

# **FAIRER AND STRONGER**

## **REBALANCING THE UK ECONOMY**

**SECOND REPORT**  
**MOVING UP THE GEARS**  
**SEVEN NATIONAL PRIORITIES FOR ACTION**

**EXECUTIVE SUMMARY**

**SEPTEMBER 2019**



# Message from the Chair



The aspirations of successive governments over the last 50-years to rebalance Britain and create a fairer and stronger country have failed. We are still a deeply divided society. The prospects are that the current deep-rooted and long-standing spatial inequalities will only worsen.

If these aspirations had been realised the UK would look very different today. Productivity would be higher generally, house price inflation would be lower in the over-heated parts of southern England, household incomes would be higher elsewhere and tax bills would be cut.

The First Report of the UK2070 Commission therefore proposed an **Agenda for a Fairer and Stronger nation**, through:

- Devolving power from Whitehall;
- Unlocking growth across the whole of the UK;
- A clear national framework of priorities for investment;
- A 25-year UK Renewal Fund to enable sustained action.

This Agenda has received wide support from all sectors.

The Second Report of the UK2070 Commission therefore takes forward this Agenda by **Moving up the Gears** in seven key areas.

**Lord Kerslake**  
Chair of UK2070 Commission

## Moving Up the Gears

We live in unprecedented times with the challenge of delivering net zero carbon by 2050, and the lack of any agreed Vision for the future of the UK.

Whatever the outcome of the Brexit negotiations the Agenda set out here is going to be essential in terms of:

1. Embedding Spatial Justice into Tackling Climate Change
2. Delivering a Connectivity Revolution
3. A Network of UK-global Centres of Excellence
4. Strengthening the Foundations of Local Economies
5. Shifting Devolution up the Gears
6. Shaping the Future through National Spatial Plans
7. Levelling the Playing Field for Accessing Funds



## Embedding Spatial Justice into Tackling Climate Change

The future risks from climate change vary greatly across the UK. The implications are that changing energy, travel and food costs will fall more heavily on those most disadvantaged. Meanwhile, continuing ever-increasing concentration of development in southern England risks increasing flooding, water supply shortages, loss of higher-grade farmland and increasing commuting distances. The global challenge of climate change must be integrated with tackling spatial inequalities.

As a corollary, the opportunities arising from new industrial demands associated with a transition to a zero-carbon economy (e.g. in terms of energy and products) could be harnessed to support a more balanced economic geography for the UK. This therefore should become an integral component of the UK-wide climate adaptation and mitigation strategies.



### Proposal 1: Ensuring a Just Transition to Zero-Carbon

The UK's response to Climate Change should be reviewed to embed more explicitly the action required:

- To mitigate the impacts of climate change on disadvantaged & marginalised communities; and
- To harness the new economic opportunities in adapting to climate change to help in rebalancing the economic geography of the UK.

**Spatial distribution of climate change:**

*Adapted from Figure SR.9: UK CCRA 2017 Synthesis Report*

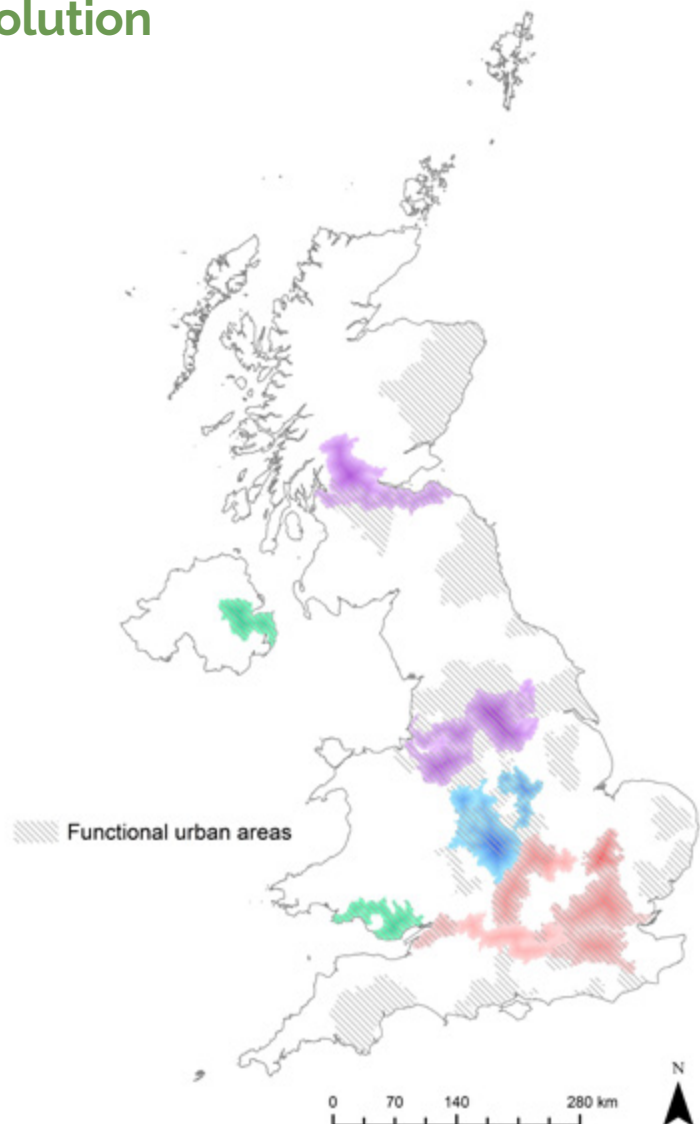
## Delivering a Connectivity Revolution

The economy of the UK has always been strengthened by its successive investment in new systems of transport, from turnpikes, canals, railways and motorways. The inherited UK-wide network was structured around serving historic and long-passed economic demands. The current networks are not fit for future purpose.

It is time for the next **connectivity revolution** responding to a new more balanced economic geography by delivering:

- a national network which creates renewed levels of connectivity **between** cities;
- sustainable multi-modal mobility **within** major urban areas;
- connectivity **beyond urban areas** for marginalised communities in coastal & rural areas that have lost transport and basic local services.

These need a radical shift towards shared forms of transport, new technologies and increased capacities with up to potentially 1000km of new rail connections, as well as existing proposed commitments, delivered by 2040.



### Spatial Clusters

Source: ©Spatial Policy & Analysis  
Laboratory, Manchester Urban Institute

## Proposal 2: Delivering the Connectivity Revolution

A programme of investment should be brought forward through the next Comprehensive Spending Review and related 2020 Budget to deliver a 20-year UK-wide Strategy to deliver:

- A national connected network **between** cities:
- Sustainable mobility **within** all major urban areas; and
- Connectivity **beyond**, for marginalised communities in coastal & rural areas that have lost transport and local services.

## Creating a Network of UK-Global Centres of Excellence

The new industrial revolution, 'Industry 4.0', is being driven by research and innovation. It has been estimated that Industrial Digital Technologies (IDTs) have the potential to create 20,000 businesses, increase GVA by £1.2bn and upskill a million industrial workers.

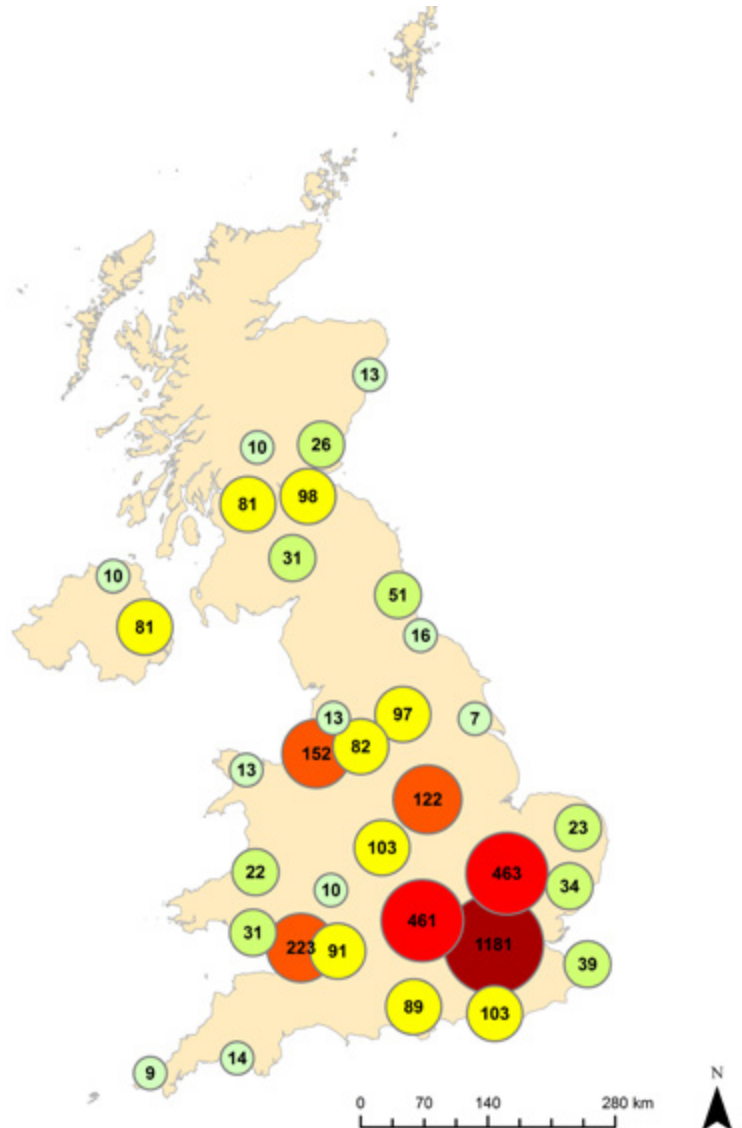
The UK is well placed as a global pioneer in this digital revolution given the fact that it has nearly 20% of the world's top universities. A third of these are part of the so called 'Golden Triangle' between Oxford, Cambridge and London, a recognised UK-Global centre of excellence.

The other leading UK universities are however well placed geographically to support strategic renewal in the nations and regions, translating their advanced research power into development. They could form the basis of a new UK-Global centre of excellence, bringing together the country's expertise and powering up the UK as a leader in the digital revolution.

### Proposal 3: The New UK-Global Centre of Excellence

The following actions are proposed to harness the UK's potential as a leader in the digital revolution, to renew its nations and regions:

- A new multi-centred global institution for science, business and technology should be created to complement the current focus of R&D in the 'Golden Triangle';
- A National Adaption Programme (NAP) should be established to embed digital and automation technology; and
- The roll out of future digital infrastructure should be accelerated across the whole of the UK.



**Life science companies in the UK**

Source: ©Spatial Policy & Analysis Laboratory, Manchester Urban Institute

## Strengthening the Foundations of Local Economies

Generally, 40% of the UK economy is foundational, non-export oriented. In many marginalised communities it is far higher. Support for the foundational economy is of its nature local but there is a key enabling role for national government. This should include better support for the SME sector, as is now being developed particularly by the Welsh Government, through its funding of local enterprises and asset-base. There is also emerging experience in local industrial strategies in England, for example, in Greater Manchester.

Such policies would be supported by the revolution in connectivity to marginalised communities. (see [Proposal 2](#)), and by restoring the status of Further Education and the provision of local basic services as key to the development of the local skills base and foundational economy.

The UK2070 Commission proposes three areas for national policy support for the foundational economy:

- Rolling out the local asset-based strategies being piloted in Wales;
- Setting national standards of basic services; and
- Restoring of prestige in further education.

### Proposal 4: Building the Foundations of Local Economies

The local foundational economies should be supported by all UK governments based on:

- UK-wide support for local asset-based strategies building on the experience in Wales and local industrial strategies;
- A framework for resourcing universal standards of service provision, especially the levels of connectivity to marginalised communities.
- A fresh strategy for the skills agenda, linked to renewing the role of Further Education.



Llywodraeth Cymru  
Welsh Government

## A Framework for Comprehensive Devolution

The current ad hoc negotiated 'deal-based' system of devolution, which has developed in England, will soon have run its course. We need to move to a framework of powers and capabilities available to all local government.

Powers and responsibilities must be transferred to the lowest viable practical level of government, and should not be restricted to elected mayors or combined authorities. Local government can act strategically with responsibility.

In addition, England needs a new regional framework to facilitate common strategic approaches to address regional issues. These include regional economic hubs, infrastructure priorities, climate change and regional fund management. Any arrangement should relate to emerging strategic local and regional partnerships, the decentralisation of central government and new mechanisms for citizen engagement.



### Proposal 5: A Comprehensive Framework for Devolution

A comprehensive devolution framework is required to help deliver a more balanced economy. This should be based on:

- A common package of powers that are open to all areas of the UK tailored to local circumstances
- Block-funding regimes to offer greater local discretion about spending priorities
- A new regional framework for England based on the emerging networks of transregional bodies, combined authorities and unitary rural counties;
- Support by parliamentary and ministerial portfolio for each area; and
- New engagement processes  
e.g. Citizens' Assembly



## Shaping the Future through National Spatial Plans

Current policies have failed to meet the objectives agreed by all political parties – namely, ‘*a country that works for everyone*’. In addition, the UK is facing “tipping points” particularly from climate and technological changes. This future is not inevitable but can be shaped by national spatial frameworks.

Unlike the rest of the UK, there is no Spatial Plan for England. Such a plan is needed to promote the UK’s global role, tackle inequalities and link up sub-national spatial frameworks. A spatial framework for England would set out explicit long-term funded priorities, and integrate multi-agency urban and rural programmes of action to meet future development needs sustainably.



### Proposal 6: A National Spatial Plan for England

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

- Prepared by a reconstituted national planning and infrastructure commission (NPIC);
- Then, endorsed by Parliament & independently audited in an annual State of the Nation Report; and
- Coordinated with the devolved administrations of the UK through a UK Spatial Framework.

# Levelling the Playing Field for Accessing Funds

## Funding Sources

Public and private funding regimes in the UK reinforce inequalities, for example, by being based on past rates of development, land values or short- term returns. This is compounded by a 1.2% ‘cap’ on major infrastructure public spending, which is much lower than our international competitors. Private financing, especially in terms of venture capital, and the benefits in the uplift in land values, associated with development, are also more limited outside London. These problems would be worsened with the loss of key EU sources.

It is therefore timely to seek a more strategic approach. The UK 2070 Commission has already proposed a UK Renewal Fund to support local renewal programmes. This proposal has received wide support. This Fund needs to be set within a wider new funding framework from public and private sources.

## Access to Funding

A fresh approach is also needed to the evaluation of project funding by government, whilst maintaining fiscal discipline and transparency. Current procedures should be updated to enable and not inhibit proposals and policies where they have a clear ‘strategic fit’ with national spatial priorities, for example, the need to open up new market areas, or to reduce welfare costs, or to promote wellbeing, or are critical in yielding longer-term returns and resilience.

## Proposal 7a: Funding Sources to Rebalance the Economy

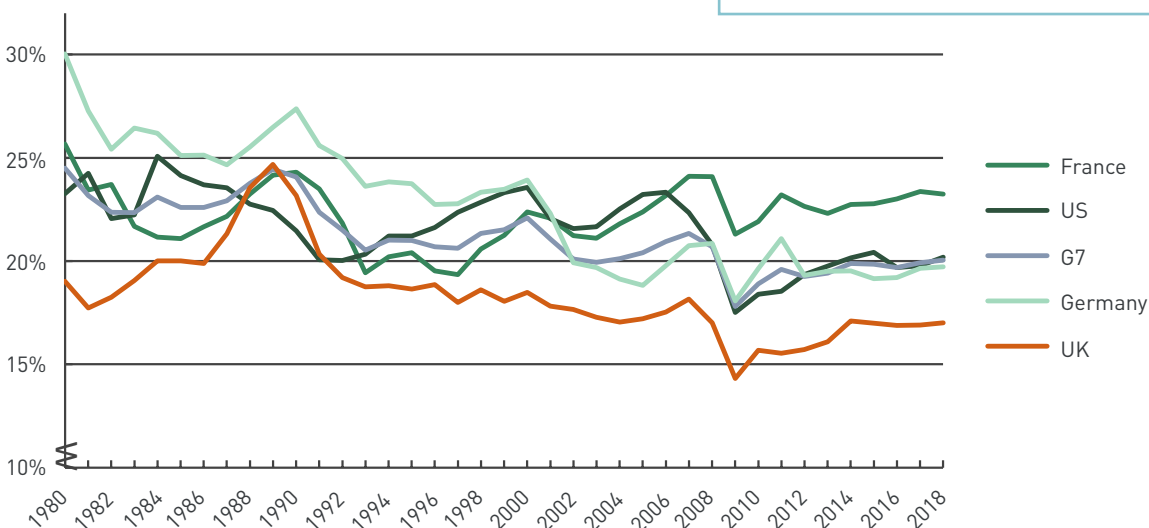
In addition to the £250bn UK Renewal Fund:

- The ‘cap’ on public sector funding of major infrastructure should be lifted to 3% of annual GDP (c. an additional £40bn/an).
- A regional investment bank structure should be put in place; and
- A more strategic approach to the sharing of the uplift in Land Values from new development should be introduced.

## Proposal 7b: A review of Funding Procedures

Current accounting, Green Book and other assessment processes should be adapted to include:

- A new criterion of ‘strategic fit’ in terms of implementing approved national or regional spatial plans;
- Guidelines that allow decisions to reflect regional variations, for example, in assessing the return on capital; and
- New metrics to reflect well- being, environmental and other criteria that support the rebalancing of the economy.



Total investment as a % of GDP: Gross fixed capital formation, IMF data10% - Source: House of Commons Briefing No. 6594



## Your contributions

The UK2070 Commission seeks views on this report by 1st November 2019 if possible, although responses after that date will be still welcome. These will feed into the drafting of the final report which will be published in early 2020.

All comments, ideas and submissions should be:

**Emailed to:** [uk2070@sheffield.ac.uk](mailto:uk2070@sheffield.ac.uk)

**Posted to:** UK2070 Commission  
c/o Department of Urban Studies and Planning,  
Sheffield University  
Sheffield  
S10 2TN UK

# Contact Details

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## Website

<http://uk2070.org.uk>



## Email

[uk2070@sheffield.ac.uk](mailto:uk2070@sheffield.ac.uk)



## Post

The UK2070  
Commission

c/o Department of  
Urban Studies and  
Planning  
University of Sheffield  
Sheffield, S10 2TN, UK



## Twitter

@UK\_2070

**The Commission is a strong one, drawn from local government, business, academia and the policy world. We are fortunate to have support from the Lincoln Institute of Land Policy, the Universities of Manchester, Sheffield, Liverpool, Cambridge and University College London, the Sir Hugh and Lady Sykes Charitable Trust and Turner and Townsend.**

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