, Office for National Statistics, October.

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/coronaviruscovid19infectionsurveysurvey/16october2020>

⁷ Innes D, McDonald R, and Benett S (2020) Targeted action for parts of Britain at risk of surging unemployment. Report, Joseph Rowntree Foundation, UK, August.

<https://www.jrf.org.uk/blog/targeted-action-parts-britain-risk-surg-ing-unemployment>

⁸ Locality, Co-operatives UK and the Plunkett Foundation (2020) Communities Work. How community organisations can lead the post COVID-19 jobs recovery. Report, Communities in Charge Campaign, UK.

<https://locality.org.uk/wp-content/uploads/2020/09/2020.09.16-Locality-report-Communities-work.pdf>

⁹ Plunkett Foundation (2020) Plunkett's Vision for a COVID-19 Rural Recovery. Report, The Plunkett Foundation, UK, July.

<https://plunkett.co.uk/wp-content/uploads/Plunketts-Rural-Vision.pdf>

¹⁰ Public Health England (2020) Disparities in the risk and outcomes of COVID-19. GOV.UK, Public Health England, August.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/908434/Disparities_in_the_risk_and_outcomes_of_COVID_August_2020_update.pdf

¹¹ Ibid.

industries.¹² Importantly, these represent the core elements of foundational economies.¹³ Pre-pandemic data suggests that the communities in left-behind regions rely heavily on the local services and employment opportunities provided by foundational economies. The same data suggests that in the context of disadvantaged communities, foundational economies are negatively affected by the relatively low pay rates alongside the high costs and small turnover involved in running related businesses.

The constraints on foundational economies add pressure particularly on the young (under 25s) and older (over 65s) individuals who constitute the predominant work base in these sectors. The disproportionate impact of COVID-19 on these two age groups is underlined in a recent study that showed half of the under 25s and over 65s interviewees who were in employment in the early days of the pandemic were either furloughed or out of work by June, compared with less than one third among other age groups.¹⁴

These are all indications that regions of the country already experiencing socio-economic inequalities prior to the pandemic are the hardest affected by a loss of employment.¹⁵ In other words, dimensions of inequality are mutually reinforcing in left-behind regions, thus deepening the socio-economic divide and further increasing levels of local economic insecurity.

In light of this context, we argue that the role of civil society needs to be given greater attention and we consider its importance in two ways. First, civil society organisations can play a key role in responding to the immediate needs of local vulnerable groups. Our earlier work for the UK2070 Commission demonstrated this unique role in providing flexible and responsive initiatives in localities at the point and time of need. Second, there is a real long-term need to seek a different means of shaping UK strategy to be more locally sensitive, and for that purpose civil society organisations are well positioned with their local knowledge and experience. They are witness to COVID-19 impacts, and the vulnerabilities of the UK's economic structure. To address the vast gaps between regions, the economic recovery from COVID-19 will involve large scale, long term, and comprehensive interventions. However, our work suggests that it

¹² Allas T, Canal M, and Hunt V (2020) COVID-19 in the United Kingdom: Assessing jobs at risk and the impact on people and places. Report, McKinsey & Company, UK, May.

<https://www.mckinsey.com/~media/McKinsey/Industries/Public%20and%20Social%20Sector/Our%20Insights/COVID%2019%20in%20the%20United%20Kingdom%20Assessing%20jobs%20at%20risk%20and%20the%20impact%20on%20people%20and%20places%20new/COVID-19-in-the-United-Kingdom-VF.pdf>

¹³ Natarajan L, Ilie E, and Cho H (2020) Civil Society Perspectives on Inequality: Focus Group Research Findings Report. Report, Sheffield University, UK, February.

<http://uk2070.org.uk/wp-content/uploads/2020/02/UK2070-Civil-Society-Perspectives-UCL-2020.pdf>

¹⁴ Laura Gardiner, Maja Gustafsson, Mike Brewer, Karl Handscomb, Kathleen Henehan, Lindsay Judge and Fahmida Rahman (2020) An intergenerational audit for the UK. Report, Resolution Foundation, Intergenerational Centre, UK.

<https://www.resolutionfoundation.org/app/uploads/2020/10/Intergenerational-audit-2020.pdf>

¹⁵ Allas T, Canal M, and Hunt V (2020) COVID-19 in the United Kingdom: Assessing jobs at risk and the impact on people and places. Report, McKinsey & Company, UK, May.

<https://www.mckinsey.com/~media/McKinsey/Industries/Public%20and%20Social%20Sector/Our%20Insights/COVID%2019%20in%20the%20United%20Kingdom%20Assessing%20jobs%20at%20risk%20and%20the%20impact%20on%20people%20and%20places%20new/COVID-19-in-the-United-Kingdom-VF.pdf>

can also usefully involve those already working in the areas that suffer from regional inequality, to learn from them and seek to ensure that the job opportunities which would come with economic recovery do not exacerbate existing place-based inequalities.¹⁶

In view of the above, this paper re-examines the ‘civil society perspective’ on engaging in strategy that can respond to the current rapidly changing context. In the following sections, we unpack the roles of civil society organisations throughout the pandemic. We draw on our previous UK2070 research project published in early 2020, *Civil Society Perspectives on Inequality*¹⁷ and draw particular attention to how the already existing barriers to action continued and worsened during the pandemic. We have added more recent data, with an online survey distributed to 59 civil society organisations across England, including the 40 groups that took part in the 2019 focus groups. We also conducted documentary analysis of the websites belonging to these 59 civil society organisations, documenting their initiatives and activities undertaken during the pandemic, as well as online publications where relevant, all of which are referenced throughout this paper. We gathered supplementary information regarding the social and financial capacity of nation-wide civil society organisations from publicly available data in governmental (as referenced) and third sector online resources.^{18 19 20} From the 59 civil society organisations approached for the online survey part of this research, we received 13 responses. A breakdown of these responses indicates 3 civil society organisations representing the North East, 6 representing the North West, 3 representing the South East and 1 that kept its association anonymous. The online survey consists of 12 questions, designed around the Ten Point Action Plan proposed by the UK2070 Commission in its 2020 report.²¹ The Commission’s plan aimed to scale up positive change in disadvantaged communities and consists of the following actions:

1. A spatially just transition to zero-carbon
2. Delivering a connectivity revolution
3. Creating new global centres of excellence
4. Strengthening the foundations of local economies

¹⁶ Locality, Co-operatives UK and the Plunkett Foundation (2020) Communities Work. How community organisations can lead the post COVID-19 jobs recovery. Report, Communities in Charge Campaign, UK.

<https://locality.org.uk/wp-content/uploads/2020/09/2020.09.16-Locality-report-Communities-work.pdf>

¹⁷ Natarajan L, Ilie E, and Cho H (2020) Civil Society Perspectives on Inequality: Focus Group Research Findings Report. Report, Sheffield University, UK, February.

<http://uk2070.org.uk/wp-content/uploads/2020/02/UK2070-Civil-Society-Perspectives-UCL-2020.pdf>

¹⁸

<https://www.civilsociety.co.uk/voices/what-funding-is-available-to-charities-during-covid-19-pandemic.html>

¹⁹

<https://locality.org.uk/services-tools/resources/coronavirus-covid-19-information-and-support/covid-19-funding/>

²⁰ <https://www.grantsonline.org.uk/coronavirus.html>

²¹ UK2070 Commission (2020) Make No Little Plans. Acting at Scale for a Fairer and Stronger Future. Report, UK2070 Commission, UK, February.

<http://uk2070.org.uk/wp-content/uploads/2020/02/UK2070-FINAL-REPORT.pdf>

5. Rethinking the housing crisis
6. Harnessing cultural and environmental assets
7. Implementing a comprehensive framework for inclusive devolution
8. Future skilling the United Kingdom
9. Levelling the playing field: fairer access to funds
10. Shaping the future: a national spatial plan for England

The report of our research is structured as follows: firstly, we outline the importance of civil society organisations in dealing with the societal shocks and changes brought about by the COVID-19 pandemic, using concepts of regional resilience and responsive initiatives; secondly, we present the empirical findings that explain how civil society organisations are dealing with local issues brought on by the current COVID-19 crisis; and finally we offer a series of lessons surrounding the participation of civil society in policy-making post-COVID-19.

Civil society and economic shocks

Building networks for economic regional resilience

In the context of uncertainty given the current pandemic, the key to local economic recovery lies in how places are coping with change and how well they are prepared to adapt and react to crisis specific challenges. Economic regional resilience is a useful concept to better understand the process behind the responses of local areas during a crisis.

Resilience has quickly become a concept used to explain how local and regional economies respond to an economic crisis. There are two key approaches to the concept of resilience.²² The first is the engineering conception of resilience, focusing on the resistance of a system. It centres on how the system deals with shock and how quickly it can return to its previously existing structure.²³ The second notion is based on the adaptive capacity of a system.²⁴ It emphasises not only recovery from crisis but also re-orientation and renewal of systems.

The roles of civil society organisations tend to be discussed more extensively in relation to the second conception of resilience. With their concern for human agency, Bristow and Healy²⁵ argue that complex adaptive systems are made possible through the networks and bottom-up processes with interactions between people. The highly connected system of regions is seen as necessary to deploy resources and react to immanent changes. They especially note the relations between the networks of local actors and places where they are embedded are highlighted. Psychological studies explain the processes for social adaptations to external changes as the strategic

²² Pendall R, Foster K A and Cowell M (2010) Resilience and regions: building understanding of the metaphor, *Cambridge Journal of Regions. Economy and Society* 3(1),59–70.

²³ Hill E, St.Clair T, Wial H, Wolman H., Atkins P., Blumenthal P, Ficene S and Friedhoff A (2011) Economic Shocks and Regional Economic Resilience. Working Paper Number 2011-13. Building Resilient Regions: Institute of Governmental Studies, University of California, Berkeley, CA.

²⁴ Martin R and Sunley P (2007) Complexity thinking and evolutionary economic geography, *Journal of Economic Geography* 7, 573–602.

²⁵ Bristow G and Healy A (2014) Regional Resilience: An Agency Perspective. *Regional Studies* 48(5), 923–935.

transformation of human behaviours over time.²⁶ Therefore, the relationship between groups of people and their socio-economic contexts is a critical factor that can help build nimble systems. In this sense, local people connecting with each other within a specific context and their shared stores of local knowledge are key factors in civil society organisations' ability to operate well as a system. In effect, the working model of civil society organisations relies on building networks with members of the communities within which they work, as well as with local businesses and public authorities.²⁷

Highly connected networks are necessary for local actors to collectively react to shocks or changes, and importantly here understandings of how these various actors interpret and articulate socio-economic shocks will shape policies. Building regional economic resilience requires consideration of what is vulnerable and how to know when resilience is achieved.

The experiences and knowledge of civil society organisations, including both local organisations and those that are part of a national 'umbrella', about how localities are affected by and respond to socio-economic changes can be²⁸ a critical resource of strategic policy-making. We argue that civil society organisations should be included in the learning processes of policy making to support regional economic resilience, and especially when working with left-behind places and vulnerable community groups.

Economic shocks and civil society organisations

The role of civil society organisations is critical in building a stronger system for future resilience. Their activities are also essential to supporting the social functions during times of crisis. Some of the most immediate actions of civil society organisations are practicably impossible for governmental bodies to undertake directly. As noted earlier, socially disadvantaged groups are worst affected during economic shocks, and civil society organisations working with socially vulnerable groups are well-positioned and have the necessary know-how to continue supporting these groups during the COVID-19 pandemic. In addition, the bridge between local communities and public authorities offered by civil society organisations can support policymaking. Civil society organisations' experience and knowledge can therefore help shape locally suitable and timely policies.

Historically, the role of civil society organisations in supporting vulnerable local groups has been well documented. For example, their role in poverty reduction has been discussed in relation to development and social networks. The research report commissioned by Joseph Rowntree Foundation in 2011²⁹ states that these networks are important in improving access to employment opportunities. Social networks are

²⁶ Magis K (2010) Community resilience: an indicator of social sustainability. *Society and Natural Resources* 23(5), 401–416.

²⁷ Locality, Co-operatives UK and the Plunkett Foundation (2020) Communities Work. How community organisations can lead the post COVID-19 jobs recovery. Report, Communities in Charge Campaign, UK.
<https://locality.org.uk/wp-content/uploads/2020/09/2020.09.16-Locality-report-Communities-work.pdf>

²⁸ As argued for some time by collaborative planning theorists such as Patsy Healey.

²⁹ Asif A (2011) Social networks: their role in addressing poverty. Programme paper, Joseph Rowntree Foundation, UK, March.

<https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/poverty-social-networks-full.pdf>

likely to play four simultaneous roles: enhancing service delivery; mentoring and raising aspirations; mutual support; and collective action and campaigning (also see the next section). For example, the voluntary sector can utilise social networks in order to deliver services. It has been seen that civic sectors contribute to strengthening the local economy by offering skills development programmes and by providing opportunities to develop start-up social enterprises.³⁰ It eventually can help local people into employment. Mentoring programmes run by civil society organisations are especially helpful for disadvantaged children and young people. The programmes focused on youth groups help them to escape poverty and boost social mobility (see for instance [100 Black Men of America, Inc.](#)). In addition, social support for older people is essential to prevent social exclusion and to provide emotional support.³¹ Single pensioners tend to lack a social network and/or are in poor health,³² and sometimes social activities or support provided by these local organisations are one of only very few opportunities accessible to them. In view of such instances it seems perhaps unsurprising that civil society organisations have been filling in the gaps left by the shortcomings of the state in meeting the needs of its most vulnerable citizens.

Civil society initiatives aimed at tackling socio-economic difficulties of local citizens are also important, and particularly since they can lead to further political engagement. There is a wide range of political activities such as providing information and policy design in the field of unemployment and precarious working conditions.³³ Therefore, civil society organisations have knowledge regarding priority issues for communities, and importantly too have insight into how local people understand governmental policies, including the perspectives of disadvantaged groups such as young people, elderly and the homeless who have difficulties in joining formal public participation processes. Civil society organisations have the unique position of liaising between local people and public authorities³⁴ and can therefore help policymakers to develop more locally sensitive plans tailored around socio-economically disadvantaged groups.

As mentioned in the introduction, the population experiencing precarious circumstances has been growing significantly from the early days of the pandemic. The difficulties these people are facing are notable not only in terms of economic impacts, but also in social terms since unemployment resulting from ‘waves’ of COVID-19 can produce significant economic and social isolation. The social support which both local

³⁰ Quatermain, S. (2008) ‘Defining poverty and approaches to reducing it’, Development Trusts Association. Available at: www.dta.org.uk/activities/campaigns/poverty/dtsandpoverty/sqpoverty

³¹ Hoff, A. (Oct 2008) Tackling Poverty and Social Exclusion of Older People – Lessons from Europe. Working paper 308, Oxford Institute of Ageing.

³² Patsios, D. (2006) ‘Pensioners, Poverty & Social Exclusion’ in Pantazis, C., et al., *Poverty and Social Exclusion in Britain*.

³³ Baglioni S, Lorenzini J and Mosca L (2014) The Political Role of Civil Society in the Policy Field of Youth Unemployment and Precarious Working Conditions. In: Baglioni S Giugni M (eds) *Civil Society Organizations, Unemployment, and Precarity in Europe: Between Service and Policy*. London: Palgrave Macmillan UK, pp. 13-31

³⁴ Locality, Co-operatives UK and the Plunkett Foundation (2020) Communities Work. How community organisations can lead the post COVID-19 jobs recovery. Report, Communities in Charge Campaign, UK.

<https://locality.org.uk/wp-content/uploads/2020/09/2020.09.16-Locality-report-Communities-work.pdf>

and national civil society organisations offer can be vital for disadvantaged groups during the pandemic. Activities such as those directed at distribution of funding and building social networks can attend to immediate needs such as food provision and healthcare and emotional support by helping them to cope with the isolation brought on by recurring lockdowns and other travel restrictions.

The initiatives of civil society organisations during COVID-19

During the last several months of the COVID-19 pandemic, the activities rolled out by civil society organisations demonstrate their potential of being flexible and their adaptive capacity. Civil society organisations have been running an extended range of initiatives for local communities, including fundraising, provision of immediate care service and financial support for local businesses. Some of these initiatives consist of the usual activities which the organisations have been offering prior to the pandemic but modified so as to be accessible during the pandemic, while others are tailored for specific community needs during COVID-19. In both cases, initiatives are responsive in nature and aimed at counteracting the ‘fall out of disadvantage’.³⁵ This means that civil society organisations have had to display a range of ready tools and answer with a sense of urgency, in their drive to ensure that basic community needs were met.

The range of initiatives that are being used, as set out in the following paragraphs, suggests that civil society organisations are manifesting a widespread ‘net’ of support for those with limited or no access to everyday essentials like food and medication whether on account of self-isolating or living in otherwise disadvantaged communities. Examples of the latter are rural communities, disproportionately affected by the dependence on national and global supply chains, particularly in terms of food provision.³⁶

In these circumstances, the growing reliance on food banks amidst disadvantaged communities before COVID-19,³⁷ increased substantially in the months of the pandemic. In this sense, civil society organisations included in this research, such as The Real Junk Food Project, The Ready Healthy Eat Project and The Hornbeam, were found to have championed programmes that facilitated the delivery of fresh food and/or ready-made meals to the communities’ more vulnerable individuals. Other civil society organisations have been running initiatives offering advisory and/or financial support on a variety of issues from workers’ and tenants’ rights to safeguarding community businesses. The support set in place might be more crucial particularly for those directly affected by national and local lockdowns alike, through the loss of employment and core social care services. Some areas are clearly more heavily affected by the COVID-19 pandemic than others, and civil society organisations based in areas that perform worse in economic terms are significantly more stretched than their peers operating elsewhere.

Community resilience throughout the pandemic also highlighted concerns for both

³⁵ Natarajan L, Ilie E, and Cho H (2020) Civil Society Perspectives on Inequality: Focus Group Research Findings Report. Report, The University of Sheffield, UK, February, p. 12. <http://uk2070.org.uk/wp-content/uploads/2020/02/UK2070-Civil-Society-Perspectives-UCL-2020.pdf>

³⁶ Plunkett Foundation (2020) Plunkett’s Vision for a COVID-19 Rural Recovery. Report, The Plunkett Foundation, UK, July. <https://plunkett.co.uk/wp-content/uploads/Plunketts-Rural-Vision.pdf>

³⁷ Ibid.

physical and mental wellbeing in relation to recurring periods of quarantine and restricted social encounters. Many of the civil society organisations included in this study run programmes that seek to overcome isolation and loneliness while simultaneously enabling skills and knowledge sharing to build up social capital. These types of programmes reflect continuity in the civil society organisations' pre-pandemic work to resist economic insecurity and curb regional levels of inequality.

Financial support for community businesses often comes in the form of grants. As a source of funding, these grants are designed to reach vulnerable people in the community and the local civil society organisations who work directly with these groups. With overarching names like 'Comic Relief COVID-19 Community Grants', 'Community Resilience Fund' and 'COVID-19 Essential Resources for Social Enterprises' these grants are the result of either fundraising efforts or collaborations between various civil society organisations and charity groups.

The national 'umbrella' organisation Groundwork, for instance, is offering grants via its Comic Relief Community initiatives to the local civil society organisations which are considerably smaller in size and have a registered income of less than £250,000. The types of funding schemes supported through these grants include: *Children Survive & Thrive* for the support of children under the age of 5 and *Fighting for Gender Justice* for women who are affected by domestic violence. *A Safe Place to Be* is for homelessness or forced migration, and *Mental Health Matters* focuses on those experiencing social stigma and discrimination due to their conditions.

In these ways, national 'umbrella' civil society organisations have provided a financial lifeline for their local counterparts. The financial support offered has proven to be essential to the continuation of the work of local organisations throughout the current crisis, and to some extent mediate uneven distribution of centralised public funding streams. The collaborative social networks put in place by national civil society organisations, such as those networks that allow access to funding partners, made it possible for them to distribute resources towards the hard-to-reach socio-economic groups and reshape services in as short a time as possible, so as to adapt to the changing circumstances.

National civil society organisations also seek to support both their local peers and community groups not only during but also after the pandemic under their overall visions by conducting research and sharing it. The online article, *How to make green space accessible to all*³⁸ by Friends of the Earth, gives an example of such efforts.

The types of initiatives outlined above suggest that the pandemic has incentivised civil society organisations to actively promote shared community and environmental agendas. In many regions across England, self-isolation has become synonymous with a paramount need for free and unrestricted access to both social support networks and decent quality green and open space.

As part of advancing these agendas, a number of civil society organisations such as Just Space and the Rural Coalition issued official letters calling on the Secretary of State to take action, while others formed partnerships to better equip them in delivering common objectives. One notable example is the call for a 'data collective',

³⁸ Paul de Zylva (2020), How to make green space accessible to all. Friends of the Earth, UK. <https://friendsoftheearth.uk/nature/life-after-lockdown-how-make-green-space-accessible-all>

which is supported by several national civil society organisations whose work spans a diverse range of issues from economic to social and healthcare. The key argument put forward by the group is that a suitable and long-term response to the socio-economic problems produced by the COVID-19 pandemic requires a more joined-up approach to knowledge building, stating that ‘fundamental questions that many different organisations are trying to answer. But the information [they] need to do this is held by different people, in different places and cannot be easily joined up. This makes it hard to act on’.³⁹

In the examples given here, the initiatives go beyond responsiveness to issues experienced at community level and successfully showcase civil society’s capacity for strategic and collaborative work in times of crisis. This capacity is not often recognised but, given the local know-how of these civil society organisations, there is clearly great potential. As Locality puts it they can ‘bring local people and institutions together around shared visions or missions for local economies’.⁴⁰

Priority concerns of civil society and COVID-19

The documentary analysis above indicates that the opportunity to actively work during COVID-19 is not equally possible for all civil society organisations alike. In geographically disadvantaged areas, the precarious funding streams were identified as one of the priority concerns during the focus groups meetings in the pre-pandemic first stage of the research. This limitation to accessing financial resources was also seen in responses to the online survey and the online documentation reviewed for this study, suggesting that precarious funding remains a significant barrier in meeting organisational goals in the COVID-19 period.

In this context, the online survey data confirms that the most significant priority concern of civil society organisations remains economic insecurity. Following the matter of availability of ‘Everyday Activities & Community Services’ (what the UK2070 Commission identified as ‘Foundations of Local Economies’), access to ‘Grants & Support’ (‘Fairer Access to Funds’) is identified as one of the most relevant issues to local civil society organisations. ‘Policy & Strategy’ (‘A National Spatial Plan for England’) and ‘Environmental Sustainability’ (‘Just Transition to Zero-Carbon’) are also identified as critical concerns.

³⁹ Multiple authors (2020) Why we’re calling for a data collective. Catalyst, UK, June. <https://www.thecatalyst.org.uk/blog/why-were-calling-for-a-data-collective#:~:text=By%20being%20part%20of%20the,on%20how%20to%20use%20the>

⁴⁰ Locality, Co-operatives UK and the Plunkett Foundation (2020) Communities Work. How community organisations can lead the post COVID-19 jobs recovery. Report, Communities. Report, Communities in Charge Campaign, UK. <https://locality.org.uk/wp-content/uploads/2020/09/2020.09.16-Locality-report-Communities-work.pdf>

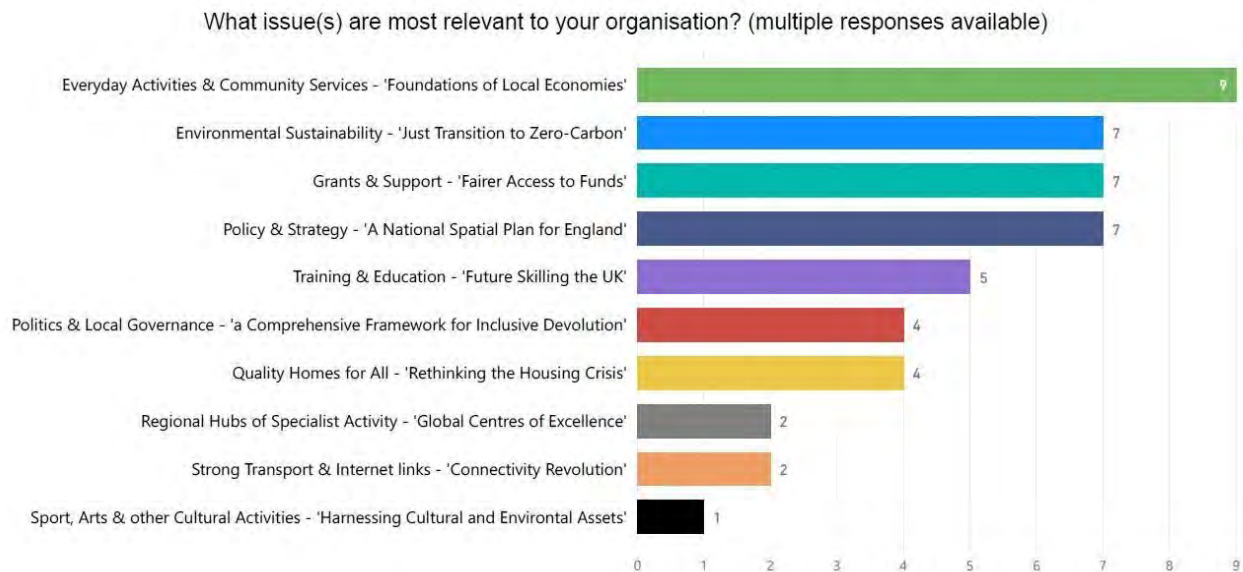


Figure 1 Online survey responses to 'What issue(s) are most relevant to your organisation?' (August 2020)

The main barriers leading to precarious funding streams can be seen from two different perspectives. Firstly, national funding tends to be provided for the larger civil society organisations, which are more likely located in bigger cities. Second, support funding during the COVID-19 pandemic appears to be allocated on the basis of economic sectors rather than geographic regions.

In the early days of the pandemic, the UK Government put in place a £30 billion support package for small to medium-sized UK businesses and the self-employed.⁴¹ A much smaller £750 million support package was made available for Voluntary, Community and Social Enterprises.⁴² That disparity of funding put the civil society sector in a disadvantaged position in its attempt to address the toll the pandemic was having on communities across the country.

Private and charitable sector bodies stepped in to act where public sector support fell short. At a national level, groups like the National Lottery Community Fund, Lloyds Bank Foundation, BBC Children in Need, Locality, CRISIS, The Plunkett Foundation, Groundworks, Great Places and Historic England set up community-oriented recovery funds either individually or through partnerships with similar bodies. In a similar fashion, many local authorities and organisations established sources for regional funding. Examples of such sources include: Community Foundation Tyne & Wear and Northumberland, Community Foundation for Merseyside, County Durham Community Fund, London Community Response Fund, and Newcastle Round Table (Tyneside).

A closer look at the financial support behind the various responsive initiatives discussed earlier demonstrates the national trend where most community grants are

⁴¹ GOV.UK (2020) Chancellor of the Exchequer, Rishi Sunak on COVID-19 response. Available at: <https://www.gov.uk/government/speeches/chancellor-of-the-exchequer-rishi-sunak-on-covid19-response> (accessed 19 October 2020)

⁴² GOV.UK (2020) Financial support for voluntary, community and social enterprise (VCSE) organisations to respond to COVID-19. Available at: <https://www.gov.uk/guidance/financial-support-for-voluntary-community-and-social-enterprise-vcse-organisations-to-respond-to-coronavirus-covid-19> (accessed 19 October 2020)

provided by the large and medium size ‘umbrella’ civil society organisations that operate either at regional or national levels. For example, Great Places Housing Group which was able to offer Community Resilience Fund⁴³ is one of the largest housing groups in the North of England managing around 19,000 homes by approximately 600 colleagues across four regional offices including Manchester, Oldham, Sheffield and Blackpool. As a large housing group, the organisation managed to draw donations through its partnerships. The organisation provides more than £100,000, including the donation from Countryside and Emanuel Whittaker. Smaller civil society organisations – and arguably those that are most locally rooted – tend to rely on funding opportunities made available by those larger bodies. In the absence of such funding, smaller local civil society organisations depend on volunteers in order to run their everyday activities. The nature of capacity building and social capital within volunteer networks make organisations that are dependent on them even more vulnerable. As evidenced for instance in a UCL-led networking event carried out in 2019 with members of the wider community and voluntary sectors,⁴⁴ the core volunteering base for many small civil society organisations is often made up of elderly individuals who are retired and therefore with the necessary free personal time to offer for the benefit of the wider community. This same demographic group is highly vulnerable in the face of COVID-19 and in need of extended self-isolation, leaving many civil society organisations struggling to replace this unpaid workforce with other members of the community in order to effectively deliver their everyday activities.

For civil society organisations outside of central England, the economic inequality seems to be experienced through several layers. The economic foundations of the regions are not stable but additionally the financial support to work on local issues within this context is insufficient, as confirmed by the online survey responses. This precarious funding is still seen as a main issue in the context of COVID-19. When we consider the fact that the economic environment of already disadvantaged regions worsened as a result of the pandemic, this limitation is likely to be more critical in recovering from the shock.

Secondly, the funding tends to be allocated according to sectors, not for the comprehensive uses targeting certain regions. Consequently, the central government's allocation of funding towards national economic recovery further decreases the resilience of civil society organisations based in disadvantaged communities. In this sense, the £124.3 billion of funding committed by the UK Government in responding to COVID-19 across the four nations were distributed as follows:

- £6.6 billion was to support the health and social care response (not including £13.4 billion of NHS debt that has been written off).
- £15.8 billion was for other public services and the wider emergency response.
- £19.5 billion was for support measures for individuals.

⁴³ Great Places (2020) Great Places launches Community Resilience Fund to support COVID-19 Recovery.

<https://www.greatplaces.org.uk/about-us/latest-news/detail/2020/07/16/great-places-launches-community-resilience-fund-to-support-covid-recovery>

⁴⁴ University College London, Queen Mary University of London and UK2070 Commission (2019) Creating Connections East: UK2070 Commission on Inequalities. London, Oxford House, 10 June. <https://www.ucl.ac.uk/bartlett/planning/events/2019/jun/creating-connections-east-uk-2070-commission-inequalities>

- £82.2 billion was for financial support for businesses.
- £0.2 billion was for other support⁴⁵

The much lower £750 million funding for UK’s frontline charities is stipulated under ‘Support for other public services and the wider emergency response’ alongside funding dedicated for judicial courts, prisons and probation services, transport improvement and devolved government funding.⁴⁶ This unbalanced funding allocation is reflected in the online survey data collected (see Figure 4). The survey results show that the initiatives of the participant civil society organisations tended to focus on local housing and employment rather than areas such as sport and cultural activities. The contribution to quality of life made by activities such as cultural offer appears to be given low priority in areas of low-economic performance, and the survey responses show that concerns surrounding economic insecurity tended to be prioritized over other issues. This uneven allocation of funding in sectors implies further issues which might occur in local areas with limited funding. Although education, culture, and sport are essential parts for everyday lives of local communities, scarce resources sometimes sacrifice these aspects.

To recap, both the online survey and documentary data accounting for the COVID-19 pandemic period show that the economic insecurity experienced by civil society remains problematic both in terms of regional economic foundation and funding streams.

Levelling up policy-making and civil society

Within this context, civil society organisations continue to argue strongly for the importance of public participation in policy making and for strengthening collaboration networks. In the online survey, participant organisations responded positively to the action plan for public engagement proposed by the UK2070 Commission.⁴⁷ It is worthwhile noting the finding that civil society actors prefer direct engagement rather than mediate through representatives. This indicates both a desire and a need to build an effective model for levelling up policy making processes. Throughout the focus groups meetings and subsequent online survey, participants representing both local and national civil society organisations mentioned the importance of local knowledge

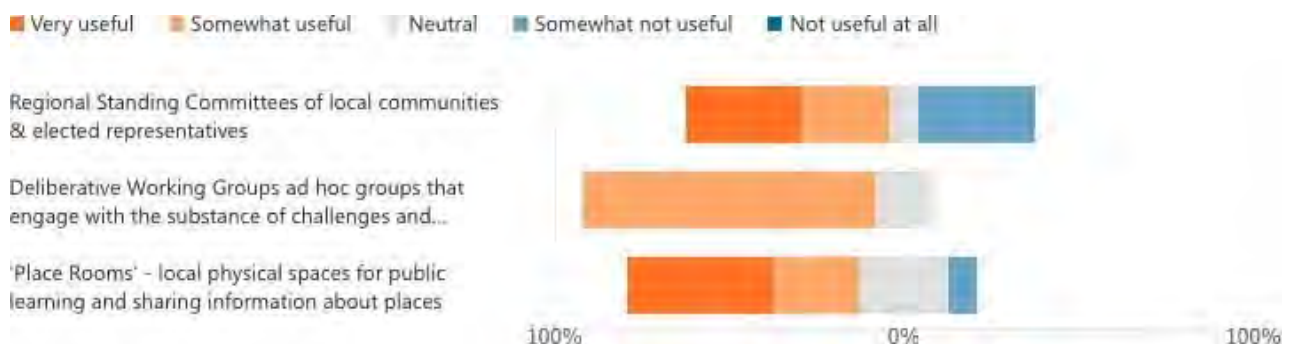


Figure SEQ Figure * ARABIC 3. Online survey responses to 'In your view how useful would these processes of inter-regional exchange be?' (August 2020)

⁴⁵ National Audit Office (2020) Overview of the UK government’s response to the COVID-19 pandemic. Report, National Audit Office, UK, May. <https://www.nao.org.uk/wp-content/uploads/2020/05/Overview-of-the-UK-governments-respon-se-to-the-COVID-19-pandemic.pdf>

⁴⁶ Ibid. p. 19

⁴⁷ UK2070 Commission, *Make No Little Plans*, 2020

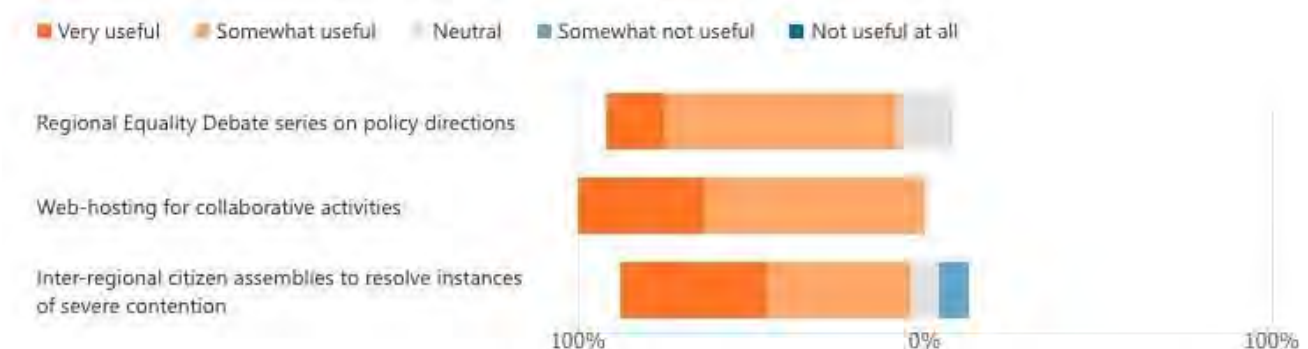
and locally sensitive actions, and the direct involvement of local groups was considered as a means to make voices in the community heard (Figure 5).

The concerns regarding the means for public engagement were highlighted particularly in the context of COVID-19 and associated lockdown(s). In relation to this, the participants noted the potential dangers and restrictions caused by digital exclusion.

This is an interesting point that links to the fact that the current pandemic has triggered an increased reliance on technology. Not only did businesses and institutions move their centres of activity online, but digital platforms have become spaces that facilitate social interaction and decision making. The increased popularity of digital platforms as tools enabling local engagement, information and support processes was picked up in the documentary analysis as well. While digital channels have the potential of reaching wide audiences and possibly even include disadvantaged communities, it can nonetheless exclude those with restricted access to digital technology.⁴⁸ Such is the case for rural areas, where inadequate digital connectivity has a negative impact on economic performance and distribution of services.⁴⁹

This switch to digital channels has made public participation more challenging during national and local lockdowns alike. In the absence of face-to-face interactions, some members of the community, particularly those from socio-economically vulnerable groups, are therefore difficult to reach. Without better online structures to build and strengthen social relations between people, individuals tend to become isolated.

‘Virtual meetings are nothing like as useful as being in the same space as others, and there is a digital divide which means many voices, especially those least often listened to anyway, are not heard.’ (The response of a participant in the online survey, August 2020)



In light of the current circumstances which only allow virtual meetings, the online survey responses show that building a more accessible online platform is important from a civil society perspective. The option of an online platform to collect opinions from within the community has probably always been important for local civil society organisations, but this option has become essential during the COVID-19 pandemic as there are much more limited opportunities for face-to-face interactions. While there are concerns about limitations occurring during an online-based public participation process, digital public participation appears to be the only alternative for interaction

⁴⁸ Natarajan L. (TBD) Participatory Democracy for Inclusive Devolution. Think piece, UK2070 Commission, UK

⁴⁹ Plunkett Foundation (2020) Plunkett’s Vision for a COVID-19 Rural Recovery. Report, The Plunkett Foundation, UK, July.

<https://plunkett.co.uk/wp-content/uploads/Plunketts-Rural-Vision.pdf>

between local communities and institutions in a scenario that makes face-to-face meetings impossible. The implication here is that developing a more effective digital platform, one that is accessible to broader populations could be an urgent priority if public engagement processes are to include vulnerable individuals and disadvantaged communities.

Conclusion

Recent statistics have shown that the economic shocks due to the COVID-19 pandemic and its associated national and regional lockdowns have significantly affected regions with low-economic performance preceding the pandemic. Existing economic gaps have been seen to extend both geographically and socially. Regions with low-economic performance are not only more significantly affected by the pandemic, and continuingly so, but they also appear to be less well positioned to recover after this crisis. Moreover, this economic inequality is shown in the gaps between social groups as well as the regional gaps. Populations finding themselves in precarious employment situations are also more likely to suffer from economic insecurity both during and following the pandemic.

COVID-19 has therefore redoubled the problem of inequality and intensified the dynamics that produce economic insecurity. Front-line COVID-19 efforts are needed beyond the NHS and social care, with emergency economic responses to support communities. This research shows that civil society organisations work through responsive initiatives by quickly altering their organisational systems in order to adapt to immediate community needs. Civil society organisations, the non-profit local groups and associations with boots on the ground, are thus on the front-line for responding to the growing challenge. For example, they redirect their funds in order to help local communities. These funds, in the form of grants provided by large and medium size civil society organisations conducting extensive work in various regions were employed to support communities who suffer as a result of the pandemic. These organisations' strong pre-existing social networks with other partners and public authorities allows them to reach local vulnerable groups such as women who are facing domestic abuse, young children, and the homeless.

Our research found that civil society organisations have both increased and diversified the core initiatives they delivered in their communities prior to the pandemic and these are vital to maintain local communities. The social actions driven by civil society organisations over the period of the pandemic share one overarching priority, that of physical and mental wellbeing. This common goal saw many organisations diversify not only the services they provided, but also their delivery in order to reach the most marginalised and at-risk groups in local areas. These at-risk groups were found to be the primary target of the diverse activities undertaken by the organisations studied. The reason for this is that they are the very groups facing the most precarious circumstances as a result of the pandemic's impact on the local economy; they face the loss of local businesses and service providers, social isolation and access to goods. Their local know-how and grasp of the place-based economy allowed civil society organisations to step in and effectively put forward tailored initiatives for the benefit of disadvantaged communities.

In other words, civil society organisations can reach local communities which might remain beyond the central and local government's attention in rapidly changing

circumstances of the pandemic. However, their roles, which have been seen as essential for local areas, do not seem to be sufficiently recognised in terms of the allocation of public funding. The support for civil society organisations is mixed but appears to have been mainly non-governmental. Our work shows that civil society funding streams, provided mainly by ‘umbrella’ organisations, constituted the lifeline of smaller, local civil society organisations. In effect, this galvanized the non-governmental sector as an active and essential service provider.

Within this limited governmental support, the funding which civil society organisations formed is too scarce to cover needs. In particular, disadvantaged areas struggle and remain underfunded. Moreover, civil society organisations in these areas have additional challenges as they rely on older and disadvantaged communities to deliver services. The economic insecurity that disadvantaged regions have been experiencing pre-pandemic has a continuing impact on their activities. The relatively weak economic foundations in the North and North West of England is still one of the biggest barriers to civil society meeting its goals in their communities, while funding to expand their activities remains insufficient.

In addition, in disadvantaged areas localities have on average fewer digital resources. The digital divide across regions, like economic insecurity, has been highlighted and aggravated by the COVID-19 pandemic. The resulting digital exclusion impacts on left-behind regions by further isolating vulnerable groups, decreasing economic performance of local businesses and putting additional strains on the delivery of civil society organisations’ initiatives.

This picture is one of civil society organisational action with major barriers where action is needed most in terms of capacity building and funding. The existing means in allocating funding and supporting local communities seems not sustainable. It may well be an impending challenge to explore better means to mediate unbalanced funding allocation and to reach local communities that are likely to remain beyond the attention of the government. However, the first step will be the greater recognition and involvement of civil society organisations in policy-making. Firstly, their knowledge about local areas can be taken into account in policy-making processes to catalyse their capacity and restructure funding streams. Second, their networks can be more fully utilised for delivery of support to local communities.

This research has a number of implications for the work carried out by the UK2070 Commission, the most significant one being the need to recognize civil society’s efforts and contributions to the wellbeing of their communities. Given the unique position of these organisations and their first-hand understanding of local social economies, it is critical to involve them from the outset in decision-making processes targeting disadvantaged regions. The balanced development of regions is only possible through the active participation of local actors who have a first-hand experience and understanding of local issues. With regional inequalities highly likely to worsen through the pandemic, moving forward it will be necessary to amplify the voices of local civil society organisations in order to resolve the national uneven distribution of resources and to build resilient communities.

2) How the COVID-19 crisis provides a chance for our towns and cities to address short- and long-term challenges

Space Syntax

Note

This paper was originally written during the summer of 2020. In the time since then, events have moved rapidly. Whilst the positive implementation of a vaccination scheme hints at a return to a more normal life, the emergence of new mutations are a reminder that things could change again.

The ideas set out in this paper may have developed pre-vaccine, however they are still relevant to both the short-term risks around new strains of COVID-19, and the long-term challenges around health, climate change and the environment. They are also aligned with thinking in the planning and design professions around 15 minute cities.

What can we learn from COVID-19?

COVID-19 has accelerated a number of changes that were already taking place in our cities. It has magnified some impacts of inequality, but also shown that we can use our existing cities differently to create wider benefits. In the longer-term we also face challenges around health, climate change and inequality, but if our cities respond to COVID-19 in the right way now they can also provide the spatial foundation to do this.

COVID-19 has forced everyone to change the way they live. This has covered all facets of life; work, leisure, education, shopping and socialising.

As pointed out in many places, some short-term impacts of these changes have been positive, and there are opportunities to build on these, but we need to think very carefully about how to do this.

Some people have been able to transition to remote working very smoothly. It works for people employed in knowledge-based sectors, it's easier with a spare room and good broadband at home, and where childcare is available. However, not everyone has these options available to them.

With fewer people going to work or travelling internationally, [emissions have reduced and air quality improved](#). For people who live close enough to city centres, active transport like cycling, walking, or running offers a way to stay fit and maintain social distancing when workers return to offices more fully. But what about the groups who live further away, who might have more time commitments, like second jobs, caring or childcare, or do less well-paid jobs?

Pre COVID-19, there was criticism of the UK's generic high streets which were [occupied by the same retail chains](#), and under pressure from e-commerce. Some local high streets worked well, with unique character, a mix of independent shops with cafés, pubs, restaurants, bike repair shops, hardware shops, hair-dressers and pharmacies.

Not only do these streets fulfil a role in terms of generating local economic activity, or providing access to essentials, but they also fulfil a social role. During the strictest point

of lockdown all social interaction stopped. For some people this switched online, but it's not a direct replacement. Again, the groups without the technology at home to be part of these alternative social gatherings suffer more, and are at a greater risk of social isolation.

It is arguable then that these local high streets provide resilience to cities, by allowing people to access shops and services without needing technology or advanced planning. However, not all cities or neighbourhoods have these types of streets.

COVID-19 has made us change our behaviour without changing the physical systems

COVID-19 has shown us that in exceptional circumstances [transformational behaviour change can be made](#). We could change physical infrastructures now to lock in these behaviour changes while people accept them, and to prevent us returning back to our old patterns.

However, there are risks around doing this – inequality means that not everyone will benefit equally and there could be negative longer-term impacts. This is complex, it affects different parts of the city, and different population groups differently, and in ways that are not always intuitive.

COVID-19 has also shown us the value of face to face interaction. While it may be a way to add value to some economic sectors, it is key to local retail, as well as many other informal but important activities. As with other issues this may affect some socio-economic or demographic groups disproportionately, especially groups who lack access to digital technology, struggle to navigate complicated routes to care or support, or are under more time pressure. While coming into contact with people is the way COVID-19 spreads, proximity to others is the way neighbours interact and provide access to informal support networks.

Before we make changes to cities to address short-term considerations, we need to think about the longer-term outcomes we want to create, we need to agree on these as a society, then work back to design and manage our urban systems to make sure that interventions made now don't make these outcomes impossible to deliver in future. We also need to understand cities.

How do cities work?

Cities are made up of physical systems, which include the street network, land uses, density and public transport. The individual design of these systems and the way they interact with each other makes certain parts of the city easier to get to than others, while also making some daily activities (and long-term outcomes) possible or impossible.

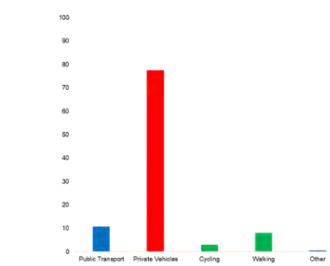
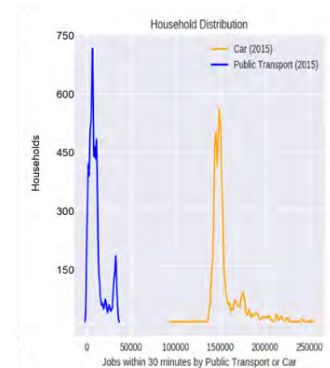
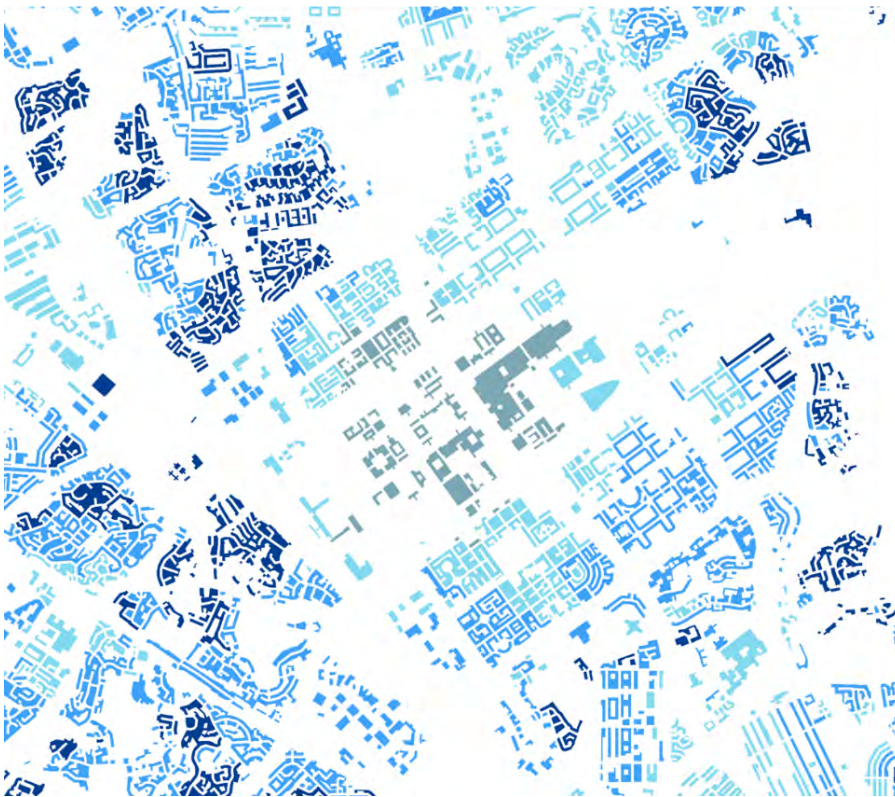
[Hierarchies within the street network affect the way economic and social activities are distributed in cities](#). If the street network is walkable, and combined with a mix of land uses nearby, then it is easier for people to be active as part of their everyday lives. [If housing is in mono-functional, lower density areas, or cut off by highway infrastructure, people must make extra effort to be active](#).

There is increasing evidence of links between lifestyle and long-term outcomes such as health and wellbeing. The [mode of transport used to commute to work](#) is associated with health outcomes, [the design of the built environment affects choice](#) of transport

mode, and the outcomes of these choices have a [cost to society](#) in terms of secondary impacts.

It must be stated that positive outcomes can't be guaranteed, there are multiple factors (including [genetics, lifestyle and environment](#)) and the choices an individual makes mean, for example, that it's possible to live an unhealthy lifestyle in a part of the city that allows for an active lifestyle. However, what our cities can do is provide the physical systems that make it possible for positive outcomes.

Using spatial modelling and analysis techniques it is possible to understand how the systems in cities work together to enable certain behaviours. This intelligence can then be used to shape how we grow, adapt or change our cities.



The **Integrated Urban Model**, created by Space Syntax, combines the private vehicle, public and active transport networks with data on land use and density to understand how urban systems work together. These models can be used to measure car dependence (shown above, with darker blues indicating a higher dependence on private cars), walkability or access to key services. They can also be linked with demographic data sets to run risk stratification models, such as the risk of social isolation in elderly people. This makes it possible to see whether a vulnerable population has access to the services it needs, or if they are located in a part of the city that relies on access by car.

What do we want our future cities to be like in the long-term?

One of the risks of the COVID-19 crisis is that an initial knee-jerk response is made to reduce housing densities, and people move to suburbs that in effect can only be accessed by private car. This model of 20th century urbanism is associated with car dependence, it reduces opportunities for unplanned physical activity and social interaction.

What we know at the moment is that [urbanism based around](#) a walkable-scale urban grid, formed from continuously connected streets, that mix different uses and densities, integrates public transport, and enables a local population to mix with a wider population, allows more positive outcomes. It creates opportunities for physical activity as part of everyday life, it creates chances for unplanned social interaction and can support local economic activities. It can enable people to live more active lives and deliver health benefits, reduce private vehicle use and improve air quality.

This form of urbanism creates networks of centres of different sizes, and the result is a more complex set of inter-relationships, dependencies and activities than has typically been delivered through more typical, siloed, approaches to city making.

This more complex form of urbanism creates value to society, and the cities that result tend to be more resilient as they provide multiple alternative options that integrate with and support each other – whether that is addressing longer-term challenges or short-term choices of transport, access to a wider range of uses or (formal and informal) support networks.

How cities could adapt to the new normal and meet longer-term challenges

We need to balance the short-term risks of close contact and transmission, against the longer-term benefits of proximity and interaction. We also need to consider how to reduce the negative economic impacts.

Changing cities is difficult, expensive and slow. It requires statutory approvals, engaging with stakeholders and communities, changing land ownerships, demolishing buildings, and diverting utilities. Parts of London have almost the same street network as during Roman times. Even when the Great Fire of London destroyed much of the City, [it wasn't Christopher Wren's masterplan that was built in place of what was there before, but the same parcels of land ownership pre-fire.](#)

It's also worth considering the length of time required for city building cycles against political, economic (and pandemic) cycles. Cities take many years to build, and while they are often then described as being constantly changing, it tends to be individual plots of land that change once the infrastructure is in place. Pandemics exact a huge toll in the short-term, but will be outlived by the city. In the past, slowing the spread of disease in cities led to solutions such as the extension of Barcelona ([which took almost a decade to plan](#)) and the practice of [quarantining in Venice](#).

This implies that we should be tailoring interventions in response to underlying physical characteristics. In places with suitable characteristics, interventions should focus on enabling changes to the way we manage cities, rather than fundamentally re-building them around a shorter-term condition. The urban design concept "[SoftHub](#)", developed between [Space Syntax](#), [Expedition Engineering](#) and [Useful Projects](#), proposes three ideas to show how changes to the way we manage our cities, could help to do this:

1. Encouraging Active Transport to maintaining Public Transport for those most in need

When people return to work more fully, reduced public transport capacity will mean that a combination of interventions is needed.

Remote working and school closures meant fewer cars on the road, and more people exercising as their only daily activity allowed away from home. Encouraging people to

use active transport modes to commute is an opportunity to create health benefits in the short and longer-terms.

However, not everyone lives close enough to work to replace public transport with active transport. A 10-15km ride to work (the approximate distance from the North Circular to central London) may be fine for keen cyclists, but not everyone will be able or confident to do this twice a day.

For people who still need to access city centres, there are opportunities to chain together public and active modes (see diagram below). It may be possible to take public transport part of the way to work, then change to an active mode from a more manageable distance.

This could be a switch from a train or bus to a traditional bike (from 5km for example), or an e-bike from slightly further away (10km). In this way, space on public transport all the way to city centres could be reserved for users who are less able to walk or cycle.



In the places where people change transport modes interventions are required. These are in effect transport hubs, but rather than being big pieces of infrastructure engineering their functions can be integrated within the surrounding urban environment in a softer way: the SoftHub. Dockless and e-bikes could be distributed in the streets surrounding public transport stops and stations, in convenient places to continue the route to the city centre (this could also address the current issue of dockless bikes dumped in inconvenient places).

Where people switch from public to active modes also creates a series of opportunities to stimulate local economic activity. This could include amenities specific to the active commute – cycle repair shops and cafes for example - but there are opportunities to go further than this to enhance the sustainability of local (and wider city) economies and re-start activity.

2. Use local workspace to drive economic activity across wider operating times

When office-based workers return, public transport and office capacity will be reduced, but people may have found they are happy to continue to work remotely. However, not everyone has a job where it is possible to work from home, or has space at home to continue remote working.

To address some of these users, small-scale shared workspaces could be provided within SoftHubs. These could be unused shop units, adapted to provide a safe work

space for people to work away from home, and away from a central office location. These would not require major work, but potentially changes in the use class of existing buildings.

The type of space required to support work but may not automatically mean more or less office space is needed. Some activities are better suited to carrying out face-to-face or benefit from opportunities for chance interaction. These may not need to be in defined work spaces but could be supported by cafes or other meeting spaces. Public buildings could be re-positioned to provide quiet work space while potentially generating income to contribute to running them.

While some redistribution of workspace from major centres to local centres will help take the pressure off central locations, the peak intensity of rush hour could be reduced further by allowing activity to be spread over a longer period of time. SoftHub areas could be managed to allow activity to start earlier, and finish later.

Not only could this create opportunities for local businesses, but it could increase co-presence and natural surveillance at night, removing some of the conditions that are associated with anti-social behaviour and crime.

3. Create conditions to support Active Transport

To encourage walking and cycling, methods to reduce the amount of traffic on the road should be considered. The growth of e-commerce has been accelerated by COVID-19 and led to many delivery vehicles on the road, often driven by workers under immense time pressure.

If deliveries were managed differently, or regulated, this type of movement could be reduced. One option is to restrict who can receive goods at home to those who are most vulnerable or least mobile. Deliveries for the wider population could then be consolidated to local collection points in places that are easy for the surrounding population to access – SoftHubs.

Encouraging active transport also means creating conditions that prioritise people over vehicles, and to do this properly needs some lighter-touch changes to the public realm. These could combine stricter enforcement of reduced speed limits, re-balancing space towards people through public realm improvements and prioritising public over private transport.

This is not simply a case of rolling out more [cycle lanes](#) or pre-existing filtered permeability schemes. These two approaches can improve conditions for cyclists, but sometimes this is at the expense of negative impacts on other socio-economic or demographic groups. When applied without careful thinking, filtered permeability schemes can take low levels of traffic from lower-density areas with fewer people on the streets, and displace it to higher-density, mixed-use streets, where more people walk and cycle. These streets also include uses such as schools, GP surgeries and pharmacies. Indeed, in a recent [planning consultation in Hackney](#), the Local Authority's evidence showed that in a best-case evaporation scenario, the proposed scheme increased traffic (and reduced air quality) outside primary schools. It should also be mentioned that there are potentially negative impacts in terms of natural surveillance on quieter streets at night times, which has led to fears around personal safety. Neither of these are positive outcomes.

A successful response requires the careful tailoring of solutions to respond to urban context across many scales, and to prioritise less-able users over more-able. On some streets there may be demand for higher levels of pedestrian use, or places where pavements are unusually narrow, but this might not be continuous along the length of the route. Shops will need space for kerbside deliveries. In claiming space back for active transport, these needs should be considered or the street will not be able to function.



SoftHub image produced by UsefulProjects⁵⁰

How to make sure SoftHubs work

For these ideas to work, they need to be implemented using multiple mechanisms including; policy, physical intervention and engagement.

Using modelling and analysis to provide intelligence on the way that cities work, interventions can be matched to specific contexts. This requires careful profiling of locations; they need to be the parts of a city that are easy to get to and around on foot, connected to wider scale public transport, and in convenient locations to access city centres.

Once potential locations are identified a set of requirements around transport, workspace and public realm can be developed. This should consider whether it needs to provide more bikes or e-bikes, which streets are most convenient to locate them on but least intrusive to pedestrians, the potential amount of workspace required, and which parts of the street network are most important for all modes of transport.

Some requirements will need to be met through a design intervention, and these should be developed by engaging with the local community and stakeholders. This will help to progress and tailor a response that takes on board the detailed knowledge of local issues that these groups have. By combining both quantitative and qualitative

⁵⁰ SoftHub images throughout this report are credited to Ed Parham, Space Syntax; Catherin Ramsden, UsefulProjects; and Judith Sykes, Expedition Engineering.

techniques it is possible to provide a spatially coherent and integrated approach to developing interventions.

Some requirements could be met through local policy or regulation changes, for example to allow unused shops to become work spaces, to allow businesses to be active across a longer period of the day or to restrict deliveries to businesses to night times when there will be less people around. This would allow many actors to contribute to a coordinated whole. However, potential policy changes need to be applied to carefully defined areas to maximise their chance of success.

These interventions should also be combined with wider scale policy measures such as congestion charging or ULEZs to discourage individuals from driving to the centres of cities.

Summary

COVID-19 has forced some positive change to the way we use cities, encouraging people to increase daily activity levels and in turn reduce emissions. The urban design concept of the SoftHub presents a combination of physical and operational interventions to adopt positive short-term changes more permanently, while also setting in place conditions to help address longer-term issues.

These interventions need to be carefully developed and shaped with local stakeholders, in response to local urban, economic and social conditions, using analysis and testing. Over-simplified solutions are unlikely to work for all socio-economic or demographic groups, and there needs to be a range of options that prioritise those most in need, or least able first.

3) Land-use planning, inequality and the problem of ‘left-behind places’ - A ‘provocation’ for the UK2070 Commission

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Introduction

The UK2070 Commission aims to illuminate the imbalances in the nature of economic activity, including the patterns of investment, wealth, taxation and public expenditure, and the related social and environmental conditions across the United Kingdom; to illustrate the potential of national spatial economic frameworks which enable and support regional and local action and priorities; and to identify policy interventions and mechanisms for collaboration to address imbalances between regions and nations, including governance and fiscal instruments such as local taxation, land value capture and intergovernmental transfers. This paper addresses one key dimension of this prospectus, namely the problems of ‘left behind places’ and the policy and planning measures designed to mitigate their conditions. We contend that to find new ways to address the problems of these places is of critical concern for the future of the UK and any reform of the planning system should make this a policy priority. In this paper we set out some thoughts on this topic, which are intended to raise questions about the direction of existing theory and policy.

The Brexit vote in the UK drew attention to the political and economic marginalisation of some places in the UK. According to Andrés Rodríguez-Pose (2018), the Brexit result is an instance of the revenge of the ‘places that don’t matter’. This expression of discontent from places at the sharp end of rising social and spatial inequalities has fostered the rapid rise of populism that is challenging the hegemony of neoliberal capitalism and liberal democracy. This paper considers the problems of these so-called ‘left-behind’ places – typically former industrial regions. Such places figured prominently not just among those that voted leave in the Brexit referendum in England and Wales, but also among those Americans who voted for Donald Trump in the 2016 US Presidential election or French citizens who voted for Marine Le Pen in the 2017 French presidential election. In this context, this paper’s aims are fourfold. First, we sketch out the political economy of ‘left-behind’ regions. Second, we offer a critical account of recent efforts to ‘regenerate’ deindustrialised regions. Third, we outline new policy prescriptions for ‘left-behind’ regions attracting the attention for policymakers. Finally, we consider the politics of local and regional economic development, including the kinds of institutions that are required to affect a new economic future in such disadvantaged places.⁵¹

The regional political economy of de-industrialisation

Christina Beatty and Steve Fothergill (2018) estimate that 16 million people live in the

⁵¹ Jennings and Stoker (2016) identify a distinction between ‘two Englands’ consisting of ‘cosmopolitan’ and ‘backwater’ places. Their focus is on places in southern England, symbolised by the divide between cosmopolitan Cambridge and the backwater, former seaside resort, Clacton. Our main focus here is on former industrial regions, but the argument we develop should have wider application.

former industrial regions of the UK – almost one quarter of the national population. While these regions have shared in the rise in employment in recent years, growth rates in London and other cities have been three times faster. Despite prolonged and far-reaching deindustrialisation, these places still have a higher than national average share of industrial jobs; lack white-collar and graduate-level jobs; have lower than average pay and employment rates; are more dependent on in-work and especially incapacity benefits; and have ageing populations. Headline unemployment figures provide a poor measure of real economic conditions in these places. Considering their high dependence upon incapacity benefits paid to those classified as unable to seek work, Beatty and Fothergill estimate the ‘real’ unemployment rates in such places to be 7.5 percent of the working age population in spring 2017.

Educational disadvantage is also concentrated in left-behind places (Education Policy Institute, 2018). This disadvantage takes complex and varied forms. For instance, the North East of England consistently has amongst the best primary school results in the country, but the lowest average adult incomes (Children’s Commissioner for England, 2018). In addition, left-behind regions experience disproportionate levels of premature mortality (Plümper et al. 2018). Mordechai et al. (2018) have identified higher opioid prescription rates in the north of England and in areas of greater social deprivation. The highest incidence of relative urban decline is primarily located in Northern England (Pike et al. 2016). Such places are characterised by lower rates of net in-migration of economically active age groups, lower rates of employment growth in the decade to 2008, and a higher rate of contraction following the economic crisis and downturn in 2009-2012. They have substantially higher rates of poverty measured by the unadjusted means-tested benefits rate. The factors most strongly associated with relative decline in the UK are skill levels, industrial history and location at city, regional and national scales. City size and the reduced presence of consumer services in places that are overshadowed by larger neighbours are key differentiating factors between places in relative decline. Some places with weak economies and lower value housing markets experience both selective out-migration of higher educated people and selective in-migration of disadvantaged, often unwell, people with high levels of social need (O’Connor, 2017).

Former industrial regions have presented a persistent problem for public policy across the developed world for several decades. While the rapid decline or disappearance of employment in traditional industries has occurred across North America and Europe, the scale of these changes has been especially marked in the UK and adds to the urgency of the issue. The UK’s ‘productivity puzzle’ continues to vex policymakers (Haldane, 2017). There is a geography to this; Philip McCann (2016) shows that regions outside of London and the South have productivity levels akin to poorer regions in Central and Eastern Europe and southern regions in the United States.

Deindustrialisation has underpinned the long-term growth of regional inequalities in the UK (Tomlinson, 2016). Such disparities have been exacerbated more recently by several geographically uneven trends, including skill-biased technical change which has disadvantaged those regions with low educational attainment; trade shocks arising from greater international integration of markets (Sandbu, 2016); and the rise of ‘residential capitalism’ in which economic growth is based appreciating assets values (Ryan-Collins, et al. 2017). Left-behind places typically are the wrong side of such developments.

Former industrial regions have been subject to waves of policy innovation and intervention. Under the Thatcher and Major governments, priorities included, first, providing financial and regulatory incentives to attract international manufacturing investment to the former industrial regions, enabled by the UK’s membership of the Single European Market. And, second, encouraging entrepreneurship through the promotion of enterprise based upon self-employment and business start-ups. The

legacies of inward investment policy are the major industrial complexes built up by Nissan in Sunderland and Toyota in Derby. But many of these investments proved fragile; LG in Newport and Siemens on Tyneside withdrew their investments shortly after their high-profile openings. The fragility of such branch plant economies is long-established (Pike, et al. 2017). Stirrings of economic nationalism and even ‘de-globalisation’ (Wolf, 2017), have rendered strategies based upon the continued attraction of flows of mobile manufacturing investment have become more difficult for UK regions, especially in the uncertain context of Brexit and future trading relations. Enterprise policy typically stimulated unsustainable market entry by short-lived businesses, displacing incumbents (Storey et al. 2008), and encouraged ‘reluctant entrepreneurs’ into starting low-value service enterprises (Turner 2003). While rising productivity means existing employers are likely to shed workers to remain competitive; indeed, some consider the remaining jobs in ‘left-behind’ places especially vulnerable to automation (Centre for Cities, 2018).

In this context, there has been a search for new approaches to economic development. Currently, a powerful orthodoxy suggests that cities offer productivity and growth premiums because they generate agglomeration economies through their scale, density and diversity. In this way, London acts as the dynamo that powers the UK economy, through its financial, digital and knowledge-intensive business services (KIBS) and provides an economic development model to which other places should aspire. The recent growth of Manchester, based on the expansion of services and property development, has been presented as the model for other city-regions (Folkman, et al. 2016; Moran, 2018).

Public policy now aims to facilitate the further growth of large cities – typically by easing planning restrictions to allow more development. Recently, city-centre regeneration has acted as a proxy for industrial strategy (Berry, 2018). The Northern Powerhouse, for instance, operates primarily as a brand for the marketing of Northern England for investment in residential and commercial real estate, infrastructure, and, to a lesser extent, advanced manufacturing, R&D, and culture (Lee, 2017). This development model lies behind the recent push to create ‘metro-mayors’ in city-regions as the government’s preferred form of devolution based upon matching decision-making with ‘functional economic areas’ (Moran et al., 2018). The implications of this strategy for former mill towns, mining villages, coastal and rural settlements have been ambiguous at best. Widening social and spatial inequalities between and within cities and regions are the accepted consequence of this approach and, for some, are the sign of a dynamic rather than lagging economy (Glaeser, 2013). Such interpretations see efforts to revive lagging industrial regions as having failed and being counterproductive; better to enable migration to London (or other large cities) where more productive jobs are plentiful (e.g. Leunig, 2008).

The limits of ‘regeneration’

Rachel Reeves (2018: 30) has cogently summarised the limits of recent policies:

“Industrial strategy has tended to concentrate on cities as engines of growth, on property development, technological innovation and the high-productivity trading sectors. This approach to economic growth neglects middle- and low-paid workers in the low-productivity, non-traded sectors, as well as the civic infrastructure required to develop research and innovation across the whole economy. It also tends to exclude rural areas and towns from the very wealth-creating activity it is promoting.”

Philip McCann (2016) has also shown that there is little evidence that other regions benefit from London’s growth. Instead, London has effectively ‘decoupled’ itself from the rest of the UK economy and has fortuitously captured the benefits of globalisation

through its specialisation in financial services; the attraction of multinational companies; foreign investment and international migrants; and benefiting from rising asset values (see also Beatty and Fothergill, 2018). Very little of London's growth has been driven by migration from elsewhere in the UK (McCann, 2016).

Similarly, there is little evidence that faster-growing cities in the North are contributing to the growth of neighbouring places. The economic performance of cities is crucially determined by the region in which they are located. Cities in southern England and Scotland have tended to grow above the national average, while cities in northern England grew more slowly (McCann, 2016). Although the gap between major cities and their regional hinterlands has widened, much of the growth, even in relative success stories such as Manchester, has been in low productivity, low wage sectors rather than KIBS (Folkman et al., 2016). Moreover, with their greater social needs and higher costs of service provision, local authorities in 'left-behind' places have borne the brunt of austerity since 2010 (Bounds, 2017).

The appreciation of asset values – principally land and housing – is a major driver of the accumulation of wealth in London and the South East of England. Allocating land for residential development and ensuring sites are properly supplied with infrastructure is perhaps the greatest policy challenge in southern England, which is experiencing a severe crisis of housing affordability. Capturing some of the gains of rising land values to fund the construction of infrastructure has emerged as the focus for urban development policy in London. UK planning policy is mainly focused on increasing the supply of housing in places where demand is high, but local authorities are reluctant to give permission for development.

However, housing and land markets in left-behind places, outside the major city centres, are in a very different position. In such weaker market places, house building is constrained by an absence of development and mortgage finance; complex land viability issues including a surplus of brownfield sites; lack of subsidies for remediation; negative reputations and stigma. These conditions highlight the limits of 'national' planning reforms as a means of regeneration in left-behind places (McGuinness, et al. 2018).

Developing 'left-behind' places

Geographical inequalities continue to increase, generating social, political and economic costs. Recent studies from the OECD and International Monetary Fund (IMF), among others, suggests that inequality is the cause of slow growth rather than its outcome (Cigano, 2014; IMF, 2017; Ostry et al., 2016; see also Stiglitz, 2015). In the US, the Brookings Institution has argued that places disconnected from economic opportunity "may hold back collective growth and threaten the social fabric on which a healthy democracy depends" (Berube and Murray, 2018: 2). Growing urban and regional divides are one expression of this. But, policy-makers' continued faith in agglomeration and densely-developed cities as the route to economic development is being challenged by research suggesting that large cities are not always the most dynamic engines of growth (Dijkstra et al., 2013). In the UK, the productivity growth of southern service-based cities has been modest, slowing any increases in national average productivity, despite higher levels of skills and the presence of KIBS. Some smaller and medium-sized cities have outperformed larger cities (Martin et al. 2018). Indeed, the OECD has cautioned against only focusing on the largest 'core cities', suggesting:

"Larger cities create benefits, but as benefits grow, so do 'agglomeration costs' ... costs and benefits increase in parallel, reducing the pull of larger cities ... a well-connected 'megaregion' with rural areas and a network of smaller, but well-connected cities, could provide agglomeration benefits while limiting the costs from congestion and densification" (OECD, 2018: 86).

Given this geographical differentiation of economic conditions, place-based approaches offer a novel approach to local and regional economic development. Such approaches aim to release untapped potential in economically lagging places by empowering local stakeholders to maximise their skills, talent and capabilities in ways that enhance economic performance and potential (Barca et al. 2012).

Such strategies tailor their mix of policies to local conditions, improving opportunities for citizens and workers wherever they live through a combination of targeted development strategies and institutional and capability improvements (Immarino et al., 2018). The World Bank calls for regions to act as the architects and implementers of their own programmes to address their locally unique capabilities and challenges, while acknowledging this will require more intensive, on-the-ground support, including technical assistance and capacity building at the regional and the local level (Farole, 2017: 11). Conventional approaches to economic development that focus solely on increasing economic growth have had limited impact in 'left-behind' places. Economic growth has typically not translated into rising living standards with households in left-behind places experiencing declining real incomes and people trapped in low value and poorly paid jobs that sustain in-work poverty, suggesting the need for more rounded forms of development that focus on human wellbeing (Stiglitz et al., 2010).

The pursuit of major inward investments, development of KIBS or advanced manufacturing are unlikely to create inclusive growth in 'left-behind' places (Lee, 2018). Low-paid and precarious forms of work in mundane sectors of the economy – what Rachel Reeves (2018) calls the 'everyday economy' – have been neglected in debates about local industrial strategy. But these sectors are present in all local and regional economies and are disproportionately important in 'left-behind' places. Such sectors typically comprise the 'foundational economy' of economic activities that are immobile and relatively protected from competition but provide the social and material infrastructure of civilised life that everyone needs to access irrespective of income including water, gas, electricity, housing, healthcare, and education (Foundational Economy Collective, 2018).

Rather than competing for the next big thing against already strong and larger urban economies, 'left-behind' regions would be better served by policies aimed at securing their foundational economies. Investments in high quality infrastructures are likely to be important in places where the private sector is weak, especially if these are aimed at addressing underlying social problems such as high levels of morbidity or low levels of educational attainment. Strategies might include asset-based forms of community development that aim to increase and broaden capital ownership to anchor jobs locally and strategies of 'remunicipalisation' to take local infrastructure back into local control (CLES, 2017; Cumbers, 2016). The Industrial Strategy Commission (2017) has proposed the notion of Universal Basic Infrastructure to ensure appropriate provision of both the hard (physical and natural capital) and soft (human capital-building) infrastructures that increase the productive capacity of all people and places. The Joseph Rowntree Foundation (2018), for instance, has shown how reliable and affordable local bus services are crucial to the economic development of left-behind areas, and emphasised the need for institutional and regulatory reform to support improvements in provision. Easing austerity and fiscal stress is a precursor to the adoption of these approaches and reinstatement of local governments and their partners to lead, formulate and implement such new and fresh thinking about local and regional development. Fresh thinking on complementary demand-side measures can also have positive impacts upon job creation and more inclusive forms of growth (Pike et al. 2017).

Planning for 'left behind places'

Deindustrialised places in the UK experience concentrated social and economic disadvantage and this has profound political consequences as the geography of the Brexit vote revealed. Similar problems are observable in the US, EU and elsewhere. In the UK, existing, top-down policy frameworks have largely failed 'left-behind' regions and there is an urgent need for fresh thinking on future development strategies. Place-based approaches can aim at (re)building and enhancing the everyday and foundational economy, the improvement of basic infrastructures, accumulation of locally-owned assets and the stimulation of demand-side policies. Such approaches will require more participatory, multi-stakeholder and deliberative models of decision-making because they are based on identifying and responding to diverse local and regional conditions. Consequently, place-based forms of economic development require strengthened institutional frameworks. Tackling the entrenched problems of 'left-behind' places will require more imaginative and flexible geographies than the current top-down approach to devolution which has fetishised city-regions and imposed metro-mayors (Tomaney, 2016). Such institutional arrangements need to respond to emergent international patterns and dynamics of geographical change, including urban archipelagos, patchworks, and mosaics rather than simple binary cores and peripheries. The new theories of urban and regional development suggest the importance of the regional scale in addressing links between dynamic and large cities and the 'left behind' within urban hinterlands, smaller cities, towns and coastal and rural areas (OECD, 2017).

Tackling the problems of the left-behind places requires a new politics of redistribution. Wealth taxes are likely to provide the necessary resources. Britain's wealth is increasingly tied up in land and property. The value of the UK's housing stock was £7.14 trillion in 2017, but 64 per cent of the UK's housing wealth is located in London and the South East. Moreover, 87 per cent of the growth in the value of housing over the 10 years to 2017 occurred there (Savills, 2018). Quantitative easing and bank bailouts have underpinned asset appreciation, and this further benefited London and the south (Gordon, 2016). A land value tax, which targets immobile assets and unearned gains in wealth, although politically difficult to achieve, with explicit fiscal equalisation measures, would lie at the heart of efforts to achieve a more regionally balanced economy (Ryan-Collins, et al. 2017).

As we broaden our definitions of both inequality and development a simple focus on short-term indicators such as GDP provide a poor guide to effective policy making (Tomaney, 2014). Increasing environmental pressures and the shift to a low carbon economy will require more flexible and imaginative planning that must include a role for the regional scale. Flood risk, habitat management, water catchments, minerals and forestry and renewable energy production (e.g. offshore and onshore wind power) require action well beyond the boundaries of city regions and while meeting urban demand can also provide new forms of economic activity in 'left-behind' places. Post-CAP agricultural policy is likely to reconfigure the relationship between urban and rural in potentially radical ways and will require careful planning in which the role of Metro-mayors is uncertain. The focus on economic growth in city-regions tends to lead to a very narrow conception of sustainability and false assessment of the real costs of current models of urban development and the interdependencies of cities and rural hinterlands (Tomaney et al, 2019).

Additionally, identity questions are overlooked by a narrow economic focus on urban agglomeration. As Akerlof and Kranton (2010) show, recent research has shown that our economic actions do not derive purely personal preferences but reflect the social codes that shape how people think of themselves and interact with others. These codes are taken seriously by people and shape behaviour. Who people are and how they think of themselves is key to the decisions that they make. Their identities and norms are basic motivations (Hausmann, 2017). We should expect identities to play a role in defining

governance and planning systems. The claims for a 'One Yorkshire' approach to devolution in England focuses on the larger regional scale rather than the city. For instance, the Sheffield Citizens' Assembly showed a clear preference for a Yorkshire scale of government.

Yorkshire identity is not just a potentially powerful international brand but represents (intangible) social capital and the basis for a shared collective project. Bavarian identity, expressed among other ways through its powerful state parliament, does not appear to have prevented Munich from becoming one of the world's most prosperous and liveable cities. Regions shape the character of cities as much as cities shape regions, for instance through landscape, topography and the attachments these generate. Regional planning needs to acknowledge this dimension of human life.

Allowing the continued and 'managed decline' of left-behind communities or exhorting their residents to migrate (Leunig, 2008) are a political and moral dead end. People have a low propensity to move out of such places for a range of understandable reasons, including the difficulties of relocating from low value and weak to high value and strong housing markets and the social pull of valued community ties (Rodríguez-Pose, 2018; Sandhu, 2016). Indeed, such strong social bonds are one of the defining characteristics of former industrial regions and the loss of identity associated with the disappearance of old ways of life continues to shape economic, social, political and cultural attitudes and behaviours in such places (Warren, 2018). This suggests the case for a new 'economics of belonging' (Sandhu, 2018) that recognises the value of these relationships and builds upon them to create new forms of economic activity.

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4) Policy brief: neighbourhood change and trajectories of inequality in Britain, 1971-2011

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For further understanding of this report please see the following interactive maps displaying: (1) a typology of neighbourhoods <https://bit.ly/2DT801l> & (2) representative trajectories of neighbourhood change <https://bit.ly/2KHqq6N>

Introduction

This briefing is part of a large four-year PhD project assessing the extent, sequence, pace and spatial pattern of neighbourhood change in Britain over a 40-year period from 1971 to 2011. The project is funded by the Economic and Social Research Council (ESRC) and the Ordnance Survey through the Data Analytics and SocietyCentre for Doctoral Training.

Neighbourhoods are the basic living cells of the system of human settlements. They shape local and national patterns of social cohesion and economic growth by influencing individual wellbeing across the lifespan, and the social and economic fortunes and prosperity of cities and towns. Blighted neighbourhoods, characterised by high incidence of poverty, crime, unemployment and crumbling infrastructure, have been found to curb individual salary prospects, health, educational and employment outcomes.⁵³ These disadvantageous individual outcomes negatively impact local development and society as a whole, reproducing spatial socio-economic inequalities.⁵⁴

This briefing focuses on the geographical structure and temporal change of neighbourhoods in Britain between 1971 and 2011. The project has used the methodology developed by the PopChange project⁵⁵ to create temporally- and geographically-consistent 1 km gridded datasets of population counts, encompassing demographic, socioeconomic and housing attributes, from the Censuses Britain conducted in 1971, 1981, 1991, 2001 and 2011.

Key points:

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⁵³ Chetty, R. and Hendren, N., 2018. The impacts of neighborhoods on intergenerational mobility I: Childhood exposure effects. *The Quarterly Journal of Economics*, 133(3), pp. 1107-1162.

⁵⁴ Galster, G.C., 2012. The mechanism (s) of neighbourhood effects: Theory, evidence, and policy implications. *Neighbourhood effects research: New perspectives* (pp. 23-56). Springer, Dordrecht.

⁵⁵ Lloyd, C.D., Catney, G., Williamson, P. and Bearman, N., 2017. Exploring the utility of grids for analysing long term population change. *Computers, Environment and Urban Systems*, 66, pp.1-12

- Between 1971 and 2011, struggling neighbourhoods remained largely concentrated in North West, North East England and Scotland.
- More affluent and thriving neighbourhoods clustered across London, South East and South West England.
- There was a considerable decline in the number of struggling neighbourhoods in Scotland between 1971 and 2011.
- Major British cities experienced large increases in the number of multicultural neighbourhoods.
- Rural and suburban areas have remained home to thriving and mixed workers suburban neighbourhood types.
- The number of thriving and mixed workers communities neighbourhood types has undergone a considerable rise.
- Blue collar families neighbourhoods have practically disappeared.
- Urban renewal and regeneration processes have primarily taken place in old striving neighbourhoods.
- Struggling neighbourhoods have evolved from being main centres of unemployment to including neighbourhoods with a large share of council rented housing in 1971.

Defining a typology of neighbourhoods

Neighbourhoods can be characterised in a variety of ways. Geodemographic classification⁴ provides an effective approach to represent the internal socio-economic structure of neighbourhoods and it is used here to identify eight neighbourhood signatures based on the gridded data from the British 1971 to 2011 censuses. These signatures were defined using k-means clustering applied to data capturing three key dimensions: *demographic* (the percentage of population by age band, ethnicity and student status), *socio-economic* (the percentage of population by socio-economic group, mode of travel to work, and unemployment status) and *housing* (the percentage of population by home ownership status, and vacancy rate) dimensions.⁵⁶

The most prominent features of the eight types of neighbourhoods are (Fig. 1):

1. Affluent neighbourhoods: large shares of managerial and professional non-manual occupations and owned houses.
2. Mixed workers suburban neighbourhoods: high shares of manual and non-manual workers of British nationality in suburban areas.
3. Families in council rent neighbourhoods: high shares of households with children living in council rented housing, in manual occupations and of British nationality.
4. Blue collar families neighbourhoods: high shares of manual workers and children using active modes of commuting (i.e. walking or cycling).
5. Thriving suburban neighbourhoods: high shares of middle-age and older adults, living in owner occupied housing and working in non-manual occupations.
6. Older striving neighbourhoods: high shares of retirees and vacancy rates.
7. Struggling neighbourhoods: high shares of British born and unemployed population.
8. Multicultural urban neighbourhoods: high shares of young, middle aged and student populations from ethnically diverse backgrounds, living in private rented housing and heavy users of public transport.

⁵⁶ Patias, N. Rowe, F. and Cazzani, S., 2018. A scalable analytical framework for spatio-temporal analysis of neighbourhood change: A sequence analysis approach. Prepared for the Association of Geographic Information Laboratories in Europe (AGILE) 2019: Geospatial Technologies for Local and Regional Development. Limassol, Cyprus on 17-20 June, 2019.

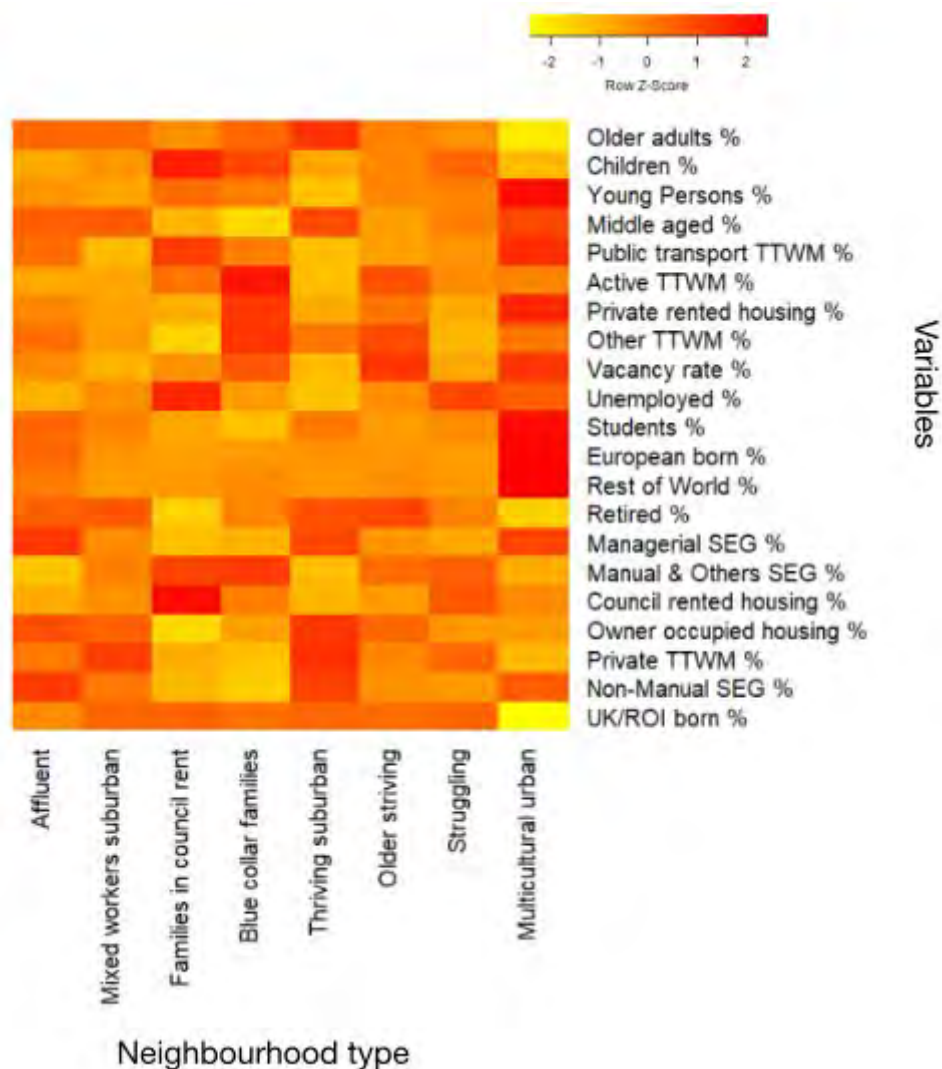


Fig 1. Representative variables across neighbourhood type.

What is the spatial distribution of neighbourhood types?

Analysing the frequency of neighbourhoods by type across the 11 regions of Britain for each census year reveals a persistent North-South polarisation of socio-economic inequalities (Fig. 2 and Fig. 3). Struggling neighbourhoods have consistently been more prevalent in northern regions encompassing North West, North East England and Scotland, while thriving and affluent neighbourhoods have prevailed in southern regions across London, South East and South West England. Finally, blue collar families' neighbourhoods disappear across all British regions after 1991 and are replaced mainly by older striving and mixed workers suburban highlighting the shift to a service-based economy. The spatial structure of these inequalities has, however, changed considerably in specific regions since 1971. The number of struggling neighbourhoods have declined in Scotland, with a corresponding rise in the number of thriving and affluent neighbourhoods, reflecting the rapid growth of the Scottish economy in the mid-1980s.

An outstanding feature is the considerable increase in the number of multicultural urban and affluent neighbourhoods in London, particularly in the inner city centre and immediate surrounding suburbs. This pattern reproduces the existing socio-economic gap between Greater London and the rest of Britain, and reveals marked patterns of spatial socio-economic residential segregation across the country. Outside London, the city centres of major urban conurbations, such as Manchester, Leeds, Birmingham,

Liverpool, Glasgow and Edinburgh have increasingly been the primary home to multicultural urban neighbourhoods, while rural and suburban areas have been the main residence to thriving and mixed workers suburban neighbourhood types.

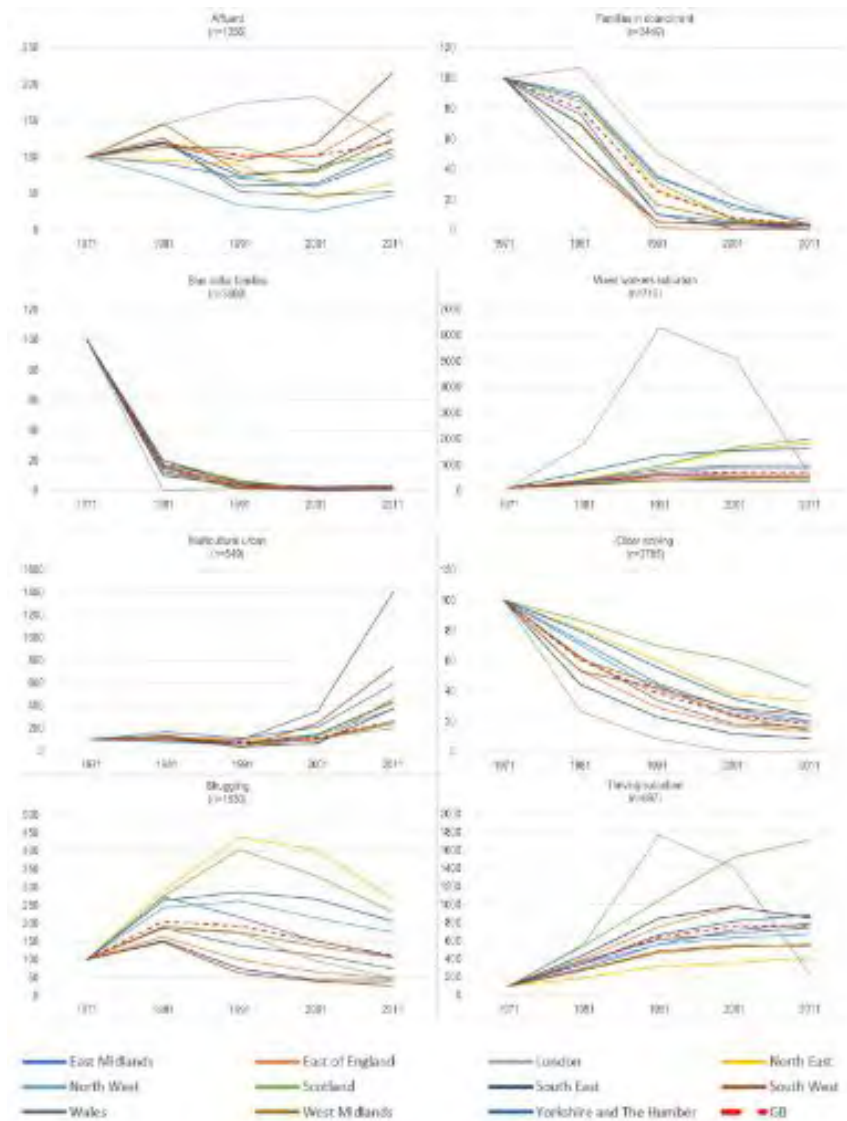


Fig. 2 Neighbourhood trends by neighbourhood type for each census year, 1971-2011. Base year = 1971. Number of neighbourhoods for the base year in brackets.

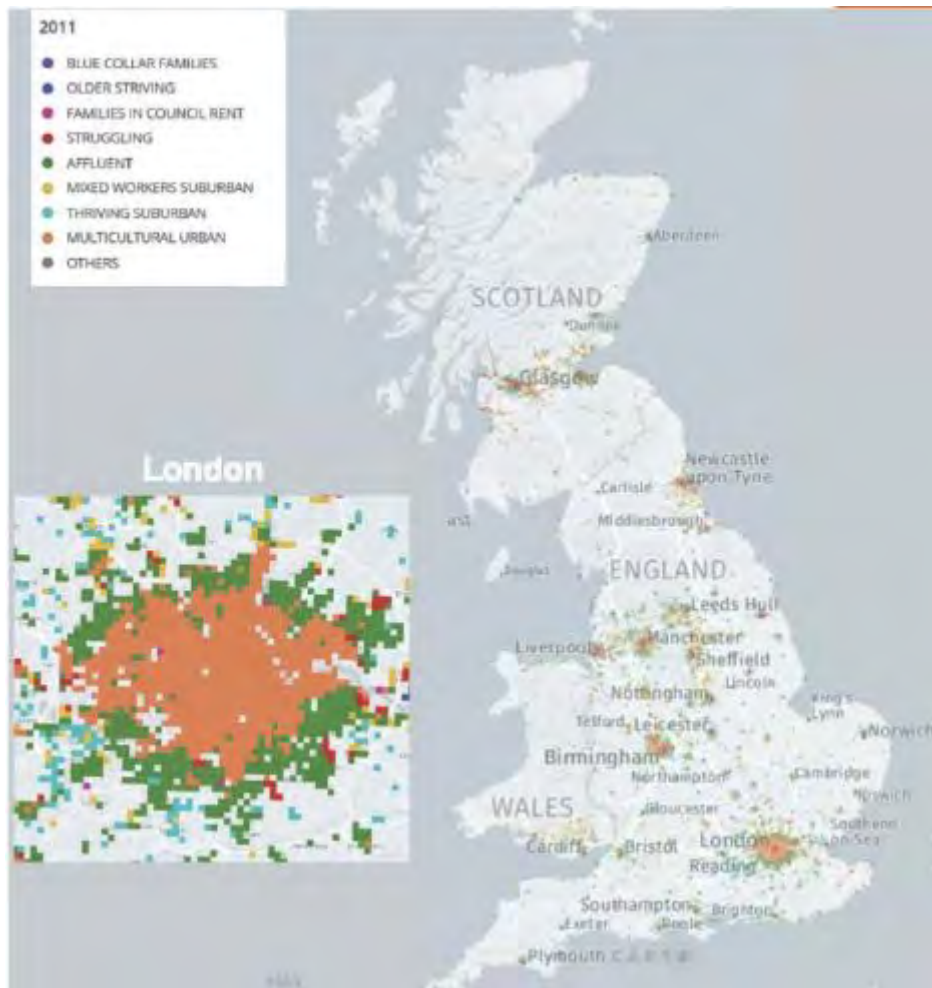


Fig. 3 Neighbourhoods by type, 2011. Explore our interactive map: <https://bit.ly/2DT801l>

How has the neighbourhood structure of inequality changed?

Examining the transition of neighbourhoods between neighbourhood types over 1971 and 2011 (Fig.4), patterns of neighbourhood stability and change emerge. Fig. 5 shows the ways in which neighbourhoods have transitioned between neighbourhood types between 1971 and 2011. Seven main patterns are identified:



Fig. 4 Neighbourhoods by trajectory, 2011. Explore the spatial patterns of these trajectories on our interactive map: <https://bit.ly/2KHqq6N>

1. Stable affluent neighbourhoods: Areas remaining persistently affluent over 1971 and 2011.
2. Up-warding thriving neighbourhoods: Areas transitioning from an older striving type to, or remaining in, a thriving suburban type.
3. Increasingly socio-economically diverse neighbourhoods: Areas transitioning from a struggling or blue collar families type to a mixed workers suburban type.
4. Stable multicultural urban neighbourhoods: Areas remaining multicultural in urban locations.
5. Rejuvenating neighbourhoods: Areas transitioning from an older striving type to a mixed workers suburban type.
6. Ageing manual labour neighbourhoods: Areas transitioning from being dominated by blue collar families to an older striving neighbourhood type.
7. Increasingly struggling home-owners neighbourhoods: Areas transitioning from a families in council rent type to a struggling type.

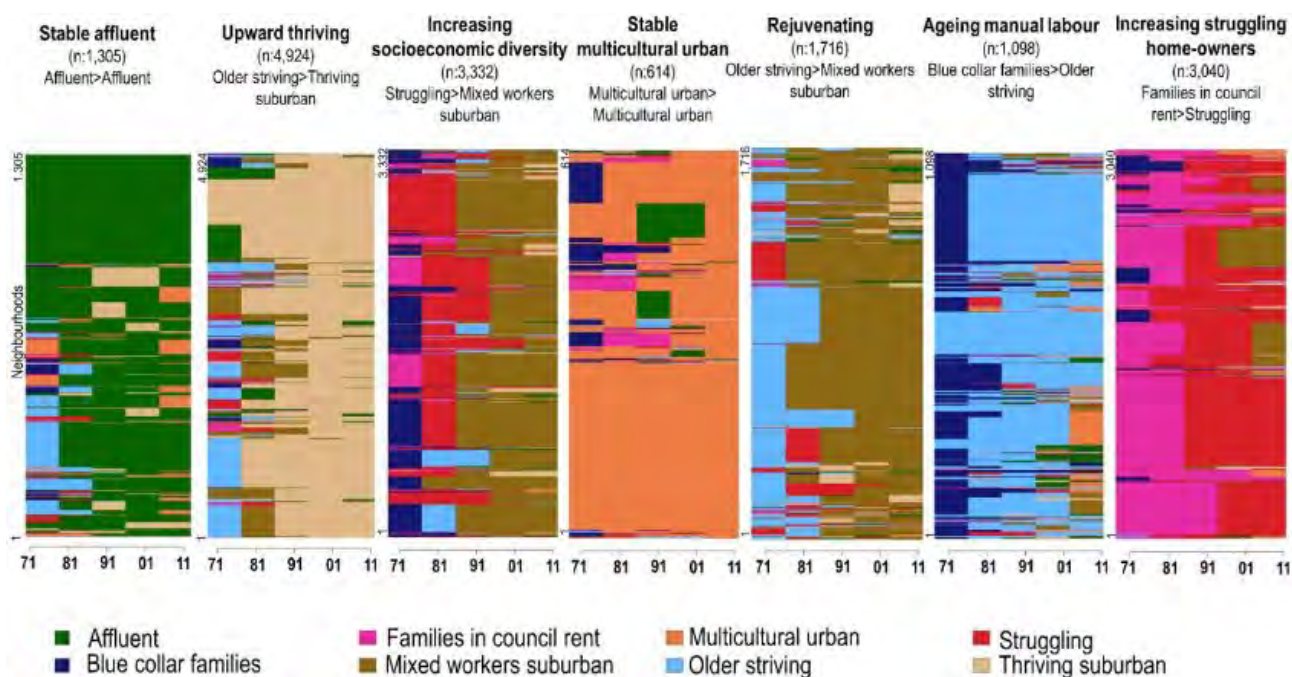


Fig. 5 Neighbourhood transitions between neighbourhood types, 1971-2011.

These neighbourhood trajectories reflect remarkable changes in the geographical structure of socio-economic inequality. First, the number of thriving neighbourhoods has considerably increased, reflecting the transition of older striving ones: neighbourhoods with high shares of retirees and vacancy rates to encompass relatively high shares of middle-age and older adult working-age populations, living in owner occupied housing and working in non-manual occupations. This change is captured in the trajectory of *up-warding thriving* neighbourhoods, and can be seen as a positive consequence of structural economic changes – consistently low unemployment levels and a shift to non-manual labour – on the national neighbourhood hierarchy, as it increases the number of communities flourishing socio-economically.

Second, the number of mixed-worker communities has also experienced a considerable rise captured by the *increasing socioeconomic diversity* trajectory. This trend has mirrored the decline of struggling and older striving neighbourhoods, as their shares of working-age population have increased after the industrial decline in the 1980s. Third, blue collar families neighbourhoods have practically disappeared, reflecting the shift of the economy from industrial manufacturing jobs to service activities. Partly reflecting their ageing populations and less advantageous socio-economic position, they have been replaced for older striving and struggling neighbourhood types. Fourth, as captured by the *ageing manual labour* trajectory, older striving neighbourhoods have remained home to retiree populations and kept high vacancy rates, and about one in three of these neighbourhoods has experienced considerable changes, sheltering larger shares of socio-economically diverse populations – primarily manual and non-manual workers of British nationality in suburban areas.

Fifth, older striving neighbourhoods have been replaced for mixed workers neighbourhoods with younger populations, reflecting processes of urban renewal and regeneration in suburban areas. This replacement process is captured in the *rejuvenating* trajectory and has involved suburban neighbourhoods scattered across urban and rural areas. Sixth, neighbourhood patterns of affluence, multiculturalism and socio-economic struggle are remarkably persistent. As captured by the trajectories of *stable affluent* and *stable multicultural urban*, neighbourhoods which were affluent and multiculturally diverse in the 1970s have largely remained unchanged over the last 40 years. Similarly,

as captured by patterns of increasing struggling home-owners, neighbourhoods which faced socio-economic struggles (i.e. neighbourhoods with large shares of households with children living in council rented housing and performing manual jobs) in the 1970s have endured socio-economic difficulties over the last four decades. While many of these neighbourhoods had larger shares of home-owners in 2011, they are key centres of unemployment. Such neighbourhoods are predominantly in suburbs close to the centre of major cities, including London, Manchester, Birmingham, Liverpool, Glasgow and Edinburgh.

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5) Foundational liveability: rethinking territorial inequalities

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*The Foundational Economic Collective*⁵⁷

“The paradise of the rich is made out of the wealth of the poor”
Victor Hugo, *The Man who Laughs*, 1869, book II, chap X1

“The village of Hollywood was planned according to the notion
people in these parts have of heaven. In these parts
they have come to the conclusion that God
requiring a heaven and a hell, didn’t need to
plan two establishments but
just the one: heaven. It
serves the unprosperous, unsuccessful
as hell”

Bertolt Brecht, *Hollywood Elegies*, 1942

Gross Value Added per capita is the standard economic metric used for comparing regions and places within the UK and the EU; just as the related measure of per capita GDP is used to compare national economies. Within the standard framework, successful regions have high GVA per capita and laggard regions should attempt to emulate them because this will produce increases in welfare. The argument of this paper is that the GVA per capita figures are an uninformative and often misleading way of ranking regions which misdirect public policy.

Instead this paper proposes an alternative concept of foundational liveability for household units. This is explored empirically in a preliminary way by considering gross, disposable and residual income obtained by subtracting housing and transport costs from the disposable income of owner occupier households. The empirics reveal a complex pattern of variation by regional housing cost, form of tenure and type of household. This highlights the importance of intra-regional differences between households which are generational as much as income related; not least because housing accelerates wealth inequalities within and between regions when owner occupiers make large untaxed capital gains.

The message of our 21st century empirics fits with the opening nineteenth century quote from Victor Hugo who, like Bertolt Brecht in his mid-twentieth century *Hollywood Elegy* understood how one “successful” place by the GVA criterion can have a different character for rich and poor households whose fortunes are necessarily inter-related.

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Julie Froud, Colin Haslam, Sukhdev Johal, Nick Tsitsianis and Karel Williams assert their right to be identified as the authors of this work.

The authors are part of the Foundational Economy Collective. Its membership comprises academics and practitioners from many countries.

The Foundational Economy Collective website is <https://foundationaleconomy.com> and their email address is foundationaleconomy@gmail.com

This paper is an output from a larger ongoing project in partnership with Coastal Housing where the initial research is financially supported by the Manchester Statistical Society. We learnt much from Coastal staff, especially Jodie Fear and Ross Williams, who helped us with a pilot study of Morrision that led directly to this statistical work.

And we would add that modest, un-successful places by the GDP criterion can be very liveable for many types of households, especially middle- income households who are everywhere in the majority.

This working paper is a first instalment in a larger project of re-thinking urban and regional space in a three-dimensional way as a matter of liveability, sociability and political agency in a frame of environmental responsibility. From this point of view, rethinking the economic metrics of well-being is only part of a larger revisionist enterprise where “the economic” is properly situated not as an end in itself but an intermediate output for citizens with social and political goals. There is after all no point in public policy which ensures citizens have liveability courtesy of affordable housing and public services, if they do not have the sociability manifest in a dense network of social relations or the political agency to influence things locally in communities behaving in an ecologically responsible way.

We are publishing this working paper as a basis for discussion because the issue of new metrics has become practically important with the growing interest in Wales and elsewhere in developing innovative policy for the foundational economy. As the *Welsh 2018 Economic Action Plan*⁵⁸ shows, without new metrics for foundational success, there is an ever-present danger that the foundational economy is seen as new sectors like care and retail which will deliver the old objectives of (GVA) growth and high value-added jobs to deliver “inclusive growth” in a laggard region. For these reasons, Wales figures prominently throughout the argument as the exemplar of a laggard region with low per capita GVA; those with English regional interests could focus instead on the North East which measures up in much the same way as Wales.

(1) Innovation and observed anomalies in spatial inequality

Schumpeter in his 1934 *Theory of Economic Development* defined innovation as the bringing together of knowledge and resources in “new combinations”. Re-combination of knowledge could mean the bringing together of things previously disassociated and we might add the breaking of established patterns of association. In both cases, the process of reconfiguring knowledge often begins with the observation of anomaly either in the laboratory or the field.

The anomaly which does not fit is classically the stimulus to re thinking. In the laboratory, we have the unexpected presence or absence in the Petri dish. In statistical work, we have the relation that is unexplained given expectations about magnitudes, rank order and distribution. In field work, we have behaviours, attitudes or outcomes that do not fit preconceptions.

So, it is with GVA framework: as soon as we bring housing costs into the equation, the anomalies multiply:

- (a) In 2018 the ONS⁵⁹ produced an experimental series on spending per person living in each of the UK regions. Spending per person was £10k higher in London than in Wales at £24,545 vs £15,965 but most of that was accounted for by spending on housing which was £7k per person higher in London than in Wales. As the FT commented, this calculation raised questions about the priorities of politicians in

58 Welsh Government (2018) Prosperity for all: Economic Action Plan

<https://gov.wales/docs/det/publications/171213-economic-action-plan-en.pdf>

59 ONS (2018) Development of Regional Household Expenditure figures, section 6, tables 2 and 3a <https://www.Sons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/articles/developmentofregionalhouseholdexpendituremeasures/2018-09-26#provisional-results>

the main parties “who have put huge regional disparities in living standards at the centre of their policies.”⁶⁰

- (b) Fieldwork in “unsuccessful” places turns up more anomalies. In 2018 we were carrying out a community study in Morrision. This is an unfashionable, satellite town of some 30,000 with a struggling local high street on the edge of the Swansea urban area which has a GVA per capita of around 70% of the UK average. But in a Centre for Economic and Business Research ranking of places by postcode in 2015, Morrision was judged “the most attractive place to live and work in Wales” ahead of desirable middle-class suburbs like Penarth outside Cardiff.⁶¹ Low GVA Morrision ranked high because in the original CEBR metric, affordable housing accounted for half the weighting and “employment opportunities” (not wage levels) were considered.⁶²

These anomalies are nothing new. Historically, there always have been substantial differences in housing costs between UK regions. In preparation for his 1942 report, *Social Insurance and the Allied Services*, William Beveridge had to calculate subsistence minima as a basis for setting allowance levels to eliminate “primary poverty”. As working-class rents varied substantially by region, the only sensible solution was to calculate decent national minima for items like food using dietaries and then include housing at actual cost, with rents as incurred by the household.⁶³

The observation of anomaly is only a beginning, because anomalies arise within one framework but they only become innovation after a recombination of knowledge when the anomalies have been empirically explored, conceptually understood and then fitted into another new framework. So, let us begin by explaining the standard framework behind the GVA/GDP metric and examining the underlying assumptions of national income accounting.

(2) The GVA/GDP framework: the additive method and the assumption of commensurability

The GVA/GDP metric of territorial success rests on the assumptions of national income accounting which construct something unitary called “the economy” by adding everything up. Practically, the method is to add up everything with market value as output/income; and the bottom line is then conventionally read and reported on the basis of the bigger the better. The more successful territory has a higher GDP/GVA per capita, national/regional policy should be directed to improving per capita income and faster growth is reported in celebratory ministerial speeches.

GDP = private consumption + gross investment + government investment + government spending + (exports - imports)

This formula presents GDP as a financial measure on the basis of expenditure; but income and output measures of GDP should all give the same result because income is spent on output.

GVA = GDP + subsidies - taxes

The close financial relative of GDP is GVA which is routinely used in regional comparisons. Practically, the value added in GVA is most easily and intuitively understood as the net (output) value of goods and services produced (less purchased

⁶⁰ Giles, C. “High Prices Put London Living Standards below National Level”, Financial Times, 26 September 2018, <https://www.ft.com/content/d44b6384-c18d-11e8-8d55-54197280d3f7>

⁶¹ Dewey, P. “Morrision...in New Post Code Survey”, Wales On Line, 23 March 2015 <https://www.walesonline.co.uk/news/wales-news/morrision-swanea-been-named-most-8905273>

⁶² CEBR (2014) “Which Postcode is Best?” <https://cebr.com/reports/which-postcode-is-best>

⁶³ Williams, K. and Williams, J. (1987) *A Beveridge Reader*, London: Allen and Unwin pp.58-62

inputs). Again, the equivalence between different methods of financially calculating value added is relevant because net output can be calculated by subtracting purchases from sales or by adding incomes distributed. For example, when UK company accounts do not reliably report purchases but do report labour costs, value added in PLCs is usually calculated by adding incomes. When used as a macro level income indicator, the plus subsidies minus taxes adjustment means that GVA per capita corresponds most clearly with disposable not gross income.

High per capita net output is likely to be correlated with high incomes for labour. But this relation is manifestly not perfect or predictable because it depends on the (changing) shares which labour and capital claim from output and the distribution to different kinds of labour. It is perfectly possible for output in a region to grow without increased income for labour if capital's share increases because labour generally has a weak bargaining position; equally it is entirely possible for sections of labour to fare differently, as when the weekly wages of manual workers and high pay professionals move in different ways.

Official thinking increasingly recognises such ambiguities and the tendency is to retain but qualify the core growth objective by distinguishing good growth from bad growth. Hence, international agencies after the 2008 crisis insist on "inclusive growth" which benefits a large part of the workforce.⁶⁴ Thus, a recent World Bank report on cohesion in the EU regions recommends "a region-centred cohesion policy that adopts a dual objective of: (i) *maximising regional potential*, measured not simply by output per capita but also by the capacity to generate quality (productive) jobs; and (ii) *ensuring equality of opportunity* for individuals to achieve their potential."⁶⁵

This kind of qualification is important because it goes hand in hand with a retreat from the policy aim of raising output per capita in laggard regions. Regional/spatial inequalities of GVA have stubbornly persisted in the UK and across the EU for the past thirty years. These GVA gaps cannot apparently be closed using the restricted range of place-based policies that mainstream thinking countenances. The orthodox fixes for regional inequality are improving transport infrastructure and labour force skills, funding early stage innovation and making business friendly concessions to attract inward investment. The Welsh Government has tried all these policies over the past twenty years without closing the gap because Welsh GVA is now around 73% of English and Welsh average GVA as it was 20 years ago.

If this awkward fact cannot be denied, there is at the same time very little serious questioning of the underlying assumptions of national income accounting which underpin the GDP and GVA arithmetic. The arithmetic method is to add everything up according to market values, the assumption is that outputs are commensurable via price and the primary emphasis is on reporting income from activity (not rentier wealth).

There is of course a huge literature questioning national income accounting from various radical and reformist points of view. Much of it gets diverted onto technical and political questions about the valuation of items and which items should be included (and are excluded) before the bottom line is arrived at by addition. Items like domestic labour or environmental costs have to be omitted insofar as they do not have market

⁶⁴ World Bank (2009) What is Inclusive Growth.

<http://siteresources.worldbank.org/INTDEBTDEPT/Resources/468980-1218567884549/WhatIsInclusiveGrowth20081230.pdf>

⁶⁵ World Bank (2018) Rethinking Lagging Regions: Using Cohesion Policy to deliver on the potential of Europe's regions, p. 11.

<http://pubdocs.worldbank.org/en/739811525697535701/RLR-FULL-online-2018-05-01.pdf>

price tags; quality improvements are difficult to measure, items like arms production are included though they contribute little to welfare; measures of finance sector output are contestable, public sector non-market output is entered at cost etc.

All this is important but it encourages neglect of two more fundamental issues:

- The privileging of the GDP and GVA number encourages a view of “the economy” as a productionist machine where activity generates earned incomes from making physical outputs or delivering useful services. As Fioramenti⁶⁶ or Coyle⁶⁷ argue in very different ways (from the political left and the technocratic right) this measure has its origins in the context of 1930s depression, war time economic management and the cold war. But, in our view, it is increasingly irrelevant and only part of the story in present day financialised capitalism where what might be called the rentier circuits of wealth accumulation and household balance sheets are important and need to be integrated into any account of regional income differences.
- The method of adding everything up and the assumption of commensurability according to price is contestable and can be challenged in a radical way. The problems are not simply about valuation of items included or what’s excluded. The economic outputs and objects of consumption are irreducibly heterogeneous and incommensurable so that the fundamental problem of the national income accounting method is that it is, as the English say, “adding apples and pears”. Affordable housing or health services accessible according to need make a different kind of contribution to well-being from the fast fashion of another £13 dress from Primark which makes a Saturday night out.

What happens if we reject these assumptions and recognise the rentier circuits of unearned income and the heterogeneity of outputs. The result would be a different calculation and a changed basis of comparison, which would give a different view of inter-regional and intra-regional inequalities by changing the field of the visible.

(3) The zonal framework and a subtractive method for exploring liveability

Foundational thinking⁶⁸ gives us a different starting point with a zonal schema of economies (in the plural). The different zones are discriminated because they represent different forms of consumption (private and collective) of outputs which make diverse contributions to well-being. The foundational zone includes (often collectively provided) daily essentials like housing, health and care or utilities; these fit in above the core economy and below the overlooked mundane economy in the diagram below. The foundational is, by any measure of output or employment, always the largest part; currently accounting for 43% of UK employment and 49% of Welsh employment. But it is only part, and we would not repeat the mistake of those who talk about the tradeable and competitive part as though it was the whole economy or all that mattered.

⁶⁶ Fioramenti, L. (2013) *Gross Domestic Problem*, London: Zed books

⁶⁷ Coyle, D. (2014) *GDP: A Brief but Affectionate History*, Princeton: Princeton University Press

⁶⁸ Froud, J., Johal, S., Salento, A. and Williams, K. (2018) *Foundational Economy*, Manchester: Manchester University Press.

Exhibit 1: A zonal schema of the economy



Exhibit 2: A schema of the zonal economy

	Form of consumption	Examples	Provider business model	Source of revenue	Organisational mobility and mortality	Post 1980s public policy
Core Economy	Non-economic because "we must love one another and die"	Parenting, voluntary action etc.	Gifting: no charging or recovery of cost	Goodwill	Re-invented forms e.g. divorce and marriage in our generation	When the state retreats, try volunteers
Foundational Economy	Daily essentials via infrastructure of networks and branches	Material e.g. food, and utilities; Providential, health and care, social housing	WAS low risk, low return, long time horizon for public and private providers	Tax revenue for free at point of use or subsidised; or regulated private purchase	Low mobility and mortality as networks and branches 'ground' firms, stable demand	Privatisation, outsourcing and shareholder value = new business model
Overlooked Economy	Occasional purchases of mundane, cultural necessities		Financialized corporates vs SME and micro pro lifestyle and getting by	Discretionary from market income	High mortality in small firms and structural shifts e.g. streaming not DVD	Below the policy radar if firms too small to take outside capital
Tradeable, competitive Economy	(aspirational) private purchase	Cars, electronics, new kitchens and bathrooms, private housing	IS high risk, high return, short time horizon	Market income from wages (state subsidy for R & D, training etc.)	High mobility as footloose under free trade; cyclical demand	Business friendly, structural reform

The heterogeneity is reinforced because provider business models have historically been systematically different in various zones, as are the sources of revenue and the relation to public policy. For this reason, the divisions between the zones are then as much matters of political decision and social contest as of scientific discrimination. The line between housing as a social good or private asset is redrawn in each new generation; while politics in the last generation determined the privatisation and outsourcing that opened up new areas of the UK foundational for financialised business models.

The big questions about *what is the good we aim for and what does a properly working economy deliver* are greatly simplified by the additive approach of GVA and GDP. Apart from the explicit “growth is good” presumption, the GVA and GDP approach smuggles in an implicit simplifying assumption in favour of private consumption from household income. Because the main driver of GDP growth is private consumption which accounts for more than 60% of UK GDP and the UK economy could more accurately be described as consumptive rather than productive. Politicians tend to gloss over this by claiming or assuming that growth of market incomes will generate the tax receipts that pay for public services, though there is clearly no automatic mechanism which ensures that this is so in societies like the UK with an ill designed tax system.

The zonal approach greatly complicates matters because the desideratum now is not a larger quantum of output but some kind of balance between different kinds of output. This does not come semi automatically out of higher market incomes because balance depends on the mix of private consumption, collective investment (private and public) in networks and branches and public subvention of free and subsidised services. Hence the classic problem diagnosed in 1950s America by J K Galbraith.⁶⁹ High income, market-based capitalisms often or usually generate imbalance in the form of private affluence and public squalor; and this is aggravated in our own time by the way financialization releases corporate citizens from social duties like paying taxes and enriches a minority of citizens.

This observation reinforces one basic point: the primary concern of economic policy in every region and national economy should always be with the adequacy, affordability and continuous supply of foundational daily services because housing, health care and utility supply are prerequisite for the well-being of every citizen in every household in the polity. Foundational liveability is then a matter of ensuring the supply of universal basic services (while maintaining respect for the associational and affective life which is probably primary for most citizens most of the time; and suitably weighting environmental issues which are often not registered by citizens).

Empirically, this can be very partially tracked and explored by working down subtractively from gross income and observing how tranches of income in different types of households are spent on various objects necessary and discretionary, foundational, overlooked and competitive. In good economies, all households (in and out of employment and regardless of income, generation or other distinguishing characteristic) would have adequate basics affordably supplied. Some of these basics would be individually bought out of household income and others would be collectively supplied, free or subsidised to all citizens.

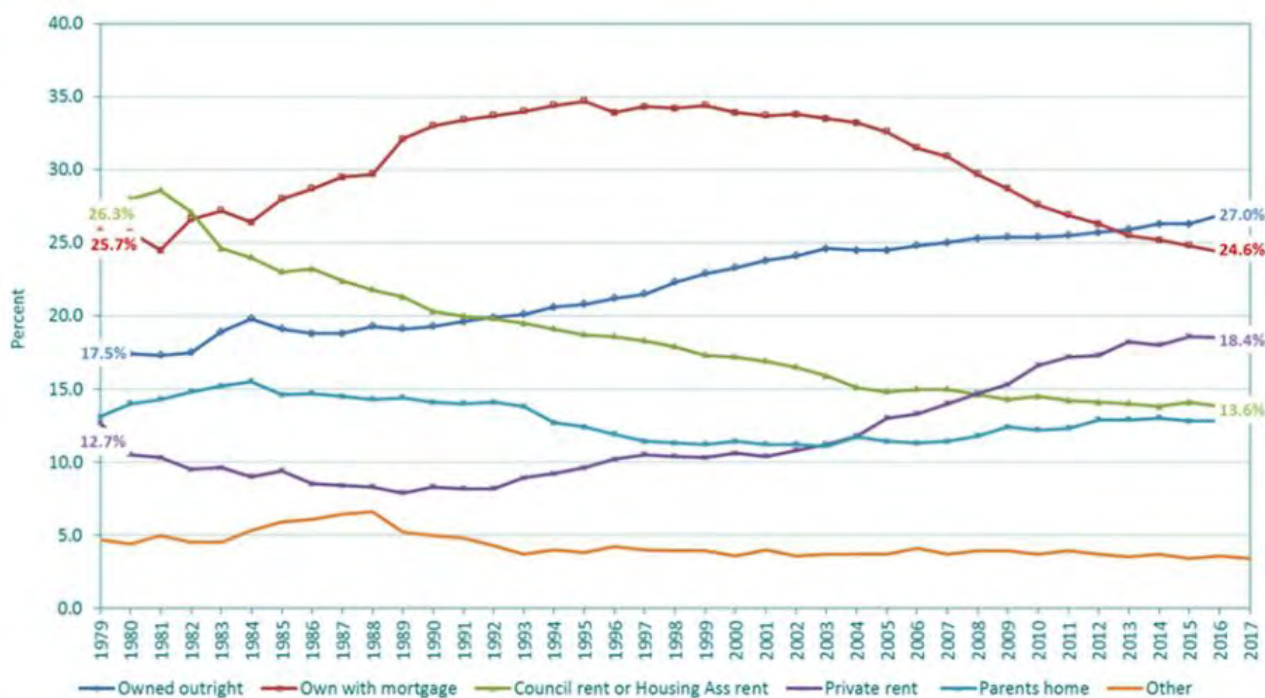
In consequence, gross (or disposable) income measures cannot be the main or only measure of inter - regional comparisons. Higher gross or disposable household income is no benefit if deductions for basics like housing are much higher and there is less left over at the supermarket check-out or for the next holiday; from this point of view, the “just about managing” could then be re- defined as those whose residual is slender

⁶⁹ Galbraith, J K (1958) *The Affluent Society*. Boston: Houghton Mifflin

after paying taxes, housing and transport. And from this point of view the units of analysis would be really existing households of different types not an imaginary average individual.

This perspective also brings out the importance of intra- regional differences by household type where housing tenure is a key differentiator. This is relevant because the benefits as well as the costs of housing now vary radically within and between regions in a country like the UK with a patch work of tenures. For private and social renters, housing is a charge against income; for owner occupiers and landlords with mortgages the repayment is a way of buying an asset; for those who own outright in the UK, the house has been not a charge on income but a wealth generating appreciating asset over the past 25 years.

Exhibit 3: Housing by tenure 1979-2017⁷⁰



The relevant figures for 2017 and trends for the past 30 years are summarised above in exhibit 3. In 2017, 27% of households own outright and 25% are buying with a mortgage; in the rented sector 14% rent from social landlords and 18% rent privately. A further 13% of households are classified as living with parents because, in official statistics, a child aged over 18 living at home is counted as a second, separate household.

And this opens up alternative empirics to regional comparison using GVA. It is uninformative to add together heterogenous items for an average individual, but it is informative to subtract essential expenditures for different types of households:

$$\text{Gross income} - \text{taxes and social charges} = \text{disposable income}$$

$$\text{Disposable income} - \text{housing and transport} = \text{residual income}$$

The size of the deductions from disposable income highlights whether housing is affordable for a specific type of household so that it retains a decent residual income.

⁷⁰ Source: Home ownership in the UK, Resolution Foundation, 22nd September 2017. <https://www.resolutionfoundation.org/data/housing>

Or it is possible to work interactively backwards from house price transactions and the costs of mortgage to see what gross income buyers require and what kinds of market rents are implied by house prices. All these magnitudes give measures which we can use to explore foundational liveability.

To compare livability within and between UK regions we can use the method of income tranching using family expenditure survey data on different objects of expenditure for households of different types with various kinds of housing tenure. This quickly becomes complicated because we do not have statistics in the form we require for many different types of household and it is therefore beyond the scope of this report to consider more than a few types of household.

Hence we decided to demonstrate the potential of income tranching and the subtractive method in this paper by concentrating on the empirics about owner occupiers and showing how this view of liveability changes the GVA story; an analysis of private and social renters is possible but we are reserving that for a second, forthcoming paper. As a preliminary and to avoid confusion, in the next section, we first distinguish our measure of foundational liveability from the different exercises in place-ranking liveability recently popularised by consultants.

(4) Place ranking liveability: a consulting and place marketing concept

We are proposing a new concept of foundational liveability. In this section we situate it in relation to long established existing usages of the word and the recently introduced competing concept of place ranking liveability.

The word liveability (or livability in American spelling) has been in use for more than 100 years; the OED gives 1872 as first usage of liveability in the sense of a room, house or city's "capacity to offer comfortable living"; it gives 1922 as first usage of the more ecological definition of a region, environment, or planet's liveability as the "capacity to sustain life". But in the 2010s a new concept of livability has been popularised. Consultants now produce, and place marketers consume, index rankings of cities for liveability. Thus, we have the EIU *Global Liveability Index* of 140 world cities⁷¹ or the Demos-PwC *Good Growth for Cities*⁷² ranking of UK cities.

Demos argues that its ranking reflects "the growing sense that people needed more from their leaders than an improvement in GDP" Against this background it is worth highlighting the differences between foundational liveability and place ranking liveability whose working method and object is different. Place ranking works by attaching weights to a series of economic and social indicators which define the economic and social liveability of a whole city; foundational liveability works by tranching income and objects of expenditure for different types of household. Place ranking works by assigning a unitary character to a place like city or region; foundational liveability explores how one place can be comfortable for some types of households and hostile for others.

Place rankings get attention and are good at generating media headlines because placings change each year: thus, in 2018 Vienna is globally number one for the EIU and Preston in the UK is "most improved" for Demos-PwC. But such claims cannot be justified as precisely accurate or "scientific" by any ordinary standard because liveability is constructed by attaching unjustified weightings to an arbitrary list of measurable social and economic indicators which proxy for liveability. The EIU works with over 30 qualitative and quantitative factors across 5 categories: stability, health care and

⁷¹ EIU (2018) Global Liveability Index

https://pages.eiu.com/rs/753-RIQ-438/images/The_Global_Liveability_Index_2018.pdf

⁷² Demos-PwC (2018)

environment, education and infrastructure.⁷³ Demos-PWC weights 10 factors with a more social and egalitarian bias because the factors include work-life balance, affordable housing and fair distribution of income and wealth.⁷⁴

The ranking of cities by liveability index is then rather like the ranking of universities by league table: positions vary according to which index you consult because the different league tables attach variable weightings to different lists of variables. At the same time, the results broadly line up with the kind of status hierarchy that people already have in their heads (no doubt because weightings are initially tweaked before year one publication to remove gross anomalies). When it comes to global cities, the top 10 places in the EIU index are dominated by medium sized, low density cities in Canada and Australia plus some European cities like Vienna. *Quelle surprise!*

It should also be noted that city liveability indexes are often less about an ideal place than about an implicit model subject who will often account for a small fraction of households in any actual city. Thus, the EIU index is designed for the expat corporate manager or international agency employee contemplating a posting in a strange city or faced with a choice of postings in different cities. Hence, quality private education and healthcare along with personal insecurity through kidnap or such like is taken into account by the EIU which usefully presents a scale of salary enhancements that should be claimed by those who move to undesirable cities.

Change the model subject and the criteria of liveability will of course shift radically. This is obvious if we compare the EIU concept of a liveable city with the *American Association of Retired Persons* definition of a liveable community which has an everyday human needs focus on affordable housing and sociability: “a liveable community is one that has affordable and appropriate housing, supportive community features and services, and adequate mobility options which together facilitate personal independence and the engagement of residents in civic and social life.”⁷⁵

This kind of definition of liveability for older citizens overlaps with our housing and transport related measure of foundational liveability. The difference is that foundational liveability uses income tranching to look at how housing tenure and affordability influences residual income and wealth generation across a range of different household types. This is practically difficult to do but we can look at some preliminary empirics for income and wealth of owner occupiers.

(5) Foundational liveability (a) housing and income

To explore income effects in this section we tranche expenditures on different objects for various owner occupier households. And here we encounter the usual problems with available official statistics which do not fit foundational categories and purposes, so that we cannot track households of many different types without substantial new research. But we can generate some preliminary result which demonstrate the potential of the tranching method for one kind of really existing household (new entrants) and for another which represents a statistical benchmark (the average existing mortgage payer); and the results here have implications for other kinds of households including private renters and those with paid off mortgages.

- The ONS live tables on housing market and house prices give us a regional breakdown of the declared income of new entrant house buyers and their

⁷³ EIU (2018) p. 8

⁷⁴ Demos-PwC (2018) p. 8

⁷⁵ Sustainable Cities Initiative (2017) What is Livability, p 2.

https://sci.uoregon.edu/sites/sci1.uoregon.edu/files/sub_1_-_what_is_livability_lit_review.pdf

- transaction house prices. From this we can construct disposable post tax income for single or couple new entrants; and then the cost of a repayment mortgage for the new entrant's house property; transport spend can be imputed from
- Family Spending for households in that income bracket. The calculations here are incidentally relevant to private renters because market rents ratchet up with current house prices that new entrants must pay. Family Spending gives us data on the mortgage payments of all existing mortgage payers. From this we can construct the average existing mortgage payer which is the mean for all mortgage paying owner occupiers, a benchmark that does not correspond to any actually existing households because it mixes mortgages of different vintages and includes many mortgage holders who bought some time ago at lower property prices. Working back from the mortgage payment (assuming it is a repayment mortgage) we can reconstruct the borrowing household's required gross and disposable income and interpolate transport spend for the relevant income group. The calculations here are also incidentally relevant to those with paid off mortgages who are relieved of the burden of a mortgage.

Exhibit 4 below presents data on working couple first time buyers who are the typical new entrants. The first most obvious point is that London has an acute crisis of housing unaffordability in relation to earned income: the single or joint income plus substantial deposit required price many households out of owner occupancy. In 2018 London first time buyers had a declared income of £81k which meant that most individuals had to couple up to buy a house or flat. The £81k income threshold means an individual new entrant (without a partner) would have to be in the 9th income decile; and new entrants also need £140k cash deposit for an averagely priced London first time buyer property which cost £435k in 2018. With average individual gross earnings of £35k in London, couples can only become first time buyers if both partners are in the top half of the income distribution (and have the deposit).

This is also spectacularly bad news for the many individuals and couples who do not have incomes which give them entry to owner occupancy. Because they must go into the private rented sector where no tenant has more than 6 months security and rents ratchet up with property values. So, renters are then contributing a substantial part of earnings to pay off somebody else's mortgage or the holding costs on an appreciating flat or house.

By way of contrast, in Wales first time buyer occupancy is much more accessible to ordinary wage earners because earnings are lower but so are property prices and deposit requirements. In 2018 an averagely priced Welsh first time buyer property cost £143k and the average deposit was £27k. Put simply, the first-time buyers' deposit in London roughly equals the value of the first-time buyer's house in Wales. In Wales, the first-time buyer's gross income is just £37k against median individual gross earnings of £26k in Wales; this means that a young professional like a university lecturer or junior hospital doctor could in her 30s afford to mortgage a cheap house without coupling up; and that a couple with both earning below median wages could afford to buy.

The implication is that for households of those under 35 years old London is internally divided in a way that Wales is not. The largest number of younger couples are excluded from owner occupancy and obliged to pay rents which reflect the cost of somebody else's mortgage. The lucky few in London are dual income couples in the upper half of the income distribution with affluent middle-class parents who can subvent the £140k deposit. And the London economy is partitioned off from older Welsh or Northern households (especially those with children) who are likely to find that moving to London involves an unacceptable trading down in what their income can buy as accommodation. This is all the more important because few jobs in the private sector

and none in the public sector adequately compensate employees for the extra costs of London housing.

And the entrance fee in terms of income requirements and mortgage costs is set so high for first time buyers that high gross income new entrant Londoners get a diminished benefit in residual income. As exhibit 4 shows, a (quite rightly) progressive income tax system takes just over £19k off the London new entrant couple and their mortgage costs them just under £17k more than in Wales.

Exhibit 4: First-time buyers income and spend on mortgage repayments and transport, 2018⁷⁶

	Dual borrowers gross income	Dual borrowers disposable income (before pension contribution)	Repayment mortgage (@3% interest)	Transport spend (household)	Residual income	Difference between single and dual income earners disposable income
	£	£	£	£	£	£
North East	36,298	31,444	6,000	3,859	21,585	3,381
North West	39,670	33,737	7,008	4,090	22,640	3,381
Yorks & Humber	38,430	32,894	6,828	3,943	22,123	3,381
East Midlands	41,019	34,655	7,704	4,646	22,306	3,382
West Midlands	41,978	35,307	7,908	4,294	23,104	3,381
East	53,267	42,984	11,232	5,765	25,987	4,073
London	80,954	61,810	16,812	5,632	39,366	6,841
South East	57,295	45,723	12,156	6,313	27,254	4,476
South West	45,355	37,604	9,348	5,027	23,229	3,382
Wales	36,759	31,759	6,612	3,856	21,291	3,382
Scotland	40,039	33,989	6,624	4,195	23,170	3,382

Their only consolation is that the cost of transport is only fractionally above that in Wales because many Londoners can do without a car and the huge capital costs of London transport investments in new infrastructure and upgrading have not been fully

⁷⁶ Source: Live tables on housing market and house prices, ONS.

Notes: Average house prices based on simple average and therefore dependent on the composition of sales. Repayment mortgage over 25 years. Transport is from Family Spending and the underlying data is based on disposable income. Transport data is from the closest decile spend on transport. North East, West Midlands, East, South East and South West use spend from decile 8 and the London spend is from decile 9 and the remainder from decile 7. Regional transport spend data is derived from total regional spend and allocating into decile groups from the ONS for all of the UK. It is a derived approximation. Family Spending data is from year end 2017.

charged to fare payers. A £44k gap in new entrant couples gross income between London and Wales is reduced to £18k residual; which almost certainly has the political effect of increasing resistance to progressive tax amongst the well off in London and the South East.

Exhibit 5: First time buyers percolation of gross income in 2018⁷⁷

	Dual borrowers gross income	Dual tax and national insurance (before pension contribution)	Repayment mortgage (@3% interest)	Transport spend (household)	Residual income
	%	%	%	%	%
North East	100.0	86.6	16.5	10.6	59.5
North West	100.0	85.0	17.7	10.3	57.1
Yorks & Humber	100.0	85.6	17.8	10.3	57.6
East Midlands	100.0	84.5	18.8	11.3	54.4
West Midlands	100.0	84.1	18.8	10.2	55.0
East	100.0	80.7	21.1	10.8	48.8
London	100.0	76.4	20.8	7.0	48.6
South East	100.0	79.8	21.2	11.0	47.6
South West	100.0	82.9	20.6	11.1	51.2
Wales	100.0	86.4	18.0	10.5	57.9
Scotland	100.0	84.9	16.5	10.5	57.9

The data on all borrowers including those with historical mortgages summarised in exhibits 6 and 7 below is broadly coherent. But it does add complications and nuances which are difficult to interpret because the mean of all mortgage borrowers is a statistical construct which turns up some puzzles. The dual gross income of all borrowers is in London £71k which is £9k lower than for London first time buyers; but the dual gross income of all borrowers at £42k in Wales is £6k higher than for Welsh first time buyers. Our tentative explanation is that this reflects the relentless appreciation of London property which slows trading up so that older mortgages are for lesser sums and require less income; whereas in Wales we see the operation of a housing ladder with ordinary citizens trading up from a small, cheap first house to something larger and more desirable. That is conjecture and below we draw more reliable inference.

⁷⁷ Source: Live tables on housing market and house prices, ONS. See footnote 76 for notes

Exhibit 6: All dual borrowers income and spend on mortgage repayments and transport, 2017/18⁷⁸ (Current and historic mortgages)

	Dual borrowers gross income	Dual borrowers disposable income	Mortgage payments	Transport spend (household)	Residual income
	£	£	£	£	£
North East	39,921	33,909	5,387	2,709	25,812
North West	44,875	37,277	7,030	3,255	26,992
Yorks & Humber	42,547	35,694	6,136	3,312	26,246
East Midlands	48,237	39,564	6,807	3,791	28,966
West Midlands	42,323	35,542	6,328	3,271	25,943
East	52,829	42,686	8,538	4,467	29,681
London	71,457	55,353	10,223	3,728	41,402
South East	63,045	49,633	9,511	4,779	35,343
South West	52,528	42,481	7,592	3,968	30,921
Wales	42,357	35,565	6,588	3,292	25,685
Scotland	48,448	39,706	7,036	3,848	28,823

What the exhibits do bring out is the considerable importance not of gross income but of retention rates and the very variable taper from gross to residual income. The normal retention rate for dual income mortgage owners is 50% + or - 5%. And Welsh borrowers tend to be above the bar while London borrowers are below because of the combined effects of income tax and bigger mortgages in London.

⁷⁸ Source: Live tables on housing market and house prices, ONS and Family Spending, ONS Notes: Family Spending data is from year end 2017. <https://www.thesalarycalculator.co.uk/salary.php> is used to calculate gross income.

Exhibit 7: Average of all dual income borrowers percolation of gross income, 2017/18⁷⁹

	Dual borrowers gross income	Dual borrowers disposable income	Mortgage payments	Transport spend (household)	Residual income
	%	%	%	%	%
North East	100.0	15.1	13.5	6.8	64.7
North West	100.0	16.9	15.7	7.3	60.1
Yorks & Humber	100.0	16.1	14.4	7.8	61.7
East Midlands	100.0	18.0	14.1	7.9	60.0
West Midlands	100.0	16.0	15.0	7.7	61.3
East	100.0	19.2	16.2	8.5	56.2
London	100.0	22.5	14.3	5.2	57.9
South East	100.0	21.3	15.1	7.6	56.1
South West	100.0	19.1	14.5	7.6	58.9
Wales	100.0	16.0	15.6	7.8	60.6
Scotland	100.0	18.0	14.5	7.9	59.5

For first time dual income buyers the difference is between residual income of 48.6% in London and 57.9 % in Wales; for all borrowers the comparable ratios are 57.9% and 60.6%. The really big difference is not between regions but intergenerational between those households repaying recent mortgages and those repaying older mortgages and households of over 60s who have paid off their mortgages. Those with paid off mortgages have retention rates of 65% or even higher. If we crudely remove the mortgage payment from the dual income, all borrowers household, then we get a retention rate of 72.2% in London and 76.2% in Wales. If elderly property owners are still in employment or have a DB⁸⁰ pension plus state pension that brings in the equivalent of a low wage, they can be comfortably placed on low incomes because such older owner occupiers will routinely take 65-70% of their gross income as residual.

6) Foundational liveability (b) housing and wealth effects

Income analysis is insufficient because housing not only directly affects residual income but also indirectly influences wealth which has feedback implications for income. It is easier to say this than to tease out all the complications around the accumulation of wealth by various households in different income positions across the regions. But it is possible to understand the connections and lay out around some of the complications of owner occupancy, so the importance of the wealth feedback effects are highlighted.

⁷⁹ Source: Live tables on housing market and house prices, ONS and Family Spending, ONS. See footnote 78 for notes.

⁸⁰ Defined benefit pensions are occupational schemes that guarantee a defined level of benefit at retirement based on employee's length of service and salary.

As we have already noted, the linkage to wealth accumulation works to the disadvantage of renters and to the advantage of property owners: rent is lost income which is never found again by the tenant; but for the owner occupier or the landlord, a mortgage buys assets which congeal as wealth. And for the whole period since the early 1990s house prices have appreciated (albeit unsteadily) so that house property has become an engine of household wealth accumulation. This is relevant when as we have seen above roughly 25% of households own outright another 25% are buying on mortgage and just under 20% are private renters whose landlords benefit from property appreciation.

Housing ownership matters because in all UK regions, housing and pensions are the two main forms in which households hold their wealth. As the exhibits below show, across the whole UK, housing in 2014-16 accounts for 35.8% of household wealth and private pensions for 41.7% and in every region UK households hold more than 75% of their assets in these two forms. But there are then interesting differences between regions caused by differences in price level in the regional property markets. Households in London hold 48% of their wealth in property, other Southern regions hold more than 35% in property but in Wales it is just 31%. The mean household has £314k of property wealth in London and just £124k in Wales with broadly similar levels of private pension wealth.

Exhibit 8: Regional analysis of total household wealth, 2014-16⁸¹

	Property Wealth (net)	Financial Wealth (net)	Physical Wealth	Private Pension Wealth	Total Wealth	Average (mean) total wealth per household	No. of households
	%	%	%	%	£m	£	No.
North East	26.0%	10.0%	12.0%	52.0%	369,182	310,029	1,190,800
North West	29.0%	11.0%	11.0%	49.0%	1,188,269	393,714	3,018,100
Yorks & Humber	31.0%	12.0%	13.0%	44.0%	872,703	374,486	2,330,400
East Midlands	32.0%	12.0%	11.0%	45.0%	796,315	407,281	1,955,200
West Midlands	33.0%	10.0%	11.0%	45.0%	873,797	370,803	2,356,500
East	37.0%	11.0%	10.0%	42.0%	1,254,278	495,586	2,530,900
London	48.0%	16.0%	7.0%	29.0%	2,150,393	656,328	3,276,400
South East	38.0%	16.0%	8.0%	39.0%	2,457,130	673,020	3,650,900
South West	37.0%	11.0%	10.0%	42.0%	1,235,081	533,720	2,314,100
Wales	31.0%	9.0%	11.0%	49.0%	530,963	397,368	1,336,200
Scotland	27.0%	10.0%	12.0%	52.0%	1,050,033	442,977	2,370,400

The mean difference between regions is significant because it indicates how more expensive house property in London and the South has a levered effect on wealth accumulation. But that difference is cross cut by the effect of household position in the income quartiles within each region: the mean household in London holds more property wealth than in other regions but low-income groups in London and all the other regions have few assets in the form of property or anything else. Thus, housing is a massive generator of internal wealth inequalities within all regions when house prices appreciate. In any recent period, higher income households within each region start with more assets in the form of property and pensions and claim the lion's share of any gains.

⁸¹ Source: Wealth and Assets Survey, Office for National Statistics.

Exhibit 9: Average (mean) household wealth by type, 2014-16⁸²

	Property Wealth (net) £	Financial Wealth (net) £	Physical Wealth £	Private Pension Wealth £	Total Wealth £	Property Wealth (net) £	Financial Wealth (net) £
North East	81,430	29,733	37,366	161,500	310,029	81,430	29,733
North West	113,895	45,252	41,896	192,671	393,715	113,895	45,252
Yorks & Humber	117,009	46,149	47,542	163,786	374,486	117,009	46,149
East Midlands	129,044	47,563	46,707	183,966	407,281	129,044	47,563
West Midlands	121,691	38,807	42,642	167,663	370,803	121,691	38,807
East	181,493	56,514	49,706	207,872	495,586	181,493	56,514
London	314,227	108,231	45,812	188,058	656,328	314,227	108,231
South East	253,960	106,182	53,632	259,246	673,021	253,960	106,182
South West	194,970	60,206	53,993	224,551	533,720	194,970	60,206
Wales	123,589	35,106	42,057	196,616	397,368	123,589	35,106
Scotland	120,374	42,290	51,343	228,971	442,978	120,374	42,290

Some of these magnitudes and effects are tracked in exhibits 10 and 11 below which summarise the UK regional data and present data on two income quartiles and the median so we can track the effects of household position within the income distribution. We have deliberately excluded the fourth quartile of bankers, accounting partners and suchlike, so that the exhibit compares ordinary middle-income middle-class households in Q3 with the less fortunate group in Q1 and the median household. For each group, the exhibits show the stock of household wealth by region in 2006 and the change in household net wealth over the period 2006 to 2016. Household net wealth is calculated as house valuation minus outstanding mortgages, net pension fund accumulations and other net financial asset gains.

⁸² Source: Wealth and Assets Survey, Office for National Statistics.

Exhibit 10: Distribution of total household wealth by region, 2006-2008⁸³

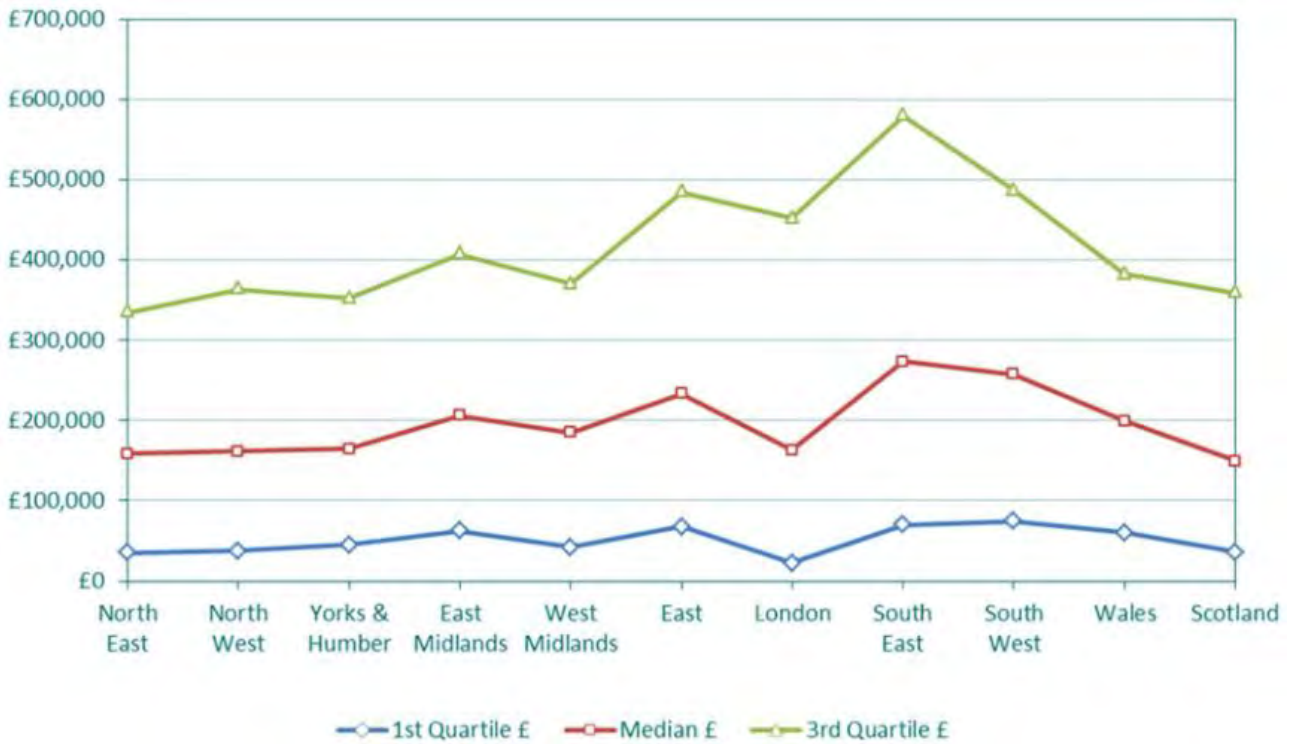
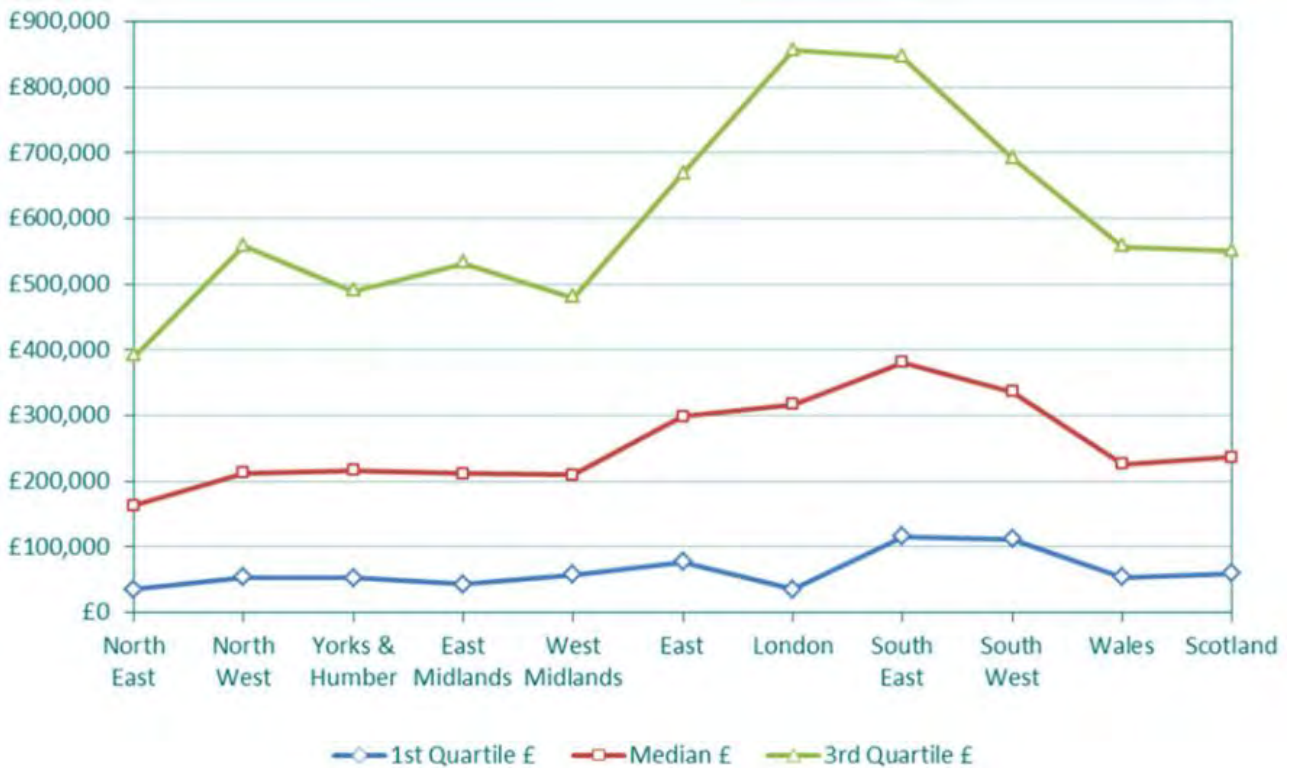


Exhibit 11: Distribution of total household wealth by region, 2014-2016⁸⁴



⁸³ Source:

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/financialwealthwealthingreatbritain> Notes: The data is for net wealth

(property, pensions and financial assets) after deducting liabilities from these asset classes. The exhibit shows first quartile, median and third quartile households and the change in net wealth between over the period 2006 to 2016.

⁸⁴ See footnote 82 for source and notes.

The first point in the exhibits above is that in 2006 household wealth correlates strongly with position in the income distribution; the bottom quartile have less than £100k of wealth in all regions while the upper middle 3rd quartile households in 2006 typically have £300-600k of wealth with the South East actually ahead of London in that first year.

The increase in household wealth 2006-16 again correlates with income position. Q1 households in London and in Wales make no or negligible gains in household wealth. Whereas (outside the North East region) Q3 households gain £100-400k, All the increases in net wealth are captured by the upper income groups. And the gains of the upper income groups are magnified by the hyperactive property markets of London and the South. Three regions (the East of England and London and South East) are significant beneficiaries because they capture about 50% of total wealth accumulation during this period.

The gains in London are quite spectacular and heavily skewed towards upper income groups. The nominal increase in wealth for the first quartile London household was a negligible £12.5k but for the third quartile it was £404k. For the third quartile household, this is a gain of £40k per annum unearned for a whole decade; the gains on housing are completely untaxed. This is nice non- work if you can get it because this 3rd quartile household capital gain in London each year equals the earned income of many poorer two income households in the provinces.

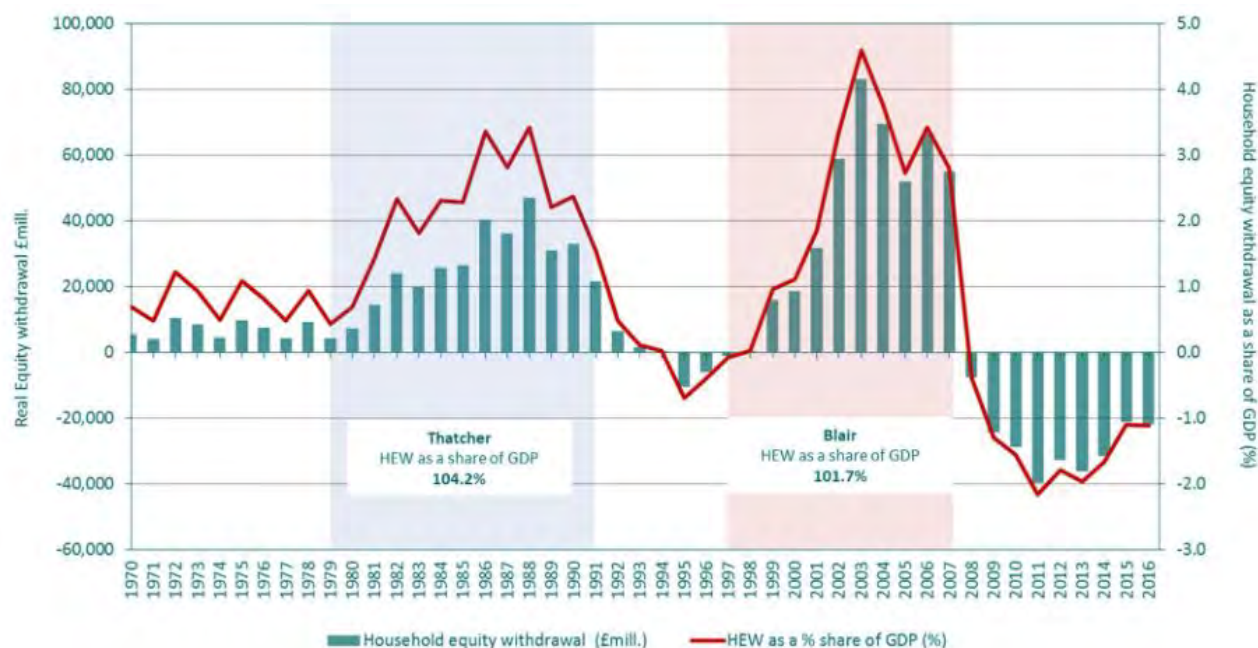
After outlining these wealth effects, we can finally turn to the interaction between wealth in the household balance sheet and income in the cash account. The London owner occupier household in an upper income group makes balance sheet gains which have a cost in its cash account if they are bought with mortgage payments. But many owner households have older mortgages on cheaper property or paid off mortgages. And capital gains on housing are not simply paper gains which owners cannot realise in their lifetime.

There is a strong feedback effect to income and spending. Gains on housing can be and are realised through remortgage against higher property values which allows cash withdrawal that boosts residual income. The UK market for retirement lifetime equity release has increased to £3bn in 2017⁸⁵ and households remortgaging can still extract additional funds to buy a new car or do up the kitchen. There is a clear relation between GDP growth rates and housing equity withdrawal summarised in the graph below. This suggests the main driver of GDP growth under Thatcher and Blair was consumption demand leakage from appreciating house prices. And, as interest rates have fallen, households are accelerating their repayments turning equity withdrawal negative but this adds to the squeeze on household residual income available for spending on other goods and services.

85

<https://home.kpmg.com/uk/en/home/insights/2018/05/accelerated-growth-expected-in-the-uk-equity-release-mortgage-market.html>

Exhibit 12: UK household equity withdrawal and its share of GDP⁸⁶



(7) Foundational liveability of households and in places

At this point we can refine and focus the concept of foundational liveability which was provisionally defined as residual income after housing costs. The income tranching method gives only a crude first approximate measure because foundational well-being does not simply depend on individual consumption from disposable and residual income; foundational well-being depends also on collective investment in foundational systems of networks and branches and on public funding of free or subsidised services. But the approximation is good enough to bring out some basics because our empirical analysis of owner occupancy in the two preceding sections shows how liveability is defined by the intersection between regional house prices, generational effects and household position in the local hierarchy of income and claims on wealth accumulation.

Liveability is primarily a characteristic of households which varies in places by type of household; and varies in ways which have no direct relation with per capita GVA or disposable or gross income per capita. Most existing places (regardless of per capita GVA) are liveable for some types of household and unliveable for others. The ideal of a region or even a locality which is liveable for all types of household is a fine but remote ideal in a country like the UK. The aim of public policy is to make localities liveable for more households. From this point of view, local and regional public policy is not about “making the economy work” to build competitiveness but about affordable housing and the collective investment and service funding to extend foundational liveability.

This problem is not concentrated in laggard regions because our empirics show that liveability is compromised when housing is unaffordable for many households in all regions (and, more clearly in high GVA per capita income regions and cities). Most clearly, the household new entrant to owner occupancy requires a relatively high income of more than £80k in London and £37k-40k in the provinces. Given this discrepancy in income required (and our broader account of the wealth circuits), the idea that public policy should mostly concentrate on upgrading the productive economy in Wales to close a GVA gap seems perversely unrelated to what’s been going on since the 1980s.

⁸⁶ Source: Bank of England and ONS.

London has acute liveability problems for new entrants (even for two income households because median London individual earnings are £35k). Decent owner occupied or rented housing is priced so that it is out of reach or encourages crowding or squeezes residual income and this leaves many households excluded and trapped in 'unliveability' by unaffordable housing.

The London picture is complicated because many households are older, accidental beneficiaries of earlier lower historical prices or paid off mortgages. Others in the rented sectors are exiguously protected by housing benefit or the availability of social housing. But these depend on maintaining a framework of social protection in a world where the political classes can casually create hostile environments, either explicitly through housing benefit caps or half unintentionally through squeezing social landlords so they start to behave like commercial developers.

Affordable housing is a key driver of liveability in laggard regions with low earned incomes. The most "unsuccessful" regions by GVA are those where one median earner could hope to buy a house if it had a below average regional price. We call this the Morrision syndrome because this was the place which showed the authors that a low income and unfashionable place could be very liveable.

Foundational liveability changes the public policy criteria for judging the success and failure of places. Success is about whether places work in a liveable way for many types of households, not whether they are deficient by the GVA measure or lack the accoutrements of stylish middle class living.

- We shouldn't judge success of places from GVA or any other proxy for income level; low wage places can be very liveable if we pay attention to things other than wage levels.
- Outward appearances can mislead; Woodfield St in Morrision lacks hip coffee bars, artisan bread and craft beer but it does have a Greggs and a Jenkins, a great library and 3 value supermarkets within 1.5 miles.

Variable housing costs have some role in equalising residual income for upper income groups in different regions. But housing is also the great accelerator of wealth inequality because of the untaxed gains it delivers to households in the top two quartiles.

A preoccupation with current income earned is increasingly uninformative in a financialized society where every household has a balance sheet. Many of our household balance sheets are wrecked with debt or negligible in terms of assets but some are asset rich and others will be paying off debts to buy assets. Over the past decade since the 2008 financial crisis, the balance sheet is a crucial driver of differences within and between regions which consistently benefit higher income and older households.

The household balance sheets (via the asset purchases of owner occupiers and landlords) are doing a thoroughly unacceptable job of increasing wealth differences. The key economic advantage of London is not high average gross earned income but the ability of groups with high incomes to turn the margin above residual into assets via purchase of property in a high and rising market (which has nothing to do with the productive economy). Older households with paid off mortgages everywhere take more of their gross income as net residual and those with older mortgages can through remortgage or downsizing turn capital gains into current consumption.

This is not an isolated British phenomenon. As Ryan Collins demonstrates, all the other advanced national economies which deregulated credit for house purchase after the 1980s have a problem about the growing unaffordability of owner occupancy;⁸⁷ and we

⁸⁷ Ryan Collins, J. (2018) Why Can't You Afford a Home. Cambridge: Polity

would add that always works differentially to reinforce the GVA advantage of growing urban areas, wherever they may be within such countries. At national level, Rognlie's Brookings Paper⁸⁸ returns to examine Piketty's $r > g$ explanation of growing wealth inequality and shows that, in the USA, the wealth accumulation comes out of property appreciation. This evidence is important because it brings out an important point about mechanics within an orthodox macro frame: it is not that the macro economy works apart from the (rectifiable) blemish of high property prices, the macro economy works through high property prices.

And this of course has implications for how we see the regional problem. Quite complicated implications. Because liveability as a public policy objective does not correlate neatly with the revealed private locational preferences of individuals. Young, single individuals in all economies go to where the jobs are (and often compromise by sharing poor housing). And in a politically and economically centralised country like the UK, for the past 25 years the jobs are in London whose consumption is in recent decades continuously supercharged by rising property prices. Thus, in the period from 1997-2017, London had a 26% increase in population from 7 million to 8.8 million. Wales, by way of contrast, had an 8% increase in population from 2.9 to 3.1 million. This is broadly in line with the 6.8% increase in the North West and the 3.0% increase in the North East.

As a result, through the whole period 1997-2017 London retains a completely different age composition from that of Wales or the North of England. As in the exhibits below. This then produces a completely different set of economic possibilities, trajectory and secondary economic characteristics. London will clearly lead in business start-ups which will be by the young meeting multifarious demands. Whereas Wales will be more interested in the death rate of defined benefit pensioners and its impact on demand; in Swansea, the over 65s account for 18% of the population and the legacy effects of DB pensions and paid off mortgages mean they probably account for 25% of final consumption demand.

The different trajectory of London should not be mis-recognised as the internally generated and productively virtuous economics of agglomeration. The foundational economy will always remain as a stabiliser in London as elsewhere; but the other London economies would not be dynamic if political and economic centralisation were reversed and the flow of cheap, unregulated credit into property was checked. And there is already a question about the young immigrants who are already in London: will they costlessly disperse to work and bring up families in other regions or countries; or will they require family accommodation in Greater London? If the latter, this has a public cost in terms of building on the green belt and subsidies for large scale movement by upgraded transport infrastructure.

⁸⁸ Rognlie, M. (2015) "Deciphering the fall and rise in the net capital share" Brookings Papers on Economic Activity https://www.brookings.edu/wp-content/uploads/2016/07/2015a_roggnlie.pdf

Exhibit 13: London population by age in 1997, 2007 and 2017⁸⁹

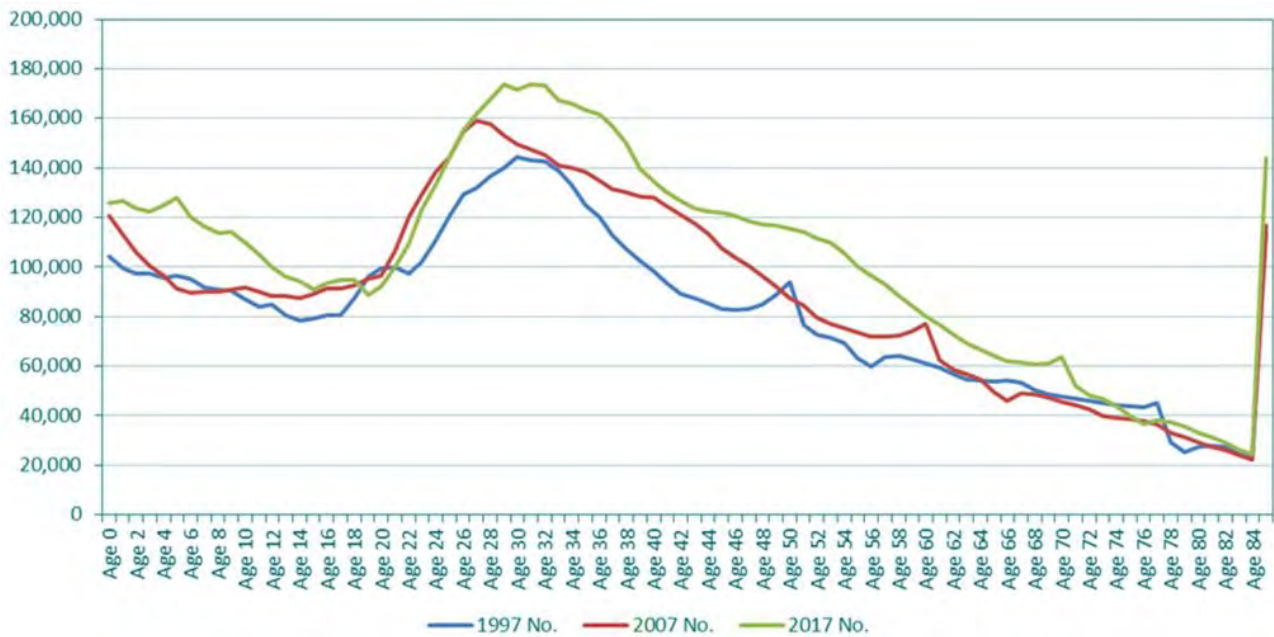
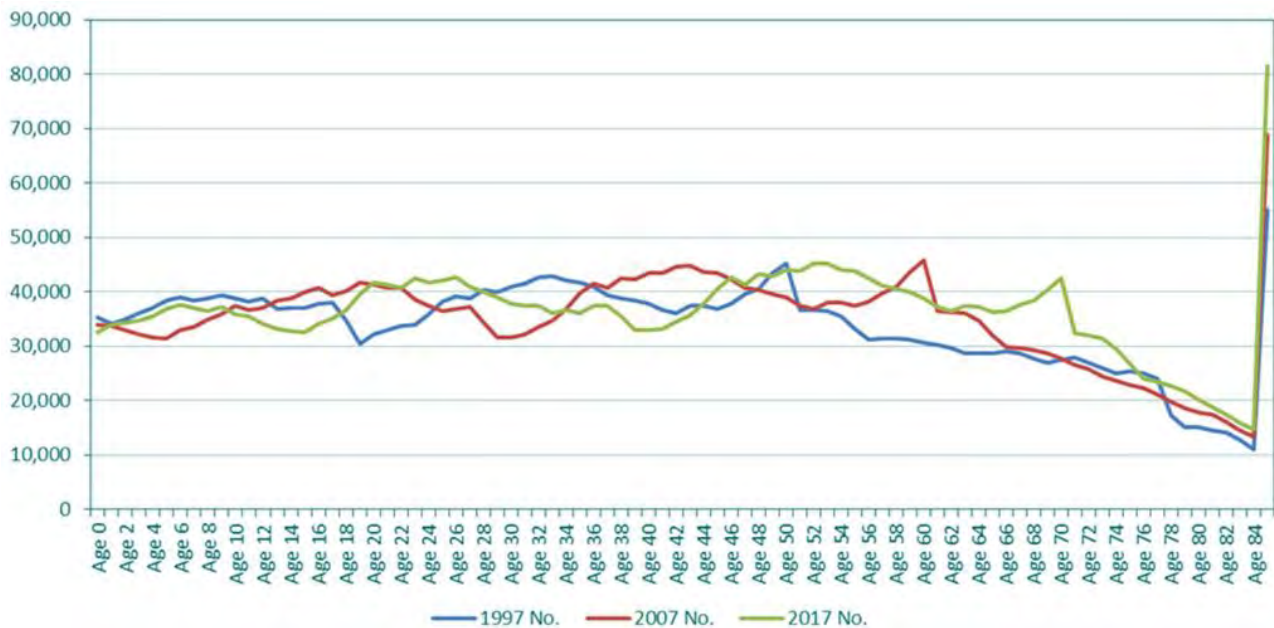


Exhibit 14: Wales population by age in 1997, 2007 and 2017⁹⁰



(8) How does foundational liveability change the regional problem and policy?

If we have changed the metrics about regional inequalities and begun to recognise the complexities of cause and effect relations, what does this imply for how we see the regional problem and what we do as regional policy? In considering this issue we should recognise that GVA encourages a mainstream view about absences and productive deficiencies in lagging regions whose GVA indicates low wages and productivity; and this is already resisted by an alternative radical narrative about the presence of the economic and political power of London in an overly centralised country.

The GVA metric and the broader productivity debate encourage the mainstream view that the regional problem is a matter of productive absences in the laggard regions on

⁸⁹ Source: Nomis, ONS. Note the spike at the end of the graph is due to the amalgamation into an 85+ category.

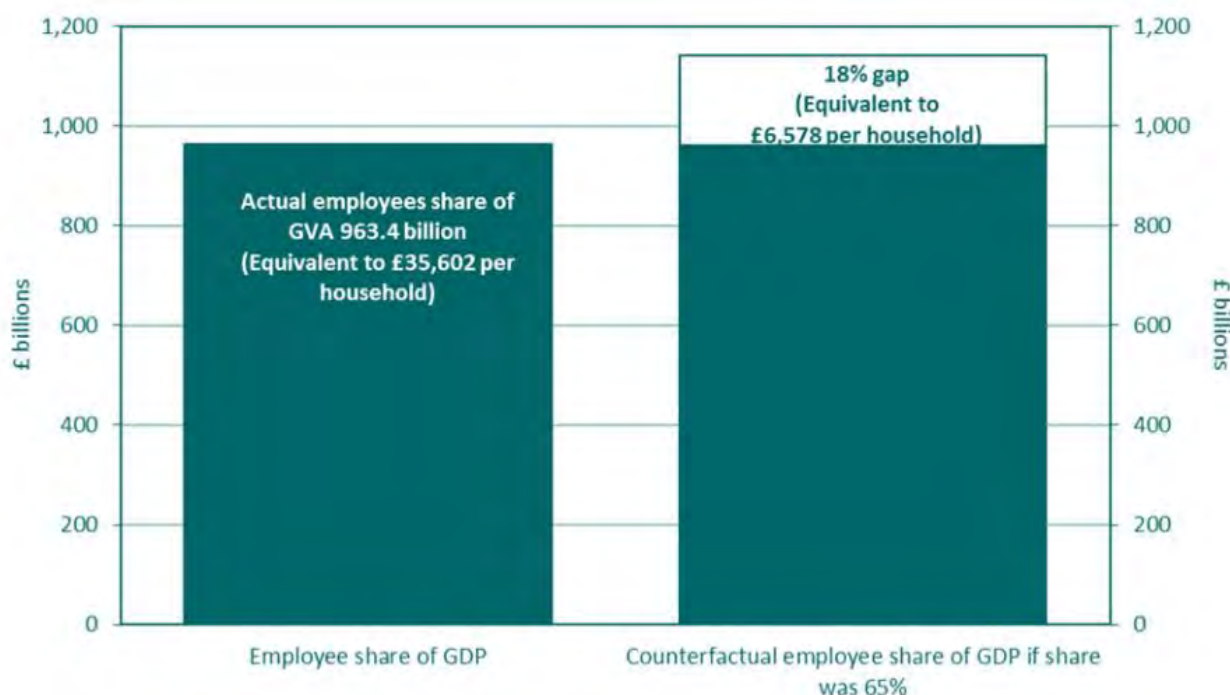
⁹⁰ Source: Nomis, ONS. Note the spike at the end of the graph is due to the amalgamation into an 85+ category.

the periphery. The laggards do not have enough high earned income generating activity in them and the onus is on laggard regions to raise output/ income per capita GVA from “productive” market activities. In the alternative radical narrative, the regional problem is the political and economic presence of London at the centre which has claimed more than its share of everything including transport infrastructure spending and financial services revenue because it has a basically imperial, extractive relation to the provinces.

The mainstream policy approach of GVA growth is problematic in many ways. To begin with, its objective can only be rationalised if we ignore all the disconnects between higher GVA per capita and foundational liveability or any other economic benefit for the mass of households. Because GVA is not a fund freely available to households in the bottom half of the income distribution, from which they can draw to individually pay themselves more and then collectively pay for health, care and the other foundational things of value.

And this objection is not dealt with by saying the aim is inclusive growth because the advocates of inclusive growth in the UK generally will end without the means. They are not, for example, prepared to encourage strong unions which could strengthen labour’s bargaining position to reverse the 50-year decline in labour’s share. The UK labour share is currently 55% and if it moved back to 65% as in 1970s, wages would be 18.5% higher. This lever is in any case increasingly irrelevant in a regional economy like Wales where 30% of the workforce is now employed in micro firms employing less than two people.

Exhibit 15: Actual and counterfactual UK employees share of GVA in 2016⁹¹



More fundamentally, regional and UK central policy makers are trying to control the uncontrollable because they rely on a narrow range of orthodox policy instruments which almost certainly cannot deliver higher GVA by redressing productive deficiencies either in the existing stock of firms or by attracting new investment. (And are reluctant

⁹¹ Source: ONS,

<https://www.ons.gov.uk/economy/grossdomesticproductgdp/compendium/unitedkingdomnationalaccounts/bluebook/2017/uknationalaccounts/bluebook2017>

Note: Long-run data on employees share of GVA is also available from

https://web.archive.org/web/20170810183836/http://budgetresponsibility.org.uk/docs/dlm_upload/WorkingPaperNo1-Estimating-the-UKs-historical-output-gap.pdf

to accept that economic growth is heavily dependent on a cyclical housing market fed by easy credit which leaks into consumption demand via remortgaging and downsizing).

Regional and national policy makers meanwhile robotically deliver more of the same. The Welsh Government perseveres with approved policy interventions like transport infrastructure and upgrading skills to “make the market work”; like other regions, Wales lives with the consequences of a 30-year national experiment in blanket “business friendly” concessions to encourage employment by deregulating, lowering tax rates and tolerating tax avoidance.

The consequences are disappointing or perverse. A deregulated labour market proliferates poor quality jobs which increase the demand for publicly funded wage subvention. Meanwhile corporate big business and fund investors largely do what they were going to do in any case and pocket the incentives which are hugely expensive because they are no longer selective. Business incentives since the 1980s have involved across the board lower corporation tax rates and concessions on interest payments and tax avoidance which make profits tax optional. In this way, mainstream national and regional policies become part of the problem, not the solution.

There is more to be said for the radical view that the UK is over centralised and London’s political and economic relation to the regions is malign. London limits local and regional political power, centralises much high end (private and public) service employment and decision making and consolidates revenues from its hinterland to a financial centre. A capital city of this size also requires the support of huge social overhead capital investments in transport systems, sewerage, Thames barrage and all the rest which squeeze out the more modest requirements of regions in the North and West for electrified rail and such like.

But the essentializing of “London” as the evil centre is not justified. Because London is the epicentre of the national crisis about housing affordability, it includes many more distressed young renters than any other region as well as the fattest of fat cat property owner occupiers. London is the Brecht vision of one place realised as hell for the young and property poor and heaven for the old and property rich; and of Hugo’s vision that the rents of the poor sustain the wealth of others. And London is at the leading edge of a broader national problem about house prices increasing to create growing problems about unaffordability and ‘unliveability’ for younger new entrants even in peripheral rural areas like the Lley or Cornwall in the West of England.

The idea of which regional differences matter and how they should be managed and closed has to be rethought. Public policy needs to focus on what’s relevant, manage what’s controllable and deliver on socially meaningful objectives. Closing regional differences in GVA is a poor policy objective because such differences have no guide to liveability defined by the intersection between regional house prices, generational effects and household position in the local hierarchy of incomes and wealth claims.

Relevance means addressing the UK regional problem of the excess of wealth accumulation in the leading regions of London and the South East which is at the same time making housing unaffordable for so many ordinary Londoners. This London housing bubble has lasted two generations and will continue in a stop/ start way as long as unregulated credit fuels house prices which will continue to rise in relation to income inside and outside London. The number one political challenge for regional policy is taxing unproductive, unearned capital gains; and regulating the mortgage market to check long run appreciation of house prices while hoping the whole precarious structure built on post 2008 low interest rates does not come crashing down in the meanwhile.

The long run trends of house prices in relation to median earnings are sobering. The problem is not that (real) individual earnings growth has stalled since the financial crisis but that nominal house prices have (with leads and lags) outrun nominal earnings increases in the long run. In England and Wales as a whole, the trajectory from 2002-2016 is that national median prices have moved from 5 times single median gross earnings to 3.9 times dual gross earnings. This is a multi-decade consequence of easy credit since the 1980s reinforced by cheap credit with low interest since the 2008 financial crisis which effectively reduced the cost of borrowing every £1k. But the post 2008 experience is interestingly divergent. The rise in the ratio of prices to dual gross earnings of 3.1 in Wales all took place before 2008; the ratio in London simply increased faster after 2008. The median house in London has risen 2002-17 from 6.9 to 13.2 times individual median gross earnings in London; and from 3.4 to 6.6 dual median earnings.

Exhibit 16: Median earnings per individual and median house prices⁹²

	England & Wales		North East		London		Wales	
	Median gross earnings	Median house price	Median gross earnings	Median house price	Median gross earnings	Median house price	Median gross earnings	Median house price
	£	£	£	£	£	£	£	£
2002	20,596	104,000	18,075	59,500	25,235	174,000	18,411	67,500
2003	21,387	125,000	18,349	72,000	26,201	195,000	19,156	82,500
2004	22,317	145,000	19,311	91,000	27,046	215,000	20,211	108,000
2005	23,197	155,950	20,132	105,000	28,177	228,000	20,998	124,000
2006	23,604	164,000	20,431	117,000	28,671	240,000	21,155	130,000
2007	24,300	174,000	21,026	121,000	29,841	250,000	21,589	139,000
2008	25,397	175,000	21,872	121,500	31,097	265,000	22,324	138,000
2009	26,000	165,000	22,847	118,000	31,941	250,000	23,124	130,000
2010	26,113	178,000	23,184	124,500	32,003	280,000	23,490	135,000
2011	26,307	177,000	23,204	118,500	31,852	292,500	23,606	130,363
2012	26,643	180,000	23,769	119,000	32,509	297,500	23,918	133,000
2013	27,189	183,000	24,234	121,000	32,750	315,000	24,427	133,500
2014	27,346	190,000	24,805	125,000	32,768	353,000	24,848	138,000
2015	27,693	204,000	25,232	130,500	33,109	390,000	25,254	142,950
2016	28,340	215,250	25,660	133,417	33,694	435,000	25,755	148,000
2017	28,952	225,000	26,061	135,000	34,752	460,000	26,327	150,000

⁹² Source: Ratio of house price to residence-based earnings (lower quartile and median), 2002 to 2017, ONS

Exhibit 17: Ratio of median gross earnings of individuals and dual earners to house prices⁹³

	England & Wales		North East		London		Wales	
	Ratio of Gross earning to house price	Dual gross earning to house price	Ratio of Gross earning to house price	Dual gross earning to house price	Ratio of Gross earning to house price	Dual gross earning to house price	Ratio of Gross earning to house price	Dual gross earning to house price
2002	5.0	2.5	3.3	1.6	6.9	3.4	3.7	1.8
2003	5.8	2.9	3.9	2.0	7.4	3.7	4.3	2.2
2004	6.5	3.2	4.7	2.4	7.9	4.0	5.3	2.7
2005	6.7	3.4	5.2	2.6	8.1	4.0	5.9	3.0
2006	6.9	3.5	5.7	2.9	8.4	4.2	6.1	3.1
2007	7.2	3.6	5.8	2.9	8.4	4.2	6.4	3.2
2008	6.9	3.4	5.6	2.8	8.5	4.3	6.2	3.1
2009	6.3	3.2	5.2	2.6	7.8	3.9	5.6	2.8
2010	6.8	3.4	5.4	2.7	8.7	4.4	5.7	2.9
2011	6.7	3.4	5.1	2.6	9.2	4.6	5.5	2.8
2012	6.8	3.4	5.0	2.5	9.2	4.6	5.6	2.8
2013	6.7	3.4	5.0	2.5	9.6	4.8	5.5	2.7
2014	6.9	3.5	5.0	2.5	10.8	5.4	5.6	2.8
2015	7.4	3.7	5.2	2.6	11.8	5.9	5.7	2.8
2016	7.6	3.8	5.2	2.6	12.9	6.5	5.7	2.9
2017	7.8	3.9	5.2	2.6	13.2	6.6	5.7	2.8

This is not recognised as the regional problem because our capitalism has moved on with financialization but GVA/GDP is stuck in a 1940s mode of thinking where earned incomes are primary. This is reinforced since the financial crisis in 2008 by increasing national government reliance on expansive monetary policy which remains fixated on 1970s issues about commodity price inflation while it unintentionally boosts asset price inflation which has much more radical redistributive effects.

At the same time, under the rubric of controllable and socially meaningful outcomes we should be aiming to boost liveability by making housing more affordable right across the UK. Good quality affordable housing is everywhere important in itself and as a major determinant of net residual income. As Ryan Collins argues we cannot do that by “building more houses” because the problem is unlimited credit meeting a finite supply of house property.⁹⁴ In our view, we need to build more social housing which

⁹³ Source: Ratio of house price to residence-based earnings (lower quartile and median), 2002 to 2017, ONS.

Note: Dual gross earnings category is calculated by doubling of the median gross earnings of individuals

⁹⁴ Ryan Collins, J. (2018) Why Can't You Afford a Home. Cambridge: Polity

disconnects housing stock from wealth accumulation circuits and disconnects renting households from markets and insecurity of tenure.

As part of a broader commitment to collective provision of goods and services (after we stop assuming high wages deliver liveability) collective consumption through provision of providential services like health and care or utilities like transport becomes crucial. There is no good reason why a low GVA per capita region like Wales could not have a world class adult care system. And the idea of a laggard region and its associated problem definitions could be quietly buried while the Welsh had the necessary debate about how they want to be excellent in foundational provision for all our citizens.

Next steps

This is a short working paper which aims to float important ideas and break up the log jam in mainstream thinking about spatial and territorial differences. More research is needed so that evidence and argument can develop and refine what we have argued in this paper. All our arguments in this paper are provisional and readers should expect revisions.

6) Two masters: the dilemma of central-local relations in England

*Dr. Mark Sandford, writing in a personal capacity*⁹⁵

Introduction

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. Whilst 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](#) 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".⁹⁶

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

Central-local relations in the UK

This issue goes to the heart of implementing the kind of policy transformation proposed by the Commission. And indeed, the Commission's first report notes that "we will therefore want to clarify the role of national policy in working with local government and institutions who deliver and support the foundations of the local economies".⁹⁷ But the 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".⁹⁸ But on the very next page the report 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

⁹⁵ Dr. Mark Sandford is a senior research analyst at the House of Commons Library, who has published many recent papers and journal articles on English devolution and local government finance. He writes here in a personal capacity. The author would like to thank Akash Paun and John Tomaney for their helpful comments on a previous version of this piece.

⁹⁶ UK2070 Commission, [Fairer and Stronger: Rebalancing the UK Economy](#), 2019

⁹⁷ UK2070 Commission, [Fairer and Stronger: Rebalancing the UK Economy](#), 2019, p10

⁹⁸ Lord Heseltine, [Empowering English Cities](#), 2019, p55

public opinion is strongly behind them.”⁹⁹ Some similar reports barely address central-local relations, assuming by omission that they will be unproblematic.¹⁰⁰

There is little in the way 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 fifty 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 where the majority of local government expenditure arose from central grant transfers.¹⁰¹ 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.¹⁰² 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.¹⁰³ Alternatively, demands 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 disregarded for fifty or more years.

Devolution of more power may be desirable, both administratively and politically – as argued by other contributors to the Commission. However, this paper argues that it is a necessary but not 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 these is a critical element 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

⁹⁹ Lord Heseltine, [Empowering English Cities](#), 2019, p56

¹⁰⁰ For recent examples, see Romain Esteve et al, [Decentralising Britain: The ‘big push’ towards inclusive prosperity](#), IPPR, 2019 [Winner of the IPPR Economics Prize 2019]; IPPR, [Prosperity and Justice](#) (The Final Report of the Commission on Economic Justice), 2018; [Localis, Hitting Reset: the case for local leadership](#), 2019

¹⁰¹ See Peter John, “The Great Survivor: The Persistence and Resilience of English Local Government.” *Local Government Studies* 40:5: 687-704, 2014; Mark Sandford, “Public services and local government: the end of the principle of ‘funding following duties’,” *Local Government Studies* 42:4, 637-656, 2016

¹⁰² 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.

¹⁰³ See, for instance, Colin Copus, Mark Roberts and Rachel Wall, *Local Government in England: Centralisation, autonomy and control*, 2018; Steve Leach, George Jones and John Stewart, *Centralisation, devolution and the future of local government in England*, 2018; Inclusive Growth Commission, [Making our economy work for everyone](#), 2017

orders under the *Cities and Local Government Devolution Act 2016*. The powers devolved were agreed between Government and local areas during 2015 and 2016 via 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 chancellor, 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.¹⁰⁴

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.¹⁰⁵ Nevertheless, it is also true that the 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 investment into their region from international investors and central government; and adopting ‘orphan policies’ that fall between the cracks of other tiers of government –for instance, homelessness, air quality, mental health.¹⁰⁶

Metro-mayors: governance constraints

The Government views metro-mayors principally as local delivery partners of choice for central government initiatives.¹⁰⁷ Although its statements emphasise mayoral accountability,¹⁰⁸ this concern is trumped by the Government’s “expectation ... that devolved governance and delivery structures should be rigorous and effective will remain a paramount consideration.”¹⁰⁹ 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 structural factors. The English devolution system functions so as to divert 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 constraint takes three forms. First, although metro-mayors have access to a broad range of powers, most of them are shared with other public bodies (‘concurrent

¹⁰⁴ Heather Jameson, “[Javid promises devolution white paper](#)”, LocalGov, 30 September 2019. This paper was finalised during the 2019 election campaign, so the status of this commitment was unclear at the time of writing.

¹⁰⁵ Lord Heseltine, [Empowering English Cities](#), 2019; Andy Pike, Louise Kempton, David Marlow, Peter O’Brien and John Tomaney, *Decentralisation: issues, principles and practice*, 2016; John Tomaney, “The Limits of Devolution: Localism, Economics and Post-democracy. *Political Quarterly* 87 (4): 546-552, 2016; Ron Martin, Andy Pike, Pete Tyler and Ben Gardiner, *Spatially Balancing the UK Economy: the need for a new policy model*, 2015; Localis, [Hitting Reset: the case for local leadership](#), 2019.

¹⁰⁶ See Mark Sandford, “Has devolution to England’s cities worked?”, in [Has Devolution Worked?](#), ed. Akash Paun and Sam Macrory, Institute for Government, 2019

¹⁰⁷ See Mark Sandford, “Signing up to devolution: the prevalence of contract over governance in English devolution policy”, *Regional and Federal Studies* 27(1): 63-82, 2016

¹⁰⁸ MHCLG, [National Local Growth Assurance Framework](#), 2019, p14

¹⁰⁹ DCLG, [Government response to CLG Select Committee ‘Devolution: the next five years and beyond’](#), Cm 9291, 2016, p8

powers’). In practice this means 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 MCAs have minimal funding, such as housing provision, or gaps in powers, such as transport regulation, their policy options are constrained by external relationships. This type of partnership working has a long pedigree, but it implies a dilution of the aspirations of 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.¹¹⁰ Though the mayor can make many financial decisions, alone, their budget can be rejected by a two-thirds majority of members. Alongside the need to coordinate with other public bodies, this is likely to reduce the capacity of mayors to deliver manifesto commitments.¹¹¹

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. Though 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.¹¹² In short, the mayors’ *practical* access to 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 face exhaustive reporting requirements and will 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

¹¹⁰ See Mark Sandford, [Devolution to local government in England](#), House of Commons Library, 2019

¹¹¹ See the Centre for Cities’ [log of mayoral manifestos](#)

¹¹² See Mark Sandford, “Money talks: the finances of combined authorities”, *Local Economy* 34:2, 106-122, 2019, for data on the revenue available to combined authorities and projections of the revenue that mayors could raise from council tax and business rates.

Government (contractual accountability).

In 2019, these requirements were consolidated in the 90-page [National Local Growth Assurance Framework](#). 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 and Communities Agency good practice”, “Skills Funding Agency good practice”, and the Treasury’s Green Book (the financial management standard for the UK Government).¹¹³ The NLGAF also includes assurance requirements for the ‘single pot’, which is mayors’ power to pool certain funding streams. 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.”¹¹⁴

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:

“...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”.¹¹⁵

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.¹¹⁶

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

¹¹³ MHCLG, [National Local Growth Assurance Framework](#), 2019, p53-64.

¹¹⁴ *Ibid.*, p15

¹¹⁵ Tom Gash, Sam Sims and Joe Randall, [Achieving Political Decentralisation](#), Institute for Government, 2014, p20

¹¹⁶ 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.

purposes for which it was authorised (regularity), has been spent within the rules on propriety and that value for money has been achieved.”¹¹⁷

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”.¹¹⁸ 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 reporting requirements should exist, and to whom? What reserve powers should central government hold? What veto points should exist, and what sanctions for disregarding the system or failure?

The [Accountability: adapting to decentralisation](#) report sets out a lengthy design for a system including multiple veto points and reporting requirements.¹¹⁹ 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.¹²⁰ 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. These are unusual: mayoral combined authorities appoint scrutiny committees from amongst back-bench councillors on their member councils. An early Centre for Public Scrutiny (CfPS) investigation noted limited resource availability and a focus on information gathering rather than ‘forensic scrutiny’.¹²¹ 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 implications for central-local relations

As things stand, even if substantial extra funding and/or powers became available to mayors, the type of assurance framework observed above would remain in place. This has implications for any proposal for large-scale public spending involving regional or local tiers of government, such as that set out in the UK2070 Commission’s report. The question would quickly arise: what happens where a local politician is elected on a manifesto to implement the new policy in a non-standard way, or to pursue a quite different policy?

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. 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

¹¹⁷ DCLG, [Accountability: adapting to decentralisation](#), 2011, p6. See also House of Commons Public Accounts Committee, [Accountability for public money](#), HC-740 2010-12, 5 April 2011

¹¹⁸ DCLG, [Accountability: adapting to decentralisation](#), 2011, p7

¹¹⁹ *Ibid.*, p8

¹²⁰ See NHS England Board Paper PB.24.09.15/04, “Devolution: Proposed Principles and Decision Criteria”; GMStrategic Partnership Board, “Accountability Agreement”, 18 March 2016

¹²¹ Ed Hammond, [Combined authority scrutiny: six months on](#), Centre for Public Scrutiny, January 2018

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 National Local Growth Assurance Framework 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 where 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 whilst 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 MCAs, 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, 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 ([Centre for Cities 2016](#); [MetroDynamics 2018](#); [Pol Con 2013](#); [Kitsos 2018](#); [CLG Cttee 2014](#)). The logic is easy to see: if central government exercises control over local government via funding, 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 more usefully. The assurance requirements for the devolution deals' 'single pot' represent a move, though small, away from distinct departmental accountability for spending. Elsewhere, since 2011 the Government has referred to a 'London settlement' [within Parliamentary estimates](#): the Accountability 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."¹²²

Within *local* government more generally, MHCLG has emphasised accountability to local councillors for policy decisions through the 2010s, refusing to become involved in active

¹²² MHCLG, [Accounting Officer System Statement](#), July 2018, p52

monitoring of local policy decisions. Intriguingly, it maintained this line in the face of concerns expressed by the NAO in the mid-2010s about Parliamentary accountability and value for money. The NAO itself simultaneously 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.”¹²³

The clearest example of alternative approaches to ‘accountability’ is visible in the provision of grant funding running into billions of pounds, by the UK Parliament, for the Scottish Parliament, Northern Ireland Assembly and 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, commission evaluations, or 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. Traditional concepts of accountability are not universal.

This erosion of the idea that direct accountability must always accompany financial transfers parallels broader debate on local government accountability in the late 2010s. Critiques have emerged of the value of purely financial concepts of accountability.¹²⁴ Laurence Ferry et al (2018) 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”.¹²⁵ 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.”¹²⁶

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

¹²³ NAO, [Local government funding: assurance to Parliament](#), HC-174 2014-15, 2014. See also NAO, [Accountability for Taxpayers’ Money](#), HC-849 2015-16, 2016.

¹²⁴ DCLG, [Accountability: adapting to decentralisation](#), 2011, p7; Laurence Ferry, Russ Glennon, Kirsten Greenhalgh, Pete Murphy, Public service accountability: rekindling a debate, 2019, p5; NAO, [Code of Audit Practice – consultation](#), 2019.

¹²⁵ Laurence Ferry et al, op. cit., 2019, p5

¹²⁶ Ibid

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. Whilst 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. Attention has rarely been drawn to how radical a departure practice there is from UK constitutional practice (a fact that itself speaks volumes about the opaque and unspoken nature of British governance). And intergovernmental relations in those areas have been [halting in their effectiveness](#). But engagement with these issues is essential if mayors are to play as effective a part in transformative policies as the Commission seeks.

I suggest therefore that “local devolution, rolled out systematically with transfer of powers and resources”¹²⁷ 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 could include in-depth work with civil servants responsible for these matters;
- 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.¹²⁸ 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.

¹²⁷ UK2070 Commission, [Fairer and Stronger: Rebalancing the UK Economy](#), 2019, p63

¹²⁸ For recent studies, see Mark Sandford, *Three monkeys on the back of fiscal devolution*, Constitution Unit blog, 2018; ICLGF, *Financing English Devolution*, 2015; Neil Amin-Smith, Tom Harris and David Phillips, [Taking control: which taxes could be devolved to local government?](#), IFS, 2019; Jack Fawcett and Russell Gunson, [Thinking bigger on tax in Scotland](#), IPPR, 2019.

7) A response to the UK2070 Commission's Second Report from The Centre for Urban and Regional Development Studies (CURDS) at Newcastle University

Professor Andy Pike, Professor Mike Coombes, Louise Kempton, Professor Danny MacKinnon, Dr. Peter O'Brien

1. About the Centre for Urban and Regional Development Studies (CURDS)

The Centre for Urban and Regional Development Studies (CURDS), Newcastle University, is a research centre internationally renowned for its academic excellence and policy relevance in local, regional and urban development, governance and policy. Founded in 1977, further details of our work are available at: www.ncl.ac.uk/curds

2. Context and aim of the submission

We welcome the Commission's interest in the important issue of devolution in England. This submission aims to consider the UK2070 Commission's proposals for decentralisation in England and specifically the establishment of trans-regional 'provinces' by situating them in their national and international context in Europe and assessing their appropriateness as governance arrangements.

The UK and especially England remains amongst the most highly centralised amongst major countries internationally (Table 1, Appendix). The UK had a stable level of decentralisation between 1950 and 1986, underwent further centralisation until the late 1990s devolution, and then settled at a relatively higher level (Figure 1). In addition, the UK and England have longstanding and persistent geographical disparities in economic and social conditions that are high in international context. The gini index of inequality of GDP per capita remains above the OECD average and reduced only slightly over 2000-2013 (Figure 2).

While the causal relationship between centralised governance and spatial disparities is not clear and direct, it has been a consistent association in UK political-economic and geographical history.¹²⁹ The need to find appropriate forms of decentralised governance for England has been a recurrent concern.¹³⁰ In the post-war period, episodes of decentralisation are evident that resemble a pendulum swinging between different geographical scales and institutional arrangements (Figure 3).

Since 2010, there has been an ad hoc, incremental and piecemeal episode of decentralisation. Multiple rationales have been stated, pulling decentralisation in different directions and muddling its precise objectives. These rationales comprise local growth, public service reform and expenditure reductions, democratic renewal, and societal challenges such as ageing and climate change.

This episode is also characterised by deals and deal-making as negotiated central-local government agreements on decentralised powers, responsibilities and resources. Differentiated combinations of powers and resources have been allocated to different areas (Figure 4).

¹²⁹ McCann, P. (2016) *The Regional-National Economic Problem: Geography, Globalisation and Governance*, Routledge: London.

¹³⁰ Marlow, D. (2014) *English Devolution and Intermediate Tiers of Governance*, LGiU Briefing, December, LGiU: London.

This recent decentralisation episode has created a complex map and patchwork of different governance arrangements across England. While other countries such as France, Italy and Spain have what are termed ‘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 potential benefits and costs (Table 2).

3. 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, that range from the highest level devolution to the lowest level administrative (Table 3). 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 (Table 4).

4. The UK2070 Commission’s proposals for decentralisation

In the context of the problem of intermediate governance in England and the complex patchwork of current arrangements, the Commission’s proposals for “effective devolution” comprise:

- 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, Midlands, South East and 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;
- Decentralising national government functions, responsibilities and budgets covering England to “align with”the “local and trans-regional devolution.”¹³¹

Similar proposals were originally outlined in the 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”.¹³²

The proposed Northern and Midlands Economic Executives would be created from the existing Northern Powerhouse and Midlands Engine institutions. 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
- Regional infrastructure planning including transport, energy, communications and environmental and resource management
- Regional immigration policy
- Regional spending of a new ‘Inclusive Growth Fund’

¹³¹ UK2070 Commission (2019: 9) Fairer and Stronger: Rebalancing the UK Economy, UK2070 Commission: Sheffield.

¹³² IPPR Commission on Economic Justice (2018: 70, 68) Prosperity and Justice: A Plan for the New Economy, IPPR: London.

- Oversight of inter-city rail networks and franchises and a proposed new ‘major road network’
- 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 to attract investment and people, exercise political voice to secure resources from central government, borrow to invest through the regional divisions of a new National Investment Bank and, following the example 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 were based initially on a block grant from HM Treasury and then a new and more decentralised fiscal framework for England.

5. English ‘Provinces’ in context: European regional governance geography

In the context of past English regional governance geography, the proposed Provinces are remarkably large. This can be demonstrated by comparing them to the nine Standard Regions, which are now only used for statistical purposes but until 2010 constituted the regional tier of decentralised institutions in England. Two of the Provinces (North, South-East) each group three Standard Regions, and one other (Midland) combines two. This geography raises the question of whether the proposal for large Provinces appears to be out-of-line when compared to the regional institutions with economic development responsibilities in comparable countries of Europe. Table 5 identifies the five larger European Union countries taken here to offer some comparability to the UK, comparing them on three relevant size measures: population, economy and land area.

Table 6 then identifies for each of these countries the regional tier of institutions with devolved economic development responsibilities, reporting their number and their average size on each of the three size parameters. This comparison does suggest 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 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 also 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. Thus an authority with a narrowly defined area, such as a single city, might independently deliver some economic development policies (e.g. those related to land use), but delivering a comprehensive regional economic strategy (and perhaps having some tax raising powers) is more realistically entrusted to an authority covering a larger and self-contained territory such as Scotland. This is an economic geography aspect to the principle 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 processes determining regional economic development.

Table 7 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 has six, Italy has four, Spain three and Poland just one. This might suggest that the proposal for the UK is not out-of-line with practice elsewhere, due to not only Germany but also France having 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 regions are recent amalgamations of previously separate smaller regions, which is an example of a trend towards larger regions that is in part a response to economic processes operating over wider areas.

Table 7, taken together with the count of regions in Table 6, does offer 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 to be seen among the large population regions in Table 7.

England has been ‘regionalised’ by government (and indeed academics) several times previously but none of these regional boundaries have been widely accepted, in part due to none having 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 space 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 straight-forward, 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 also need to pay attention to a shared sense of place and patterns of belonging and attachment.¹³³ 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 or dysfunction. Centrally determined boundaries, which make sense in Whitehall, can produce regions that have little popular affiliation. Such regions may dispense large amounts of tax-payers money in ways which appear opaque and unaccountable. Equally, the deal-making approach to decentralisation can produce regions that are neither functional nor popular, in ways that can set back the aim of democratic decentralisation. On this point too, the recent experience in France is of interest because there was considerable dissatisfaction at the amalgamation of historic regions (e.g. Alsace, Lorraine and Champagne becoming a new historic region Grand Est).

The conclusion is that while the proposed English Provinces are indeed relatively large on average, the only one notably out-of-line with regions in comparator countries is the South East (due to including both London and its wide hinterland). At this point it is

¹³³ Tomaney, J. (2018) “A mess of pottage? The North of Tyne deal and the travails of devolution”, LSE British Politics and Policy Blog, 4 January, <https://blogs.lse.ac.uk/politicsandpolicy/the-north-of-tyne-deal-and-the-travails-of-devolution>

relevant to recall the principle that the appropriate size of regions depends on the extent and nature of the powers which 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.

6. Local mayoral and combined authorities and rural counties and trans-regional 'provinces' as governance arrangements for England

The UK's 2070 proposals for decentralisation effectively aim to move towards a system of multi-level governance in England which are 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 potentially creates a more comprehensive and even coverage of governance arrangements across England. What kind of decentralisation this represents will depend upon the powers and resources decentralised to the existing and new mayoral and combined authorities and rural counties and provincial economic executives (Table 3). 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 public policy objectives is not straightforward. 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 effects of decentralisation; and, attributing causation amongst decentralisation's multiple relationships with broader economic and institutional change.¹³⁴

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 2000s.

Considering the political feasibility of the proposals raises some 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 (Figure 3), described as "compulsive re-organisation" and "perpetual restructuring."¹³⁵ Further changes and the establishment of new mayoral and combined

¹³⁴ Pike, A., Rodríguez-Pose, A., Tomaney, J., Torrissi, G. and Tselios, V. (2012) "In search of the 'economic dividend' of devolution: spatial disparities, spatial economic policy, and decentralisation in the UK", *Environment and Planning C: Government and Policy*, 30, 1, 10-28.

¹³⁵ Jones, A. (2010: 374) "Here we go again: the pathology of compulsive re-organisation", *Local Economy*, 25, 5-6, 373-378. Mulgan, G. (2010: 1) "RDA demise", *Regeneration and Renewal*, 12 July, *Regeneration and Renewal*: London.

authorities and rural counties in areas currently without them may encounter resistance and would take time. In other countries with asymmetrical decentralisation such as Spain, the evidence is that as new areas gain powers and resources 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 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 cooperation – such as the Cambridge-Milton Keynes-Oxford Arc – are thematically focused and working on different geographies.

Indeed, the description of the regional executives as a ‘new tier’ of institutions and administration will inevitably attract criticism from its opponents which are likely to characterise it as another layer of administration and bureaucracy and talking shop for politicians –reusing the arguments from the campaign against the Elected Regional Assembly in north east England in 2004.¹³⁶

The proposed arrangements will encounter the issue of how to align, coordinate and integrate its new institutions between and across different spatial levels. How will their aspirations/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, for example, the new regional executives are tasked with writing a set of regional and industrial strategies, how will they connect with the existing LEPs and their local industrial strategies?

7. Further and future decentralisation in England

Given the ad hoc, incremental and piecemeal nature of the recent episode of decentralisation in England and the difficulties in assessing its impacts, a more comprehensive and thoughtful approach is needed to thinking through and implementing further decentralisation in existing and new areas yet to be allocated powers and resources if the potential benefits are to be maximised and the costs and risks reduced.

There is a need for the clarification of the rationales and principles of decentralisation with a ‘road map’ and process to provide some clarity to the vision, direction, purpose, principles and strategy for decentralised governance of England in the round.¹³⁷

The current ad hoc, incremental and piecemeal governance needs to move towards a more planned, transformative and comprehensive approach. It will, however, need to work with the patchwork of the different geographical scales and institutions of governance that have emerged in England since 2010.

This is not a call for a top-down blueprint designed and delivered from Whitehall in London. 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 at the earliest stages of thinking

¹³⁶ Rallings, C. and Thrasher, M. (2006) “‘Just another expensive talking shop’: public attitudes and the 2004 regional assembly referendum in the North East of England”, *Regional Studies*, 40, 8, 927-936.

¹³⁷ Pike, A., Kempton, L., Marlow, D., O’Brien, P. and Tomaney, J. (2016) *Decentralisation: Issues, Principles and Practice*, CURDS: Newcastle University

through what decentralisation might mean for them, it could provide a normative sense of the kinds of powers and resources that specific types of areas *should* be seeking. Such a clear road map would remove the existing opaqueness and lack of accountability of the current deals designed, formulated and made between political leaders and senior officials at the local and national levels. Otherwise, the problems and costs of coordination, integration and alignment between governance actors and institutions will be reproduced and, potentially, multiply as further pieces are added to the existing patchwork.

Given the change in government in July 2019 and the dominance of Brexit in national political economy, it is difficult to assess the new administration's commitment to decentralisation in England. Decentralisation slowed under the last government 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. In principle the UK government's 'Devolution Framework' may provide some of the elements of this decentralisation 'road map'. However, its publication has been delayed until "after Brexit" and details of its aims and content are as yet unknown.¹³⁸

In July 2019, the new Prime Minister announced support to "level up the powers offered to mayors" to enable "more people" to "benefit from the kind of local government structures" in London and Greater Manchester and to provide "communities a greater say over changes to transport, housing, public services and infrastructure that will benefit their areas and drive local growth."¹³⁹ He restated an ambition for "levelling up across every nation and region across the UK, providing support to towns and cities and closing the opportunity gap in our society"¹⁴⁰ and made announcements on a Towns Fund, the Northern Powerhouse and public expenditure on transport infrastructure in northern England and further Growth Deals in Northern Ireland, Scotland and Wales.¹⁴¹

Wherever decentralisation in England goes next, its kind, nature and resources are 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.

There is evidence that the current episode of decentralisation in England and its hallmark deals and 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 the deal-based model of governance reform and public policy-making with all its benefits and costs.¹⁴²

Second, areas putting forward deal proposals are having to wait for Ministerial and civil servant consideration and response, demonstrating the lack of political prioritisation

¹³⁸ Larsson, N. and Peters, D. (2019) "Further delay to devolution drive", The Municipal Journal, 24 April, <https://www.themj.co.uk/Further-delay-to-devolution-drive/213469>

¹³⁹ Johnson, B. (2019) PM Speech at Manchester Science and Industry Museum, 27 July, <https://www.gov.uk/government/speeches/pm-speech-at-manchester-science-and-industry-museum>

¹⁴⁰ Johnson, B. (2019) PM statement on priorities for the government, <https://www.gov.uk/government/speeches/pm-statement-on-priorities-for-the-government-25-july-2019>

¹⁴¹ Press Release (2019), 28 July, <https://www.gov.uk/government/news/prime-minister-launches-new-growth-deals-funding-as-h-e-kicks-off-union-visits-in-scotland>

¹⁴² GM is on 8 or 9 devolution deals, West Midlands looking for another?. Sharman, L. (2019) "Liverpool submits £230m 'Green City Deal'", Local Government, 30 July, <https://www.localgov.co.uk/Liverpool-submits-230m-Green-City-Deal/47894>

and administrative capacity at the national level, or receiving rejections for not meeting certain criteria. For example, the One Yorkshire proposals in 2018 were rejected by the former Secretary of State James Brokenshire because they “do not meet our devolution criteria.”¹⁴³ Yet any such criteria have not 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. While there is some evidence of co-operation and joint announcements amongst the higher profile metro-mayors,¹⁴⁴ evidence is limited that the overall system of governance in England is working as coherently and effectively as it might.

8. Conclusion

Overall, this submission is not an argument against further decentralisation, especially given the UK and England’s highly centralised system, nor is it a call for further caution and a slower approach or for a faster, radical and revolutionary ‘big bang’ strategy. Rather, the submission highlights the need comprehensively to think through and clarify what decentralisation is for and how it works in England and to set this out in a clear, open and transparent road map.

This task will be especially important in the context of future disruptive change especially Brexit. Some advocates of decentralisation see it as the ‘golden thread’ of Brexit and an opportunity to reverse centralisation and ‘take back control’ of local affairs from a distant and unresponsive national government and political establishment.¹⁴⁵ There are political risks in limiting decentralisation too. The lack of economic opportunities and voice for so-called ‘left behind’ people and places and perceived unfairness has fuelled the discontent and political fragmentation and division in recent years across the UK.¹⁴⁶ Lack of public engagement and interest in the current episode of decentralisation is already evident, for example in turnouts in the Durham County Council devolution deal ballot and metro-mayor election and Police and Crime Commissioner elections. Engaging the public more effectively suggests the need to do decentralisation in a different way.

¹⁴³ James Brokenshire quoted in Elledge, J. (2018) “James Brokenshire’s rejection of the One Yorkshire devolution deal absolutely stinks of partisanship”, Citymetric, 12 February, <https://www.citymetric.com/politics/james-brokenshire-s-rejection-one-yorkshire-devolution-deal-absolutely-stinks-partisanship>

¹⁴⁴ Sandford, M. (2017) “Soft power and grant coalitions: the first six months of ‘metro-mayors’”, January, <https://www.thebritishacademy.ac.uk/soft-power-and-grant-coalitions-first-six-months-metro-mayors>

¹⁴⁵ Pike, A. (2018) “Devolution in England needs real powers and resources if it is to ‘take back control’ in Brexit”, The UK in a Changing Europe Blog, 20 June, <https://ukandeu.ac.uk/devolution-in-england-needs-real-powers-and-resources-if-it-is-to-take-back-control-in-brexite>

¹⁴⁶ Tomaney, J. and Pike, A. (2018) “Brexit, devolution and economic development in ‘left-behind’ regions”, Welsh Economic Review, 26, 29-37, <http://doi.org/10.18573/wer>

Appendix

Table 1: Regional Authority Index, ranked by country, 2010*

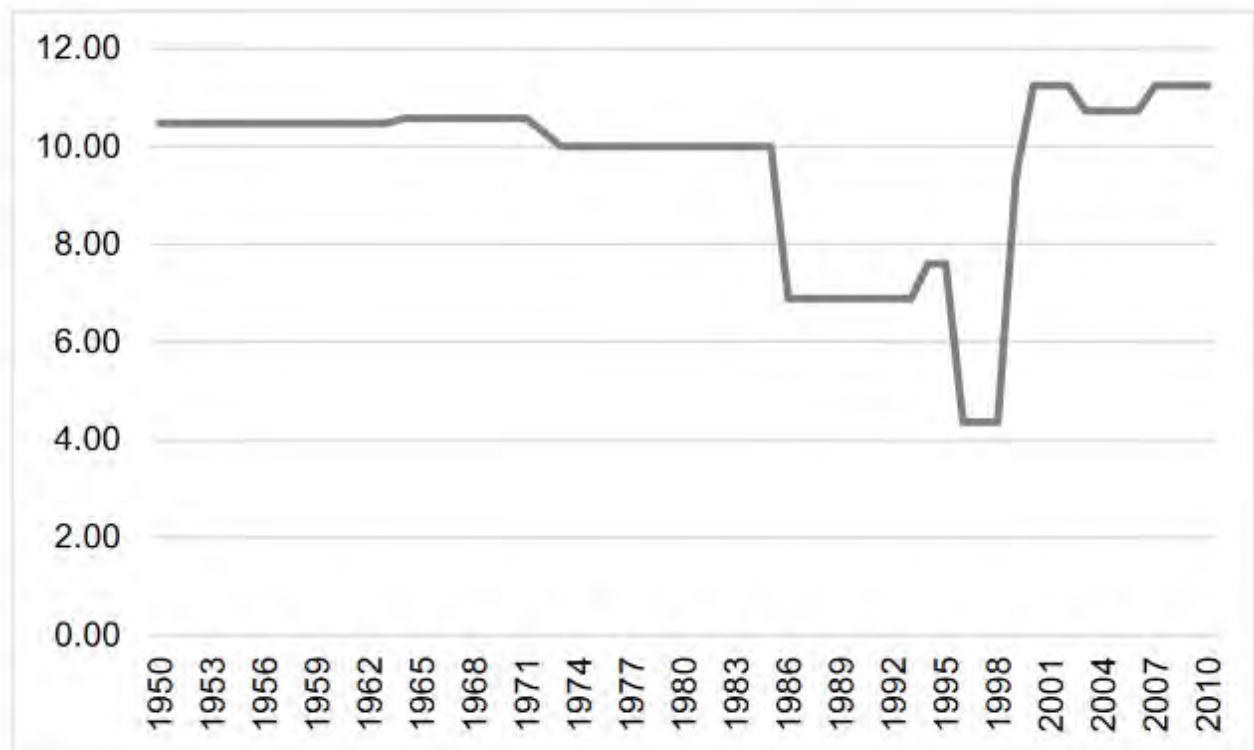
Country	Regional Authority Index
Germany	37.0
Spain	33.6
Belgium	33.1
USA	29.6
Italy	27.3
Austria	23.0
Brazil	19.5
Netherlands	17.5
Japan	13.0
Sweden	12.0
UK	11.2
Greece	11.0

* The Regional Authority Index (RAI) is a measure of the authority of regional governments in 81 democracies or quasi-democracies on an annual basis over the period 1950-2010. The dataset encompasses subnational government levels with an average population of 150,000 or more. Regional authority is measured along ten dimensions: institutional depth, policy scope, fiscal autonomy, borrowing autonomy, representation, law making, executive control, fiscal control, borrowing control, and constitutional reform.

Source: Data from Arjan Schakel (2018)

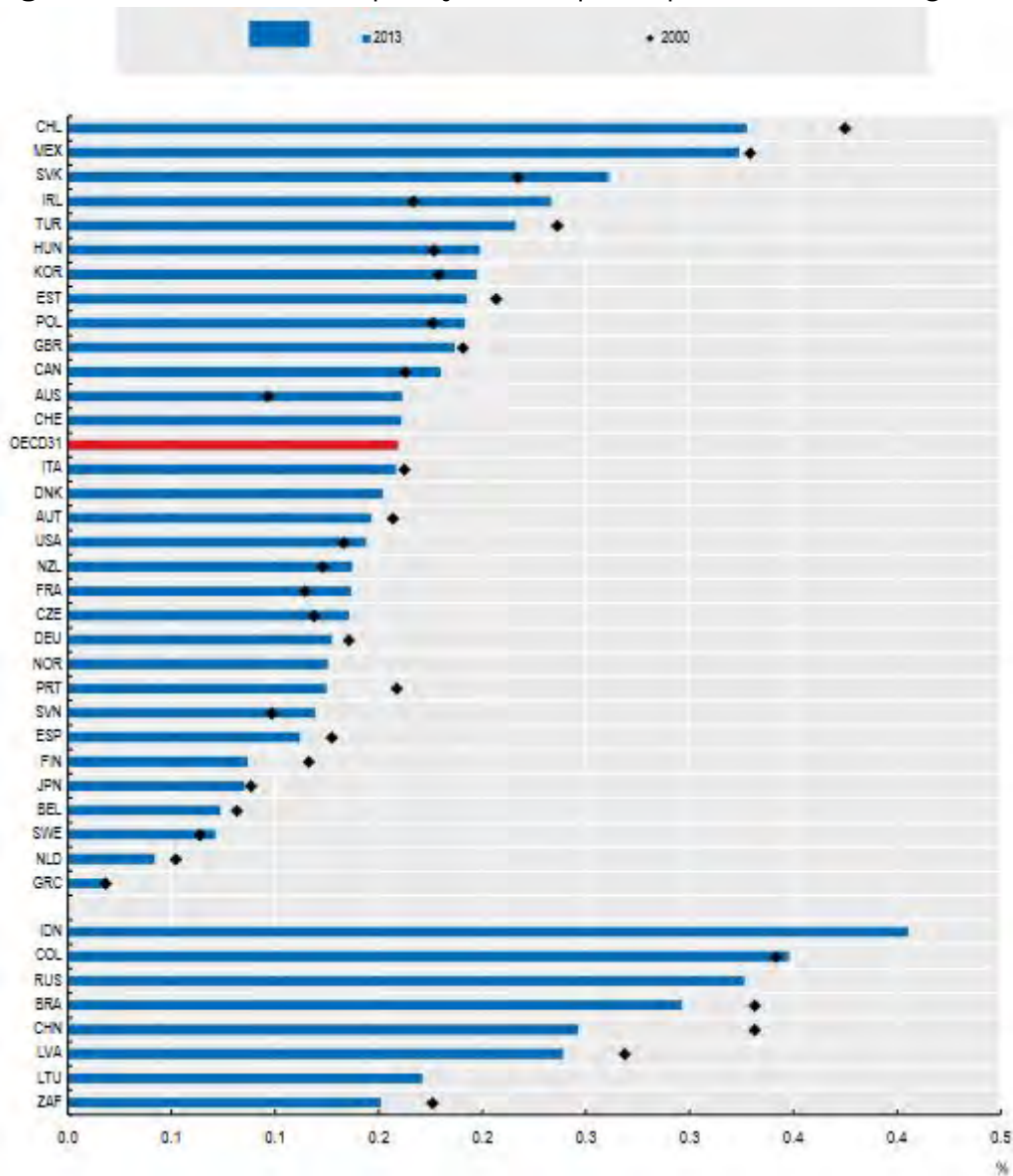
<https://www.arjanschakel.nl/index.php/regional-authority-index>

Figure 1: Regional Authority Index, UK, 1950-2010



Source: Calculated from data from Arjan Schakel (2018)
<https://www.arjanschakel.nl/index.php/regional-authority-index>

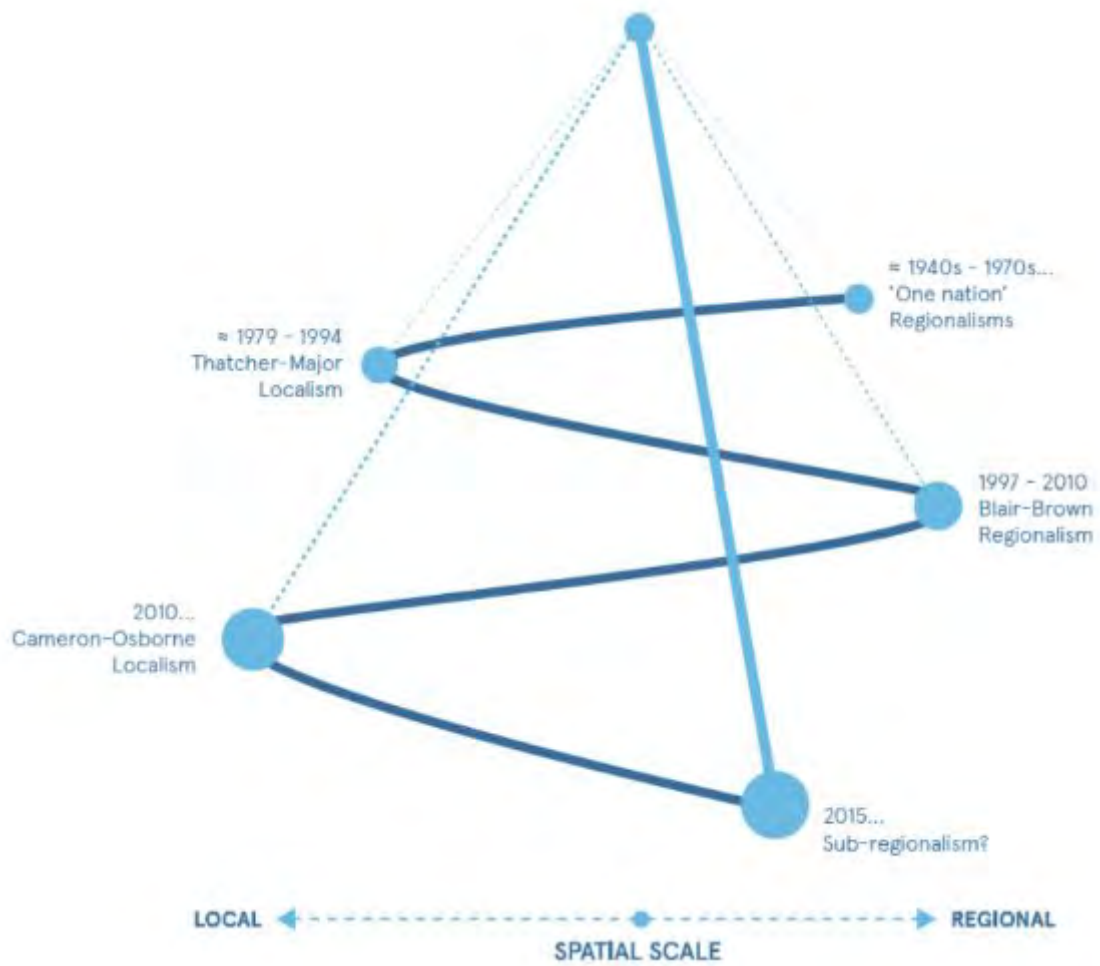
Figure 2: Gini index of inequality of GDP per capita across TL3 regions, 2000 and 2013*



*GBR = Great Britain

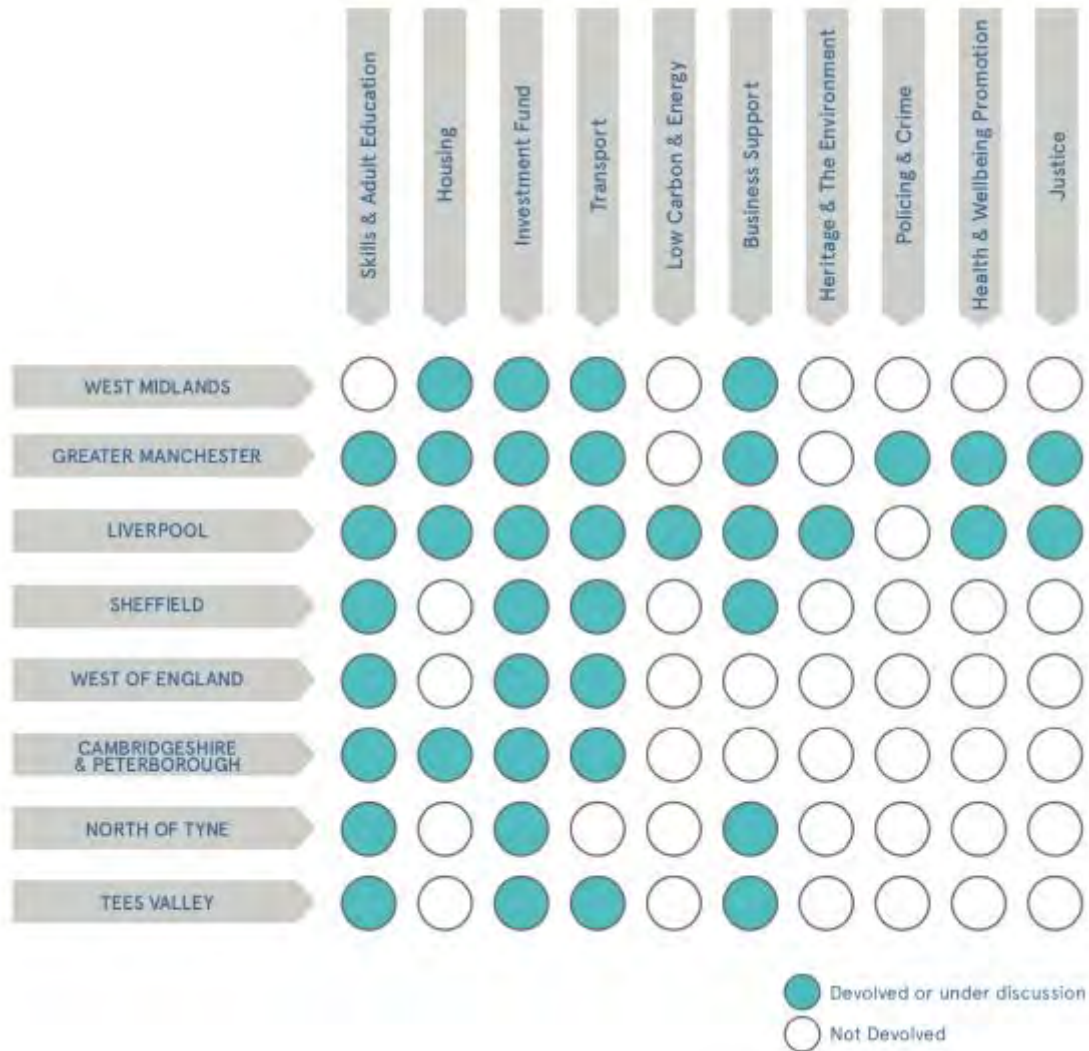
Source: OECD Regional Statistics (2015) (database) in OECD (2016) Regions at a Glance, OECD: Paris

Figure 3: Pendulum swings in decentralised governance in England



Source: Pike, A., Kempton, L., Marlow, D., O'Brien, P. and Tomaney, J. (2016) Decentralisation: Issues, Principles and Practice, CURDS: Newcastle University

Figure 4: Powers by Combined Authority area



Source: Pike, A., Tomaney, J. and Jenkins, M. (2019) The North of Tyne Metro-Mayor: An Office Without Power?, CURDS: Newcastle University

Table 2: The benefits and costs of asymmetrical decentralisation

Potential benefits	Potential costs
Accommodate diverse preferences for autonomy across regions	Lack of accountability and transparency
Adapting the institutional and fiscal frameworks to the capacities of subnational governments	Complexity and coordination costs
Advanced form of place-based policies	Lack of clarity for citizens
Experimenting	Potential risks of increased disparities (in capacities)
Sequencing decentralisation	Secession and autonomy
Providing the enabling institutional environment to design territorial development strategies more targeted to local needs	
Tailoring solutions for special challenges	

Source: Adapted from OECD (2019) Asymmetric Decentralisation: Policy Implications in Colombia, OECD: Paris.

Table 3: Forms of decentralisation

Level	Form	Characteristics
Low	Administrative	Administrative functions and responsibilities undertaken at the sub-national levels
	Deconcentration	Dispersion of central government functions and responsibilities to sub-national field offices. Powers transferred to lower-level actors who are accountable to their superiors in a hierarchy
	Delegation	Transfer of policy responsibility to local government or semi-autonomous organisations that are not controlled by central government but remain accountable to it
	Political	Political functions of government and governance undertaken at the sub-national level
	Fiscal	Autonomy over tax, spending and public finances ceded by central government to sub-national levels
High	Devolution	Central government allows quasi-autonomous local units of government to exercise power and control over the transferred policy

Source: Pike, A., Kempton, L., Marlow, D., O'Brien, P. and Tomaney, J. (2016) Decentralisation: Issues, Principles and Practice, CURDS: Newcastle University.

Table 4: Potential benefits and costs of decentralisation

Potential Benefits	Potential Costs
Devolved policies better reflect territorial preferences (allocative efficiencies)	Additional administrative costs of additional layers of government and/or governance institutions
Improved knowledge of territorial economic potential (productive efficiencies)	Loss of scale economies in policy formulation and delivery
Democratic accountability improves efficiency of policy formulation and implementation, fosters innovation	Increased 'rent-seeking' by interest groups better able to influence sub-national territorial rather than national institutions
Fiscal autonomy provides hard budget constraints and (where applicable) tax-varying power allows marginal changes to taxation and spending	Weaker disciplines of monitoring and evaluation (national finance ministries as tougher drivers of efficiency than territorial institutions)
Lower coordination and compliance costs vis-à-vis the rest of the national territory	Budget constraints increasingly tied to territorial fiscal capacity
	Weak incentives due to lack of mechanism linking public spending with tax revenues raised within sub-national territories
	Reduced coordination with the rest of the national territory with possible negative spill-over effects both on and from sub-national territories

Source: Adapted from Ashcroft, B., Swales, J. K. and McGregor, P. G. (2005) Is Devolution Good for the Scottish Economy? A Framework for Analysis. Devolution Briefings No. 26 (March 2005), ESRC Devolution and Constitutional Change Programme: London.

Table 5: Selected size measures of the UK and 5 broadly comparable countries

	Population 2019, millions	GDP 2018, billion Euros	Square kms, thousands
France	67.0	2346	635.3
Germany	83.0	3387	354.8
Italy	60.4	1756	296.9
Poland	38.0	490	307.2
Spain	46.9	1216	506.3
United Kingdom	66.6	2399	244.7

Source: Calculated from Eurostat data

Table 6: Average size of regions with devolved economic responsibilities

	No.	Population 2019, millions	GDP 2018, billion Euros	Square kms, thousands
French mainland Regions	13	5.2	180.5	48.9
German Lander	16	5.2	211.7	22.2
Italian Regioni	20	3.0	87.8	14.8
Polish Voivodeships	16	2.4	30.6	19.2
Spanish Autonomous Regions	17	2.8	71.5	29.8
UK Nations/Provinces	7	9.5	342.8	35.0

Source: Calculated from Eurostat data

Table 7: Regions with devolved economic responsibilities and populations >5m

Country	Regions, UK Provinces/Nations	population 2019, million	square kms, thousand
UK	England: SE	22.7	39.8
Germany	Nordrhein-Westfalen	17.9	34.1
UK	England: North	14.9	38.2
Germany	Bayern	13.1	70.6
France	Île-de-France	12.1	12.0
Germany	Baden-Württemberg	11.0	35.8
UK	England: Midlands	10.1	28.6
Italy	Lombardia	10.1	23.8
Spain	Andalusia	8.4	87.3
Germany	Niedersachsen	7.9	47.6
France	Auvergne-Rhône-Alpes	7.9	69.7
Spain	Catalunya	7.5	32.1
Spain	Madrid	6.7	8.0
Germany	Hesse	6.2	21.1
France	Hauts-de-France	6.0	31.8
Italy	Lazio	5.9	17.2
France	Nouvelle-Aquitaine	5.9	84.1
Italy	Campania	5.8	13.7
France	Occitanie	5.8	72.7
France	Grand Est	5.6	57.4
UK	Scotland	5.4	77.9
Poland	Mazowsze	5.4	35.6
UK	England: SW	5.3	23.8
Italy	Sicilia	5.0	25.8
France	Provence-Alpes-Côte d'Azur	5.0	31.4
UK	Wales	3.1	20.8
UK	N.Ireland	1.9	14.1

Source: Calculated from Eurostat data

8) Soft infrastructure and regional & national development: a discussion paper

Professor Ian Wray, The Heseltine Institute for Public Policy Practice and Place, The University of Liverpool

UK2070 Context

A core proposition of the UK2070 Commission to develop a new economic base for the UK is the need to create UK-wide global centres of excellence based around networks of world-class institutes. The First and Second Reports of the Commission therefore included the MIT(N) proposal seeking to do this in the field of Innovation, Research and Technology (IRT).

The report also recognised that similar arguments apply to the creative industries. The creative sector is likely to become an increasingly important part of our life and economy, especially as machine intelligence and robotics automate a wider range of current productive activity. In this context the UK is well placed. However, the UK provision for culture and sport has a very strong London bias, reflecting the main location of BBC production and editorial control, the existing infrastructure of galleries, museums and orchestras and related educational provision.

However, as with the research there are many undervalued national cultural assets embedded across the nation that could help deliver a rebalanced economy. There is a real opportunity to rebalance this as part of a wider spatial strategy, building on the examples of decentralisation and local success (e.g. in Salford and Glasgow) in the last few decades. This report therefore develops the proposition for the development of global centres of excellence based on cultural, natural and sporting heritage, the soft infrastructure of the nation.

Hard Versus Soft Infrastructure

Spending on **hard infrastructure** is part of the stock in trade for regional development – roads, bridges, railways, high speed railways, trams, tunnels, ICT infrastructure, skills, sewers, drains, flood defences, power supply and generation. It is a long list and has long been the beneficiary of financial support from the government, the EU, and not least the European Investment Bank (EIB).

By contrast, spending on what might be termed **soft infrastructure** is something of a poor relation. By soft infrastructure is meant the arts, culture, sport, media, heritage and the environment. In part it might reflect the dominance of cost benefit analysis as an investment evaluation tool. Calculating the net present value of a new piece of railway is simple and the techniques are tried and tested. It is more difficult to apply the economist's tool kit to investment in cultural heritage, for example.

Yet in the context of a knowledge economy and the growth of the service sector, soft infrastructure can be of central importance. Tourism, for example, is one of our fastest growing economic sectors, projected to be worth £257bn by 2025. It is currently worth over £100bn to the UK economy, with inbound tourism alone accounting for 9% of UK GDP. Tourism development rests squarely on the UK's arts, culture, heritage and environment – people do not visit Britain for the weather. And it is widely accepted that Britain's soft power assets and its strongest and most competitive economic sectors are in services, such as education, creativity, tourism, music, literature, fine art and the media generally. For services like these, access to concerts, conferences and theatres is

more important than access to motorways. There is another reason why soft infrastructure matters. Soft infrastructure, both cultural and environmental, helps to attract and retain talented people, who are the bedrock of 21st century economy.

There have been some startling success stories of regional development based on soft infrastructure assets, not least the relocation of several of the BBC's commissioning agencies to Salford as part of the media city development or as part of the Clyde Waterfront renewal partnership in Glasgow, bringing many content producers in tow. This development was led by the developers Peel Holdings, with strong support from the former Northwest Development Agency. It shows what can be done to disperse media and cultural activities, reducing costs and injecting economic development into provincial communities.

Liverpool's Culture and Environment Led Revival

Liverpool is another example of successful regeneration led by soft infrastructure investment. Over the last 40 years Liverpool has built a huge conference and tourism business from scratch. In the 1970s no one would have dreamt of spending leisure time in Liverpool and indeed when the idea was put to the Callaghan Government Cabinet, Ministers fell about laughing, making jokes about the Costa Del Scouse. Today Liverpool's tourism and conference industry is worth £4bn and employs 50,000, and Liverpool is the UK's sixth most visited city.

The important point is that this industry has been largely created by investing in soft infrastructure and in the institutions of soft infrastructure, in the massive improvements to the formerly derelict waterfront carried out by the Merseyside Development Corporation, and in new and refurbished cultural facilities, including Tate North, brought to Liverpool at the wish of a particularly influential Cabinet Minister, Michael Heseltine. Later Liverpool was the beneficiary of European Capital of Culture 2008, although in this case, as in the case of the Manchester Commonwealth Games, there was no special funding made available by Government - in contrast with Government spending on the 2012 Olympics (total cost £8.9bn) and the new Wembley football stadium (total cost £798m). Capital of Culture was supported, both financially and logistically, by the former Northwest Development Agency, but at a tiny fraction of the cost of the Olympics or the Wembley Stadium (funded by Sport England, DCMS, London Development Agency, and the FA).

These investments rested on three cultural and sporting foundations. First, Liverpool's 1960s creative explosion produced Mersey Beat and the Beatles. Beatles tourism remains a vital component of overall tourism in Liverpool, and the City Region Mayor has recently established a 'Music Board' to help develop new musical talent and tourism. Second, and perhaps of even greater significance, is football tourism, drawn by two Premier League football clubs, who are known throughout the world, with supporters clubs across Asia, and as well as Europe and America. The football clubs are a vital positive brand asset for Liverpool, and a surprising inheritance from the city's days as a great port and working class city. Third is Liverpool's remarkable inheritance of architecture, its Royal Philharmonic Orchestra, theatres, concert halls, Aintree racecourse, museums and galleries, and the Royal Liverpool championship golf course. These too are an inheritance from the days when Liverpool was the greatest port in the British Empire and (for the wealthy) one of the richest cities in the world.

The Distribution of Arts Spending

In England, the distribution of government support for culture and the arts, through the Arts Council, has a familiar skew towards London and the south, both in spending and in the distribution of national assets, in institutions such as orchestras, galleries, museums, ballet, and national sporting stadia. As one historian of London puts it:

“In music, art, sport, religion, local government, hospital provision, business, London sails as a flotilla, with two, three or more flagships. For symphony orchestras Berlin has the Berlin Philharmonic, New York has the New York Philharmonic...in London five orchestras compete for primacy”¹⁴⁷

The distribution of spending is driven, at least in part, not by deliberate strategy, but by the inertia and power exerted by those institutions: the V&A, the British Museum, the Design Museum, the Tate, the National Gallery, all the orchestras, the Royal Ballet, and so on. Even the green spaces of central London receive preferential treatment. They are managed and maintained by a special body – the Royal Parks – funded by a government grant from DCMS and commercial activities. Elsewhere managing such facilities falls to the hard-pressed budgets of local councils.

A report published in 2016 by the Department of Culture Media and Sport Select Committee¹⁴⁸ examines support for the arts outside the capital, and while it welcomes signs of a shift towards the regions, it says more could be done. Too high a proportion of public funding is still going to London-based arts organizations and museums, which are in a far better position to increase revenue from other sources. Arts Council England is distributing a lower proportion of lottery money to the capital – 40% in 2014 and due to be 25% in 2018 – and it announced spending plans for 2018-22 that include an additional £37m to increase the proportion of spending outside the capital. But it still gives nearly half of its current £1bn grant in aid to London.

The report said: “While we welcome the fact that lottery funding is increasingly spent outside London, we remain concerned that 42% grant in aid currently goes to London.” MPs did not set a figure, but argued that the current spending is disproportionate and called for a better regional balance.

Case Study 1: The UK’s World Heritage

The UK has 32 World Heritage Sites, 28 of which are on the UK mainland. They are amongst the 1100 UNESCO sites inscribed worldwide and are some of the most important places in the world. They include palaces, parklands, historic townscapes, prehistoric sites, places of worship, industrial heritage, castles, and cultural landscapes. Collectively they are a sleeping giant of cultural and economic potential – and a significant opportunity. They include many of the most important heritage assets, helping to spell out our island story, capturing Britain’s greatest global impacts and offering significant potential benefits to the towns and cities where they are located.¹⁴⁹

As signatory to the UNESCO World Heritage Convention the UK government has an international responsibility to manage and enhance the sites, so that they are protected for generations to come. Many of the sites (such as Blaenavon, New Lanark, Saltaire, Liverpool and Pontcysyllte) resonate with Britain’s global role as a great power and shaper of world events, especially through the British Empire, the industrial revolution and the export of ideas for planning and environmental management. With careful management and protection they can all become the crown jewels of tourism in the UK, helping to regenerate local communities whilst reshaping the image of some of the less favoured parts of the country.

¹⁴⁷ Hebbert, M (1998) London, Chichester: Wiley, p. 7

¹⁴⁸ <https://publications.parliament.uk/pa/cm201617/cmselect/cmcmds/114/114.pdf>

¹⁴⁹ Information in this section is drawn from UK World Heritage, Asset for the Future: A Review of the State of UK World Heritage Sites, World Heritage UK, 2019

Although there is no overall coordinating national strategy for the Sites, some (such as Stonehenge, Kew or the Tower of London) are very well managed. Generally, these are the better-known sites in the ownership of government bodies like English Heritage, the Royal Palaces, or relatively well-endowed private owners, such as the Blenheim Estate and the National Trust. Some 20% of sites are managed by Government organisations and 30% by independent trusts, including the National Trust. But some 50% of sites are managed by local authorities or public partnerships, under serious financial pressure as a result of ten years of financial austerity. Many of the latter are outside the south of England and their management is patchy. Often the Sites are managed on a shoestring with low levels of interpretation, promotion and site management. They are less well known, appreciated or promoted as national tourist and cultural assets.

At the present time the UK is not turning the Sites to its advantage. Well-known sites are coming under visitor pressure whilst less well-known sites would often welcome and could accommodate additional visitors. World Heritage UK, the charitable body which represents all the Sites has asked for a national strategy and vision and a UK World Heritage Fund to put the future management of all the Sites on an enhanced and sound footing.

Case Study 2: National Parks

National Parks in England and Wales are largely located in the North and West, reflecting the distribution of mountains and of unspoiled and remote scenery. They are an invaluable resource for the great cities of the North and Wales, for recreation and as part of the high quality of life available in the north, especially for those with good jobs and incomes. There has only been one recent designation of a new National Park, the South Downs National Park, created in 2011.

In 2019 the Government commissioned a review of National Parks and Areas of Outstanding Natural Beauty (the latter are essentially protected landscapes where recreation is not encouraged). The review was carried out for the Environment Secretary Michael Gove and chaired by the writer Julian Glover.¹⁵⁰

The report considered the case for additional National Park designations, which would bring with them higher standards of control over development and ring fenced resources for environmental management. The report acknowledged that there was a case for National Parks much closer to the big cities if not on their edge. It also noted the potential for recreation of the unprotected landscapes which lie in the Pennines between the Lake District, Yorkshire Dales and Peak District National Parks, very close to the edge of several large Northern city regions, including Leeds and Greater Manchester. But it did not recommend them for a new National Park, instead commending the efforts to create a 'regional park' being made on a voluntary basis. Such a concept would not bring additional resources for development management and environmental management. Instead it chose to recommend a further new National Park in the South East of England based on the existing Chilterns Area of Outstanding Natural Beauty.

The Glover Review recommended the creation of a unified 'National Landscape Service', amalgamating the care and protection of both the National Parks and Areas of Outstanding Natural Beauty (with the latter heavily represented in the south of England). This could certainly bring much enhanced levels of management and care to the somewhat under resourced AONBs. However, in the event that budgets do not rise

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833726/landscapes-review-final-report.pdf

there is some risk of transfer of resources away from National Parks in the North and West, to the many AONBs in the south of England.

There is little evidence that the Glover Committee gave any consideration to the need for new National Parks to cater for and support the big cities, other than London, nor to address the wider regional issues posed, despite the benefits National Park designation can bring for tourism development.

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

Case Study 3: The Northern Ballet

Northern Ballet is a major northern cultural institution now in its 50th year, with a reputation for daring productions and its own purpose built dance centre in Leeds. According to its Chief Executive, Mark Skipper, the Ballet is hampered by inadequate funding levels, which reflect historic disparities between the north and southern England. The company gets only half the funding received by its London counterparts. Arts Council England gives £3.1m to Northern Ballet which is recognised as part of its 'National Portfolio', but gives twice as much to the English National Ballet. The Birmingham Royal Ballet receives £8m a year.¹⁵¹

The consequence is that Northern Ballet has to pay its dancers less and this, together with the perceived lack of Royal or National status means that the better performers go to the southern institution, including those who may have been taught up to the age of 16 in the Northern Ballet's own academy.

This has also made the organisation more dependent on external sponsorship for which the future currently seems less than certain. London based organisations have a much larger pool of well-endowed private sector organisations who may be willing to provide sponsorship.

Key Issues

Far more could be done to utilise 'soft infrastructure' as a vehicle for balanced national and regional development. The current tilt of public investment towards London and the south is a significant contributor to the relative weakness of the UK's English regional economies as well as the devolved nations, but it can be overcome. The potential for such a strategy was recognised in the First Report of the UK2070 Commission. This was seen as part of a more spatially sensitive approach to climate change that could be embodied into National Spatial Plans, which has been little explored by conventional regional policy makers. This proposed integrating the national natural and cultural assets in helping not only to manage the pressure of growing urbanisation but also rebalance the pattern of economic development. This could be achieved through a package of action based around, for example:

- The creation of a network of national cultural flagship institutions building on the Tate experience;

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<https://www.yorkshirepost.co.uk/news/politics/how-a-north-south-funding-gap-makes-it-hard-for-leeds-northern-ballet-to-keep-in-step-with-its-london-rivals-1-10132839>

- The designation of National Heritage Areas to pump prime a fresh approach to our designated World Heritage Sites and comparable assets;
- The creation of a network of national Urban & Greenbelt Parks.

The implementation of such an approach requires the following issues to be addressed as follows in order to deliver better balanced funding of support for the arts.

1. The need for a new fiscal regime, for example the introduction of regional block budgets under regional control to be an effective mechanism for clarifying the problems and identifying the opportunities.
2. Identifying the opportunities for the further redistribution of the activities of national flagship bodies, such as the V&A, British Museum, National Gallery, Tate, and so on.
3. What can be done to make more of disseminated music making and to develop this as a source of income, new creative talent and tourism development? Is the Liverpool City Region's innovative City Region Music Board a possible model?
4. What can be done to make more of Premier League football clubs as a driver for economic and community development and change the image of provincial towns and cities?
5. Is there a case for developing a small number of new National Flagship Institutions in culture and the arts, based on existing provincial institutions which might be systematically grown in terms of scale and international quality?
6. Is there a case for National Park designations related to the need for a more balanced development of the UK:
 - a) A new National Park in the Pennines between the Peak District and Yorkshire Dales, encompassing many former industrial communities, and with a role in regeneration alongside environmental management and;
 - b) A new component to the network of National Parks integrated with existing urban areas, as either a 'Green Belt or Urban National Park', or focused on a major environmental asset like the Mersey, Don, Nene or Thames?
7. The designation of National Heritage Assets to pump prime a fresh approach to our designated World Heritage Sites and comparable assets, especially in the English Regions and devolved nations, as vehicles for tourism development and image changing?

9) Rethinking decision making

Jane Healey Brown, Associate Director of Planning, Policy and Economics, Arup

1) Overview

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

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

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

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

2) Current position

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

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

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

2.1) How are decisions currently made

Geographical Scale

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

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

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

Process of Decision Making

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

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

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

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

3) Opportunities

3.1) Local thinking at a national level

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

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

There needs to be a clear national framework that considers regional and local needs to

direct post-EU funding, including the UK Shared Prosperity Fund. The example of the approach to the housing funding generates considerable concern for areas with viability challenges.

3.2) UK Shared Prosperity Fund

The Shared Prosperity Fund will need to consider the following:

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

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

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

3.3) Green Book appraisal

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

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

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

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

Finally, there is a case for a better understanding of local impacts, as the Green Book currently focuses on net national impacts. Rebalancing the economy may require trade-offs in net national benefits in exchange for greater economic and social

inclusion, which as we note, current guidance does not provide a sufficiently adequate framework to assess.

3.4) Total Value

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

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



Total Value Model: Bringing together financial, economic, natural environment and social value into decision making.

4) History of Rethinking Decision Making

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

The movement sought the following:

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

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

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

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

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

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

5) Where Next?

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

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

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