



GO BIG. GO LOCAL.

THE UK2070 REPORT ON A NEW DEAL FOR LEVELLING UP THE UNITED KINGDOM

UK2070
COMMISSION

October 2020
uk2070.org.uk

Purpose of the Commission

There are deep-rooted inequalities across the UK. These are not inevitable. However, we lack the long-term thinking and spatial economic plan needed to tackle them.

The UK2070 Commission seeks to fill this gap through a national inquiry and debate on the nature of the problems and by setting out the actions needed to address them.





Message from the Chair

Last February the UK2070 Commission set out its 10-Point Plan for the UK. Our plan identified the priorities for economic growth, infrastructure renewal and institutional reform to overcome the deep-rooted regional inequalities that blight the lives of so many.

We therefore welcome the Prime Minister's commitment to 'doubling-down' on a Levelling Up agenda for the UK. However, it will require large scale, comprehensive and long-term action to have any chance of success - even more so post the Covid-19 pandemic.

Our Report was launched just before pandemic struck. The pandemic has only increased the urgency with which we must tackle these problems. It has created uncertainty and the risk of a deep economic depression bringing greater economic and social divisions between our cities, regions and nations.

This new report sets out the implications of the pandemic for Levelling Up. If the UK is to recover, Levelling Up must be a foundation for our post-Covid recovery plan. We need action at scale and a clear plan setting out the scale and form of Levelling Up, the specific actions required, and the milestones and outcomes for success.

The pandemic has had a huge impact on the economy and the UK's finances. Total Government net debt now exceeds £2 trillion, the size of UK's total annual output.

There will be an instinct on the part of some to rein in the spending and investment. This would be a huge error. Investment now is essential to create employment and reap the economic rewards of a more productive and fairer country in the future.

The pandemic has greatly expanded what is politically acceptable, and especially the widespread desire to go beyond what we had before, and 'build back better' - **Go Big and Go Local.**

THIS REPORT SETS OUT OUR NEW DEAL FOR LEVELLING UP THE UK

All this has amplified the importance of the UK2070 Commission's 10-Point Plan. We must seize this opportunity, breaking free from inherited failed policies which entrench existing inequalities. We must start on a long path towards genuine re-balancing whereby every nation and region reach their potential.

This report sets out our new agenda for Levelling Up the UK. It is the basis for an immediate programme of action, set within the framework of a coherent long-term strategy for the future of all cities, towns and country.

I wish to thank our Commissioners, the Lincoln Institute of Land Policy, Turner & Townsend, the Sir Hugh and Lady Sykes Charitable Trust, our partnership with the Universities of Cambridge, Liverpool, Manchester, Sheffield and UCL, and the many others who have encouraged and assisted me in pressing for a **New Deal for Levelling Up the UK.**

Lord Kerslake
Chair, UK2070 Commission

The UK2070 10-Point Plan

(Recommendations of UK2070 commission)

- **A Spatially Just Transition to Zero-carbon** to seize the opportunity to tackle climate change and re-balance the economy, ensuring there is an explicit spatial dimension to the UK's plan to become zero carbon by 2050.
- **Delivering a Connectivity Revolution** investing in a new connectivity revolution, transforming the connections between cities, within cities and beyond cities to poorly connected towns through increasing infrastructure investment to at least 3% of GDP per annum.
- **Creating New Global Centres of Excellence** harnessing increased investment in research and development to create 'hub and spoke' networks of excellence and growth across the country comparable to the economic impact of the 'golden triangle' of London, Oxford and Cambridge.
- **Strengthening the Foundations of Local Economies** by strengthening economies in disadvantaged towns and empowering local leadership to develop economic capacity and promote resilience and wellbeing.
- **Rethinking the Housing Crisis**, recognising housing as part of national infrastructure and ensuring that the supply of new housing is aligned with the needs of the economy.
- **Harnessing Cultural & Environmental Assets** increasing the focus of policy and funding on assets outside of London.
- **Implementing a Comprehensive Devolution**, shifting power and funding away from Westminster and Whitehall through a radical programme of devolution and allowing different places to progress through different levels of devolution according to local ambition, need and capacity.
- **Future Skilling the UK** tackling the historic under-performance of the UK on skills through national plans to raise attainment levels, especially in those skills needed to achieve the levels of the best performing places.
- **Levelling UP Access to Funds** tripling the size of the Shared Prosperity Fund for 20 years, with clear spatial priorities, delivering an extra expenditure of £200bn over that already planned.
- **Shaping the UK2070 Future. A National Spatial Plan for England** tasking the National Infrastructure Commission with creating a national spatial plan for England and linking to those in Scotland, Wales and Northern Ireland, to guide investment and to support local and regional spatial plans.

Changing the Way Decisions are Made

In order to deliver the above actions a powerful ministerially-led cross-government committee needs to be established with a dedicated team, to oversee delivery and embed levelling up, supported by spatial analysis, flexible funding and new measures of success, including a review of the Green Book appraisal methodology on the way major projects and local priorities are funded and assessed.

Contents

Summary	4
Section 1: The Covid Challenge	9
Section 2: Post-COVID Futures For the UK	15
Section 3: A New Playbook for the UK: Go Big-Go Local	22
Section 4: Go Big: Resilience and Connectivity	25
Section 5: Go Local: Full Devolution Across the UK	31
Section 6: Go Long-Term: Embedding National Outcomes	37
Section 7: Immediate Action for Government	41
 Acknowledgements	 43
 Appendix A: UK2070 Papers	 44
Appendix B: Lessons Learned From The US New Deal	46
Appendix C: Council Areas	48

A New Deal for Levelling Up the UK

The Covid Challenge

The Covid-19 pandemic and resulting lock down has dealt a body blow to the UK's economy: on track for the largest decline in GDP for 300 years and output falling by more than 10% in 2020.

The pandemic has not been a leveller. It has reduced access to job opportunities, tested basic services to the limit, and exposed and reinforced existing patterns of inequality. Many high income workers have been able to work from home saving on travel costs and time. Lower income households have been less able to work from home and reduce consumption: as a result have increased debts. Deprived communities have experienced the worst consequences. Nine of the ten worst affected local authorities are in the Midlands or the North West. High-performing local economies, like Oxford, Milton Keynes, London and Edinburgh, tend to be less exposed.

The pandemic could undermine the economies of big cities, as well as the economics of public transport, which remains vital for older people, the young and those on lower incomes. Social segregation may also increase if the better off leave cities for the suburbs or rural areas.

The pandemic has exposed the weakness and lack of resilience in our highly centralised political and economic systems. Our decision making is highly centralised but dependent on an eroded local capacity to take action. There is confusion about what is a national decision and what are local decisions, and who should fund this, even for something as basic as testing and contact tracing. It has accelerated changes which could hit worst our most vulnerable regions. It has highlighted our dependency on London. Above all, it has made delivering the UK2070 Commission's 10-Point Action Plan for the Levelling Up of the UK even more urgent.

However, the pandemic has also greatly expanded what is politically acceptable. There is a shared ambition to Build Back Better, which must Go Big and Go Local, transforming the socio-economic geography of the UK, ending divisiveness, and no longer putting all our eggs in one single basket. This is an opportunity for radical change that should not be wasted.



Photo Courtesy of Martyna Bober



Post-Covid Futures for the UK

We have considered four potential future scenarios which take account of the Covid-19 impact on the economy which have been tested in Cambridge University's UK2070 Futures Model.

These reflect a range of economic assumptions and policy interventions: from Low Growth that persists over decades; and to a Dynamic Recovery, leading to rising growth momentum over the next decades.

Alongside these we assume two patterns of regional economic activity:

Business-as-Usual which assumes trends in each local area persist; and

Convergent Economy where productivity, skills and jobs converge towards those of London and the South¹, and rates of job growth across nations and regions gradually converge towards a UK average.

In **Scenario A (Persistent Imbalance)** increased traffic congestion and housing cost pressures would also become widespread in London and the South, with real housing costs at a rate that is 140% that of the national average earnings to 2031.

In **Scenario B (Continued Regional Recession)** growth would continue to be concentrated in London and the South. The South West might hold steady, but all other areas of the UK could see decline in the overall number of jobs, with likely erosion in good quality and better paid jobs. Whilst London and Wider South East could see 500,000 additional jobs, associated with rising housing costs, there could be net growth of only 400,000 jobs across the whole of the UK, as jobs are lost in other regions, with the risk of house price deflation.

In **Scenario C (Slow Levelling Up)** there would be some redistribution of growth away from London and the south to address the growth pressures but at such a slow rate the effects would not be sufficient.

In **Scenario D (Dynamic Recovery)** an increasingly convergent spread of growth would ease growth pressures in London and the South, and increase economic performance in the rest of the UK, reducing patterns of inequality and skills gaps. New jobs, linked to higher incomes and productivity, would be created in growth hubs outside the London and the south.

We Need a New Play-Book Go Big : Go Local

If the UK carries on Business as Usual, inequalities will be reinforced and increase division between our nations and regions. The greatest risk would be if boosting GDP were to be pursued at the expense of those policies which are critical to our wellbeing & environment.

The central goal of public policy must be to move us towards **Dynamic Recovery**. It will bring with it significant economic, social and environmental benefits. We can only achieve these goals with a new play-book for Government action, changing the working assumptions upon which policies have been based.

The current Covid recovery programmes are short term. They are not designed to secure the change required. We need large scale, long term and comprehensive interventions similar to those which inspired Roosevelt's New Deal in 1930s America.

That will require a **£375 billion 25-year 'New Deal' style recovery strategy** which creates a resilient and connected economy, empowers local leaders to take action through a full devolution settlement and sets specific targets for 'Levelling Up' across all our nations and regions based on outcomes.

1. 'London and the South' refers to London and the Wider South East made up of the two regions of the South East and Eastern England

Go Big: Resilience and Connectivity

The UK's economy is vulnerable and exposed to huge uncertainty. It is like a plane flying on only one big, highly strained engine, in London and the South. We need the diversity and resilience of using the multiple engines of all our regions and nations to increase our capacity, performance and resilience to risk. We call this developing a Connected Multi-Hub Economy.

One key requirement will be to **fill the £4bn national gap in R&D investment**, Levelling Up to our leading competitors by: promoting at least four institutions outside the Golden Triangle (London & the South) as global centres of science and technology, based on hub and spoke networks; increasing R&D funding to 3% GDP and devolving 50% to local and regional partnerships; and leveraging private sector funding at a ratio of at least 2:1.

Alongside this we must eliminate the £20bn gap in productivity caused by poor local connectivity whilst decarbonising transport by:

- ⊕ Re-allocating road space to secure the expansion of walking and cycling for short distance travel in local neighbourhoods.
- ⊕ Creating a nationwide scheduled public transport network which is user-friendly, low carbon, reliable and accessible by walking and cycling.
- ⊕ Implementing a massive infrastructure electrified rail investment programme, securing transit systems in all major towns, 1000 miles of new, upgraded and electrified main railway lines; and re-opening lines to areas 'left behind' by the 1960s' 'Beeching Cuts'.
- ⊕ Bridging the 'digital divide' created by poor services and coverage in disadvantaged and marginal communities.



Source:DSC

Go Local: Full Devolution across the UK

The UK is the most centralised major developed economy. Our extreme centralisation inhibits national economic growth and productivity, erodes the capacity for local action and for innovation and flexibility.

Devolution must involve a genuine transfer of fiscal and strategic political powers. Without transfer of financial powers, devolution will always be constrained and may end up just being a readjustment of the deckchairs on the Titanic.

An independent accelerated Commission should be appointed, to set out by December 2021 the basis for the comprehensive transfer of fiscal powers to local and devolved governments, and the decentralisation of government itself.

Alongside the weakness of local government, **the lack of strategic regional governance in England is a serious barrier to economic growth.** New locally based powers are needed to invest in the social and physical infrastructure for city regions and rural county areas. Local and central government should collaborate on strategic thinking for the four 'provinces' of London and the South, the Midlands, the North and the Southwest.

Go Long Term: Embedding National Outcomes

Success of the Levelling Up agenda must be measured against outcomes, not activity. Performance indicators are needed to monitor progress, hold government to account and secure long-term thinking, no short term stop-gaps. Outcome measures should relate to:

- ➔ Filling the productivity gap between regions and nations.
- ➔ Setting a target for increasing employment over current trends beyond London and the South.
- ➔ Improving access to job opportunities by increasing skills levels and the quality of public transport connections in the most fragile communities;

- ➔ Establishing Universal Standards of basic services (such as access to medical services), with support for the poorest areas;
- ➔ Raising environmental standards through national spatial priorities for restoring impoverished environments and housing conditions; and
- ➔ Enhancing social mobility for the poorest communities.

Scotland and Wales have already identified a range of national performance indicators. In England the Government has no equivalent set of long-term ambitions.

Immediate Action for Government

Government has already taken some steps which support Levelling Up (including transport, housing and devolution). But they are not aligned, nor are they adequate in scale and scope.

Our immediate priorities for Government are therefore as follows.

First, **A New Deal for Levelling Up the UK** in with a minimum budgetary commitment in the 2020 Spending Review in the order of £150bn over the next 10-years.

Second, it should commit to **full fiscal devolution to the devolved nations and local councils in England**, decentralisation of government itself and establish a Commission to report back by the new parliamentary session in Autumn 2021.

Third, it should ensure that COP26 2021 Glasgow programme on climate change **embeds the principles of a Just Transition to Zero-carbon economy.**

Fourth, a Cross Departmental Committee should be established to audit and recommend how to **embed the Levelling Up agenda in all government programmes and policies**, including setting out a National Outcomes Framework.

Fifth, Accelerator Task Forces should be established for creating **Global Centres of Excellence outside the Golden Triangle**, in the North, Midlands and the Western England, with parallel initiatives in the devolved nations.

Finally, the National Infrastructure Commission should have its role expanded to include preparation of a **Spatial Framework Plan for England with a linked 10-year action programme** and collaboration with the devolved nations.



Source: Unsplash



UK2070: An Inquiry into Regional Inequalities Towards a Framework for Action

An economic body blow

The Covid-19 pandemic and resulting lock down has dealt a body blow to the UK's economy on track for the largest decline in annual GDP for 300 years, and output falling by more than 10% in 2020¹. Many sectors which are central to the levelling up agenda have also been the hardest hit, including the construction, further and higher education, hospitality and tourism business sectors.

Because of lock-down over 3 million people have been without work, the claimant count has more than doubled, and unemployment rates are expected to rise to over 10% and to be still as high as 6.1% by the first quarter of 2021 (Q1)². The ending of the furlough scheme is likely to bring the scale of this impact to the fore. The impact on the UK has been higher than in other major countries³.

It is critical to recognise the length of the time it will take to fully recover. Following the 2008 crash it took five years for the UK economy to get back to the size it was before this recession. During that recession, at its height, the economy shrank by 6% compared with a 20% fall in the current one.^{4 5}

There have been signs of an initial bounce back⁶ but there is an enormous distance to travel. Any Recovery Plan will therefore need to be sustained across parliamentary cycles, and have a common purpose shared by all parties.

Covid is not a Leveller

The pandemic and lockdown have affected some groups more than others, either because of their greater difficulty in protecting themselves from infection or as a result of the impact on their jobs⁷. Many high-income workers have been able to work from home whilst saving on travel costs and time. Lower income households have been much more exposed to job loss⁸, and have been unable to reduce consumption: as a result, large numbers have increased debts⁹.

Covid-19 has increased inequality

- ➔ Covid-19 has not been a leveller but reinforced existing patterns of inequality in terms of wealth, ethnicity and gender.
- ➔ The pandemic was anticipated but its impacts have been exacerbated by the weaknesses of an over-centralised political and economic system.
- ➔ Covid-19 has accelerated change which will hit the most vulnerable regions with new business behaviours, diversified supply chains, and changes in work-life balance.

Differential impacts have occurred across genders and the generations. Around 80% of the key workers in the front-line caring jobs are women¹⁰. Mothers in the UK were 1.5 times more likely than fathers to have either quit their job or lost it during the lockdown¹¹. Similarly, youth unemployment rates (already high) have more than doubled¹². The development of their future skills has been impacted by the disruptions to the educational system and examinations. The long-term fiscal impact of the pandemic (including private and public borrowing) will also have consequences for future generations.

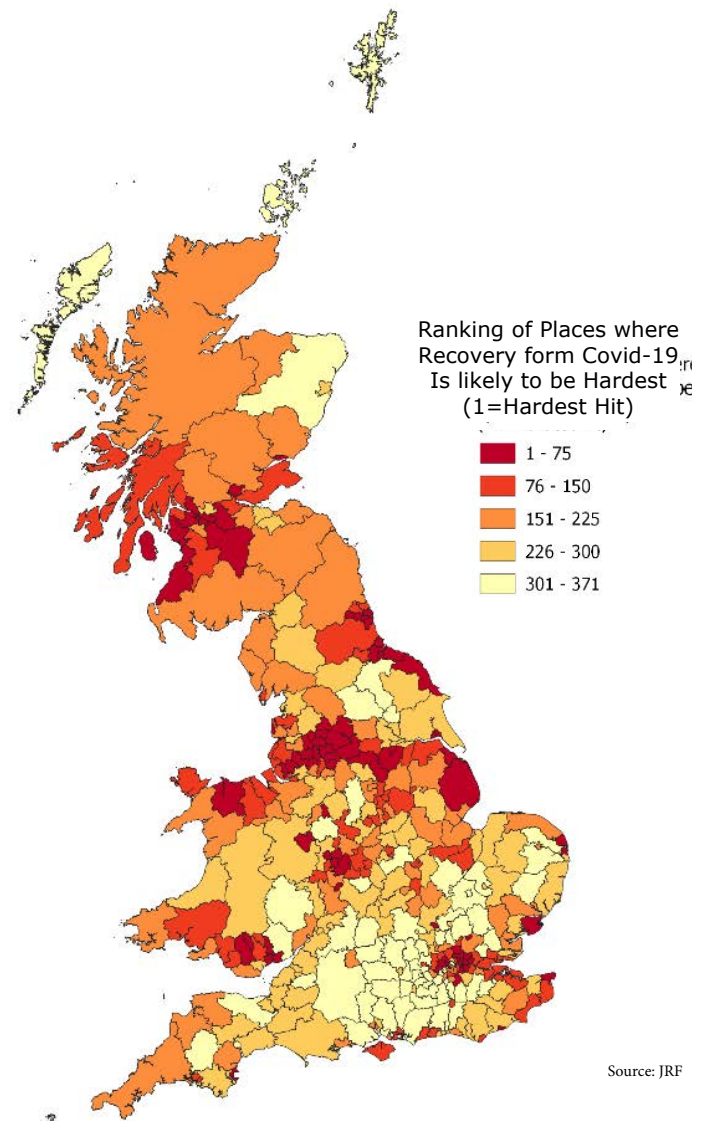
The pandemic has had regional impacts. It has had worse consequences for deprived communities¹³ which already fare badly in terms of health and wealth inequalities, as demonstrated in previous UK2070 Reports. Nine of the ten worst affected local authorities are in the Midlands or the North West¹⁴. This is of even greater concern since the pressure on the budgets of the Councils with the highest levels of deprivation is forecast to be almost 50% higher than those with the least levels of deprivation¹⁵. These concerns are reinforced by the findings of the [JRF study](#) which highlighted the major regional concentrations of where recovery will be hardest (see map).

Moreover, there is a high correlation between overcrowded homes, homelessness, poverty, poor public health and Covid-19 infection and fatality rates. Covid-19 has demonstrably hit harder in communities with poorer housing. Homes for the North has argued that a fundamental review of housing policy is required so that areas which are most vulnerable to Covid-19 (and which are likely to recover most slowly) do not fall further behind¹⁶.

The pandemic has also had major implications in terms of ethnicity^{17 18}. As the Runnymede Trust report concluded: *“For far too many groups, in particular those on lower incomes and black and minority ethnic groups, lock-down has had devastating health and financial consequences. We may all have been facing the same storm, but we are not all in the same boat.”*

Key workers have been in the front-line. They are not however evenly spread across the UK, with relatively low percentages of the working population in the south and higher percentages in the North of England and Wales. They form the core of the foundational economy. It has been argued that this should be renamed the ‘wellbeing economy’¹⁹ which was already stressed by previous cut backs in local services. It is imperative that any recovery and growth plan for the economy gives particular emphasis to ensuring standards for the provision of these key basic services.

The impacts of the Covid-19 are similar to the three most recent UK recessions in the 1980s, 1990s and 2008 in one crucial regard. They all had a disproportionate impact on the most vulnerable – the poorest, the youngest, the least educated, and ethnic minorities²⁰. It is therefore of concern that previous recessions brought significant long-term damage in terms of future employment and wages for those most affected or just entering the workforce.



The Future of Cities

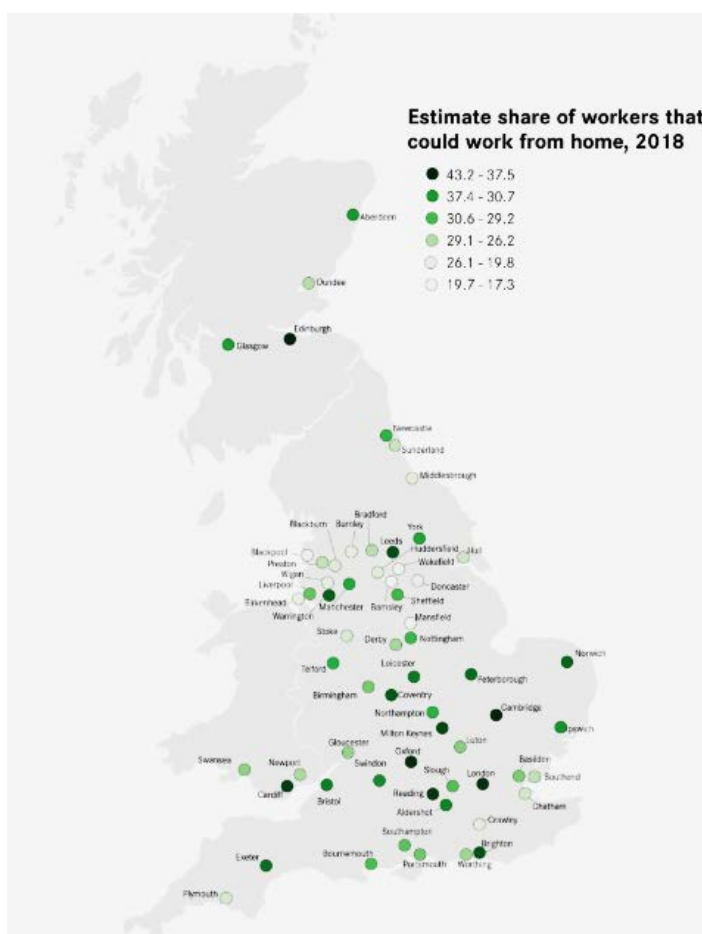
The impacts of Covid-19 will challenge some basic assumptions used in framing urban policy. The resilience and agglomeration economies of big cities have been tested. The confidence of investors, who have been so attracted to the transformation of the UK's cities over the last 25 years, has been threatened. The newly gained experience of remote working across all sectors of the economy, travel to city-centre offices and business parks will be less frequent, where face-to-face transactions are not required. In addition, the economic impact of social distancing on theatre going, eating out and higher education colleges has been major for the UK's city and town centres. This could have particular significance for the London area which is heavily skewed towards a pattern of long-distance commuting into the centre²¹, but may be better placed to switch to home-working²².

All of these will have significant longer-term implications for routine urban activities, in everything from sandwich bars to high street shopping, putting at risk many less well paid jobs. When there is effective control of the pandemic (including a vaccine and confidence in government measures) demand will return for public transport. The post-pandemic city will still be there. But its form may change. As Batty concludes²³ in his review of *'The Coronavirus crisis: What will the post-pandemic city look like?'* there are dangers in moving to a more decentralised, isolated kind of world where crowding has disappeared and everybody lives at much lower densities. They need to be guided by plans at the city-region and regional level, led by the national, intercity and local rail and bus networks.

The risk is that changing patterns of behaviour could have consequences for social inequality, since poorer people, the old and the young remain dependent on public transport for getting around. There is also risk of increased social segregation, if there is an increase in the tendency for better off and more mobile households to leave big cities for a 'safer' suburban or rural lifestyle. These concerns are heightened by the tendency for new developments being small scale incremental in nature rather than creating new communities with planned links and social infrastructure. This increases car dependency and the difficulty of delivering net zero, and connection between high inequality and areas of opportunity.

In recent years this trend has been reversed by the regeneration of inner cities. It is also important that these concerns do not re-open the sterile towns-v-cities debate. If big urban centres do not emerge from the current recession and thrive, then it will impact on surrounding towns and areas. Cities have weathered pandemics before and are here to stay, but they need help to adapt.

A more balanced pattern of urban activity across all nations and regions, if properly managed and supported, could help to reset the economy as called for in this report. So long as decentralisation of economic activity does not undermine the functions of the core and results in a dispersed yet concentrated pattern of development, it can be well served by public transport, walking and cycling. This is increasingly being recognised internationally (e.g. Germany, Netherlands and Australia), where serious consideration has been given to developing more polycentric urban structures. As set out in the Greengauge21 report for the Commission²⁴, how the Coronavirus will impact on overall travel demand patterns ahead depends on what happens to cities and city centres, in which public transport must play a critical role.



Source Centre for Cities

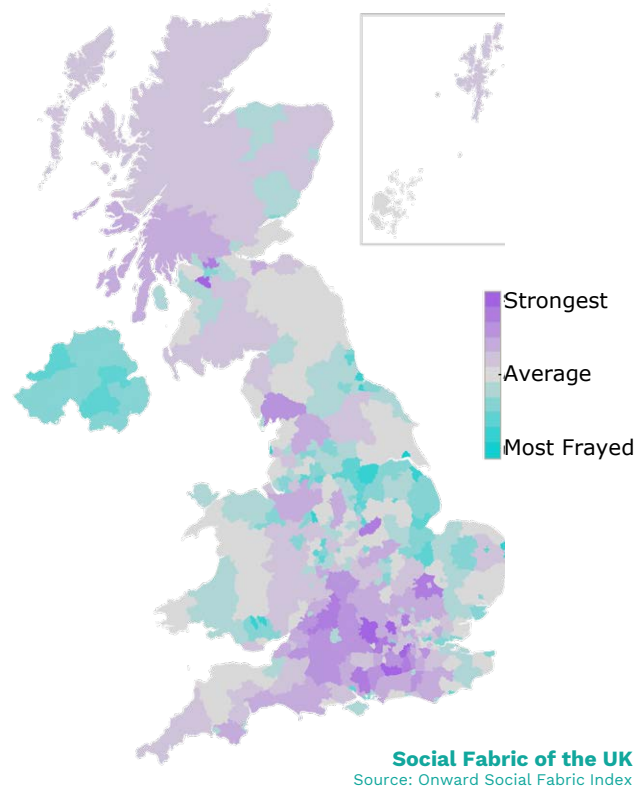
Implications of the Pandemic for Levelling Up

Before the onset of the pandemic, the levels of inherited inequality blighted the lives of too many communities. The evidence illuminated by the UK2070 Commission continues to be reinforced by the latest research. For example, JRF research²⁵ has shown that the fifteen local authorities with the highest estimated child poverty rates are all towns and cities in the Midlands and the North of England. The IFS Deaton Review²⁶ has highlighted that growing inequalities in wealth are even greater than the differences in levels of income, for example, increasing in London but falling in most of the Midlands and the North. Research by Onward²⁷ has demonstrated similar pattern of inequalities in the fraying social fabric typically found in the Eastern England, South Wales and the North West. They include post-industrial towns such as Middlesbrough, Merthyr Tydfil and Hartlepool as well as coastal communities such as Great Yarmouth and Blackpool.

The pandemic has sharply intensified these inequalities. Levelling Up must be one of the foundations of the Government's Covid Recovery Plan. The impact of Covid-19 on individuals and communities has been critical. The UK has suffered a long-term and broad-based decline in the networks and institutions that make up the fabric of communities and Coronavirus has stretched communities and left some groups vulnerable.

There are much wider implications that go beyond the specific remit of the UK2070 Commission. In particular, community resilience has been quite visible and important in coping with the pandemic. This needs to be fostered as a key part of the devolution contract with local communities. For local communities, devolution must not be just a symbolic gesture in which measures are imposed on them. Policies must respond to the economic insecurity and environmental challenges that local people face.

The initial response to the pandemic required national financial, military and research resources to be harnessed. There are however signs that this is triggering a drift towards further centralisation. For example, the new youth unemployment programme – Kick Start is planned to be designed and run from the centre and not locally. This is both contrary to the spirit of devolution, championed by this government, and is likely to render the programme less effective and less responsive to local economic circumstances.



The new systems must therefore build local capacity in terms of finance, competences and resources at a community level. Local involvement in devolution needs to go beyond just promoting local action by statutory bodies. It must have a commitment to the priorities of local communities and their engagement in tackling the unequal socio-economic and environmental challenges across the UK. It must ensure that devolution itself is inclusive.

The most significant impacts on daily lives will be felt at the city and metropolitan scale, where decisions can best be made. Cities will survive Covid-19, but they are likely to be different, for example in the demand for office and retail space, with greater working in less-central locations. However, the inherent competitive advantages of central locations in terms of their accessibility and connectivity mean that they will always be sought after. Continued support for businesses will be needed in the shorter-term to ensure an early resurgence of city and town centres.



The Need for a new ‘UK Playbook’

The pandemic has demonstrated the UK’s capacity for action, if there is a common purpose. During the pandemic the private and public sectors have been brought together in harnessing the innovative capacity of advanced manufacturing with the power of collective research by the universities and medical research facilities. This potential to act at scale and speed must be harnessed in the UK’s recovery.

Covid-19 has also highlighted the dependency of London. Although London will renew itself, as it has in the past, the UK must seek a more balanced urban network. As highlighted by the OECD report for the Core Cities²⁸, the UK’s Core Cities have a 14% productivity-gap below the national average, and as much as 30% less than the productivity of comparable European cities. To use an analogy, it is as though the economy has been flying with one big, highly strained engine, and needs to move to an economy which is driven by multiple and distributed engines, increasing overall capacity, performance and resilience.

A pandemic was anticipated. Over the last decade, our National Security Risk Assessments had identified a major human health crisis (including a pandemic) as one of the most significant civil emergency risks facing the UK – a so called ‘Tier One Risk’. However, as the Chancellor of the Exchequer²⁹ made clear, the Government does not have a Play-Book to deal with the pandemic, nor the ability to predict the future, or to know what is the right policy. Therefore, a fundamental challenge to delivering a Just Recovery lies in the vulnerability of our current form of governance.

The answer lies in tackling the weaknesses in the UK’s current system of governance identified in the previous UK2070 Report, and in particular the following:

- ➔ Decision-making in the UK is highly centralised, but dependent on an eroded local capacity to take action;
- ➔ There is confusion about what is a national decision and what are local decisions, and who should fund the measures taken, even for something as basic as contact tracing³⁰;
- ➔ Contraction of the UK’s manufacturing base and over-dependence on low productivity services – some 55% of manufacturing output will be lost by the second quarter of 2020 and will not be easy to recover³¹;
- ➔ High dependency on international long-distance supply chains which are not easily replaced³²;
- ➔ Vulnerability of many local economies with less competitive industries³³, while high-performing areas tend to be less exposed, e.g. Oxford, Milton Keynes, London and Edinburgh;
- ➔ An imbalanced urban structure dominated by London has been reflected in infection rates and the impact on transport systems; and
- ➔ The lack of a framework for agreeing national priorities, coordinating research and action.

The UK is grappling with unprecedented problems and very high levels of uncertainty. This uncertainty, however, must not be a recipe for inaction. It must be clarion call for new ideas and ways of doing things.

References

1. ONS Report: [Labour Market Overview: August 2020](#)
2. OBR Fiscal Responsibility Report: July 2020
3. Figures are rounded
4. The fall was 20% in early stages but Monthly gross domestic product (GDP) rose by 8.7% during June 2020 but was 17.2% below February 2020 levels in August – refer ONS report.
5. ONS 2018: [The 2008 Recession 10 Years on](#).
6. The Chief Economist at the Bank of England is on record as that The UK is set for record growth, with the economy on track to bounce back from the coronavirus health crisis.
7. OECD Report [Employment Outlook 2020](#)
8. IFS Report: [Covid-19 and Inequalities: June 2020](#)
9. Parliamentary Briefing: [Income Inequality & IFS: Covid-19 & Inequalities](#)
10. ONS Report: [Corona Virus and Key Workers in the UK: May 2020](#)
11. IFS Report: [How are fathers and mothers balancing family & work in Lockdown? May 2020](#)
12. Parliamentary Briefing: [Youth Unemployment Statistics: August 2020](#)
13. BMJ [report](#) on ONS data
14. CPP [study](#)
15. IFS [Statistical Table A7](#)
16. Homes for the North:UK2070 Series: Paper2: 2: Refer Appendix A
17. Labour Market [Impact of Coronavirus: Parliamentary Briefing](#)
18. Deaton Review: [Are some ethnic groups more vulnerable to Covid-19 than others?](#)
19. Paul Hayes: UK2070 Series: Paper 1: 4: refer Appendix A.
20. <http://cep.lse.ac.uk/pubs/download/cepcovid-19-007.pdf>
21. See Peter Hall and Kathy Pain, The Polycentric Metropolis, 2006
22. Centre for Cities: [how will Corona Virus affect jobs in Different Parts of the Country? \(2020\)](#)
23. Batty: [The Coronavirus Crisis: What will the post-pandemic city look like?](#)
24. Greengauge21: The required revolution: transforming the UK's transport connectivity: UK2070 [website](#)
25. JRF Report: [Levelling Up the Economy- we can't afford not to.](#)
26. IFS [Deaton Review](#)
27. ONWARD: [The State of Our Social Fabric: September 2020](#)
28. Core Cities: [Enhancing Productivity of UK Core Cities: 2020](#)
29. When interviewed on BBC News [12/08/20](#) commenting on ONS report of UK moving into recession
30. This is based on various [reports](#)
31. OBR
32. Lopez-Gomez: [UK supply chains: learning the right lessons from Covid-19](#)
33. [Centre for Cities](#)

Post-Covid Futures for the UK

Section 2

Context - An Uncertain Future

Because of the pandemic and lock-down, the UK economy has contracted by 20% and the need for extra funding has pushed debt to over £2 trillion for the first time¹. Consumer borrowing in the private sector was already high and losses in household incomes could have permanent consequences for household consumption².

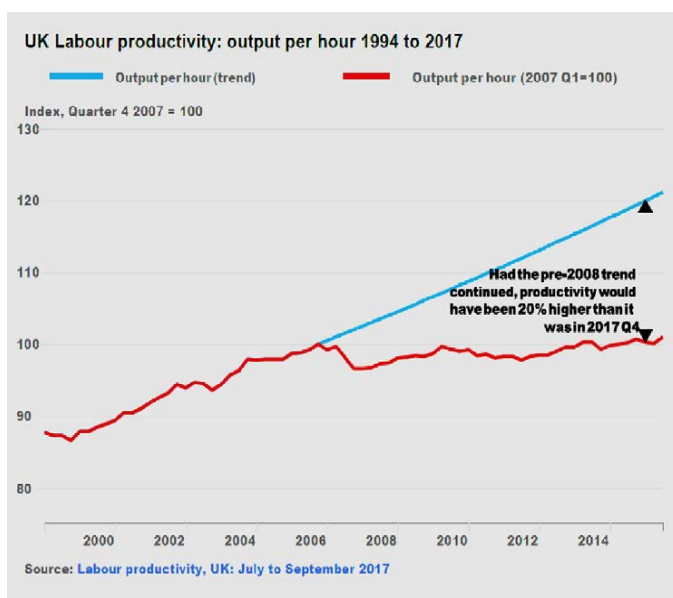
There will also be appreciable risk to long-term growth. As noted by the Office for Budget Responsibility³, both the pace of economic recovery and the extent of any long-term economic 'scarring' are highly uncertain. They will depend on the course of the pandemic, public health restrictions and the extent to which we can protect viable businesses, foster new opportunities and sustain employment. This uncertainty is compounded by considerable existing uncertainties and risks created by Brexit.

There is much debate about the nature of the 'bounce-back'. The experiences of the last recession in 2008 show the extent to which growth trajectories and assumptions can be disrupted. For example, in the 10-years post-2008, the rate of growth only paralleled earlier ones but did not catch up, whilst the previous trend of sustained increases in productivity ceased⁴. Future productivity growth needs action across a broad front to deliver a dynamic recovery.

The Risk of Growing Inequalities

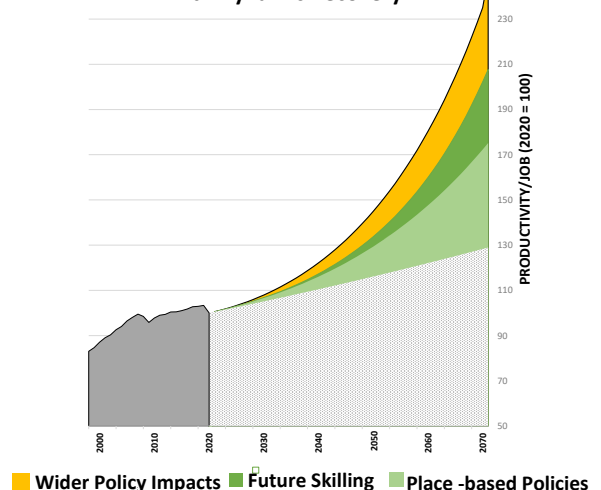
- ➔ Covid-19 will take at least 5 years to get back to where the UK economy was in 2019, and the dependency on London's growth cannot be guaranteed.
- ➔ If there is sustained low growth there will be **Continued Regional Recession**, resulting in other parts of the UK going into recession outside London and the South.
- ➔ Unless there is change, economic recovery will result in **Persistent Inequality**, reinforcing current levels of deprivation and imbalanced economic performance.
- ➔ A **Dynamic Just Recovery** requires higher levels of growth and strong regional development policies to ease excessive pressures in London & Wider South East, and increase the economic performance of the whole of the UK.

The pandemic has also resulted in the hyper-acceleration of trends that would normally take a decade or more to play out. Changes in consumer behaviour could prove to be profound and long-lasting. These will have differential impacts and a key question is how to harness positive or mitigate negative social and economic effects, whilst enabling the economy to take advantage of the new norms and opportunities.



Source: ONS

Agglomeration effects from transport and other place-based policies on productivity growth with Dynamic Recovery



Post-Covid Future Scenarios

Even in the face of the huge uncertainties that the UK faces, it is still possible to map out the consequences of strategic actions through alternative scenarios. The UK2070 Commission has therefore commissioned work from Cambridge University on future scenarios which reflect a range of economic assumptions and policy interventions, taking account of the Covid-19 impact on the economy.

The new scenario analysis by Cambridge University has updated its previous research for the UK2070 Commission, in order to:

- ➔ Test rates of recovery including the possibility of a protracted recovery process and low rates of economic growth;
- ➔ Identify the implications for a policy of 'levelling up' in terms of the distribution of economic activities, jobs, skills, housing, and population;
- ➔ Build in greater resilience for communities;
- ➔ Ensure that the benefits of investments in recovery reach all communities, not just national capitals and big cities; and
- ➔ Take account of potentially changing business practices and leisure preferences.

In terms of overall UK economic growth, different ranges of activity have been assumed: first, Low Growth that persists over decades; and second, Dynamic Recovery, a gradual build up leading to longer term rapid growth.

These have been tested within two patterns of economic activity:

- ➔ **Business-as-Usual** which assumes that the regional and local growth trends in each local council area persist as observed over the period 1991-2019; and
- ➔ **A Convergent Economy** which assumes that rates of job growth across the nations and regions gradually converge towards the UK average, whilst the national and regional average profiles of productivity, skills and jobs converge towards those of London and the Wider South East.

Combining the above sets of assumptions allowed the following four scenarios to be tested in the UK2070 Futures Model:

POLICY CONTEXT	RATES OF OVERALL ECONOMIC GROWTH IN THE UK	
	LOW GROWTH	DYNAMIC RECOVERY
BUSINESS AS USUAL	SCENARIO B CONTINUED REGIONAL RECESSION	SCENARIO A PERSISTENT IMBALANCE
CONVERGENT ECONOMY	SCENARIO C SLOW LEVELLING UP	SCENARIO D DYNAMIC RECOVERY



Photo Courtesy of J. Allague Barros

Scenario Outcomes

1. **Scenario A: Persistent Imbalance:** This scenario reflects the continuation of current policies with relatively high levels of economic growth – i.e. assuming world trade will flourish and there are few fallouts from Brexit. The result would be sustained regional imbalance, reinforcing current levels of deprivation and inequality in regions already suffering from deprivation. There would be significant differences in the rates of growth between the regions and nations, as well as continued erosion in the quality of jobs outside the areas of high growth, making current low wage economies worse. Increased traffic congestion and housing cost pressures would become widespread among growth hot spots in London and the Wider South East, with the cost of housing increasing sharply compared with the national average earnings and virtually no change or falling in the North of England.
2. **Scenario B: Continued Regional Recession:** Combining low growth, with a continuation in current regional policies, would result in continued regional and local economic recessions beyond the immediate effect of the Covid-19 economic shock. If recent trends in the regional concentration of jobs were to continue under a prolonged period of low growth, London and Wider South East could be the only region to grow. The South West might hold steady, but all other areas of the UK could see decline in the overall number of jobs, with a likely further erosion in good quality and better paid jobs. Whilst London and Wider South East could see 500,000 additional jobs there could be net growth of only 400,000 jobs across the whole of the UK, as jobs are lost in other regions. Housing costs would still be expected to rise in London and Wider South East and the South West well above national average, with the risk of house price deflation elsewhere.
3. **Scenario C: Slow Levelling Up:** In a period of low growth, even with regional development policies to stimulate convergence there would be limited impact on the overall balance of the economy. As a result, there would be a slow Levelling Up of the UK with some redistribution of growth away from London and Wider South East to address the growth pressures but at such a low rate that there will be little appreciable difference from currently.
4. **Scenario D: Dynamic Recovery:** Higher levels of growth would be expected to power a dynamic recovery of the UK despite the Covid-19 shock, if there a clear shift in the approach to regional growth. This shift would be reflected in a more even spread of growth easing the burden of growth in London and the Wider South East on infrastructure and housing, and Levelling Up economic productivity in the rest of the UK, and thereby reducing the patterns of inequality and skills gap across the nations and regions of the UK.

Dynamic Recovery also implies a demand for new jobs linked to higher productivity associated income levels, through the creation and expansion of new growth hubs outside the London and the Wider South East (for example, the Centres of Excellence referred to in the UK2070 February 2020 Report) and restored community infrastructure (for example in health and educational services). In particular, the modelling shows that the adjustments to the spatial layout of growth and transport connections could increase longer-term average per person productivity by 1.7% per year for the UK as a whole, and more than 3% for knowledge-based sectors (diagrams on page 15).

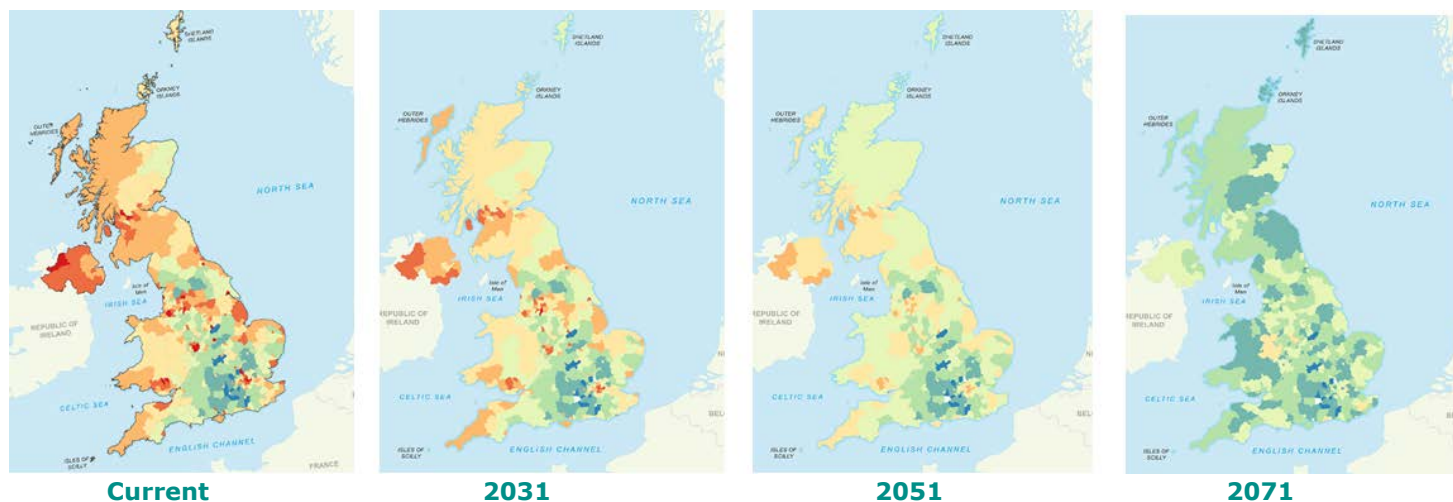
Policy Implications for Levelling Up

The pandemic has reinforced inequalities health, housing, job quality, education, skills and quality of life across the nation. The over-riding longer-term risk to the UK is that the goal of boosting the UK's GDP will be pursued at the expense of other inter-related policy goals which are critical to wellbeing and the UK's commitment to the UN Sustainability Development Goals:

- ⊕ Reducing the levels of deprivation across the whole of the UK;
- ⊕ Delivering a zero-carbon economy;
- ⊕ Preventing increasing division between the nations and regions of the UK;
- ⊕ Greater regional integration to enhance the competitive strength of the UK;
- ⊕ Strengthening local labour markets in terms of skills and accessibility; and
- ⊕ Providing the social infrastructure and homes needed for more balanced economic growth.

Preventing an Increasingly Divided UK: Except with the most optimistic assumptions, it would take well over 5 years to get back to where the UK economy was in January 2020. We cannot rely on London's growth to drive recovery. There is a pressing need to stimulate growth. Yet without a fundamental policy change, there is a risk that under any scenario of growth, the UK would be increasingly divided. Even if London does continue to grow (albeit at a lower level than the past), it is highly probable that other regions could go into recession⁵. Thus, it is vital that strong regional and urban policies set a shared longer-term agenda, which will see the UK expanding its overall wealth and economic output through a more even spread of growth.

Reducing Levels of Deprivation: Re-balancing the UK economy, through Dynamic Recovery, reflects the government's goal of Levelling Up social and economic conditions. Current and potential future imbalances are reflected in the current levels of deprivation (see map on left below). The Dynamic Recovery scenario demonstrates the potential of increased levels of productivity and moving away from a low wage economy with reduced patterns of inequality (see maps).



Current

2031

2051

2071

Convergent - Dynamic Recovery Impact of levels of Deprivation (Income and employment)

Income and jobs index

% rank (2017-2019)

- 0.0 - 12.5%
- 12.5 - 25.0%
- 25.0 - 37.5%
- 37.5 - 50.0%
- 50.0 - 62.5%
- 62.5 - 75.0%
- 75.0 - 87.5%
- >87.5%

Explanatory Note: The spread of good jobs across the UK reduces the level of income and jobs deprivation over time: the above maps show the level of income and jobs deprivation using the benchmark for 2017-2018

Source; Cities and Transport Research Group (2020). UK2070 Futures - Post-COVID Scenario Modelling Main Report, University of Cambridge, Cambridge: [UK2070 Commission Website](#)

Source Dr. Y. Jin

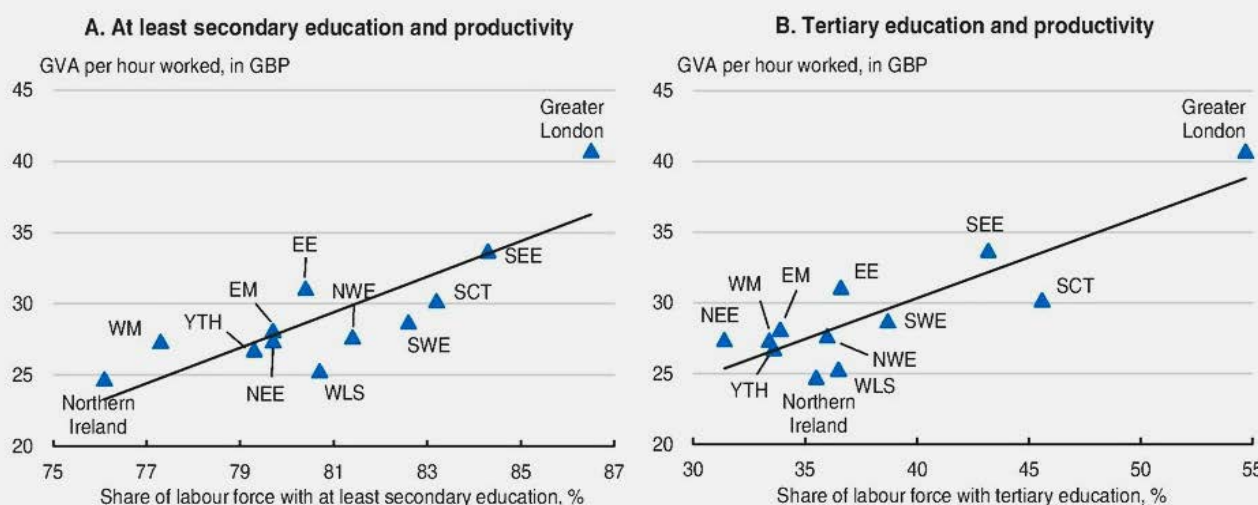
Strengthening Local Labour Markets: Growth on the scale required to re-balance the economy will require high levels of investment in skills and transport connectivity. Demand from new jobs would require and encourage the reduction in the 'skills gap' across the nations and regions. Lack of skills is directly related to productivity in poor performing regions (see OECD Graph in Figure 1.21)⁶. Over 60% of firms⁷ consider the government needs to do much more, including revitalising colleges of Further Education, which have been allowed to

decline. Evidence from the College of Future Commission⁸ highlights the need for a collaborative regional approach to skills provision. Similarly, better transport connections within and between local labour markets will be critical to accessing the skills and services necessary for growing businesses - with better public transport and active travel (walking and cycling) connections. The lack of efficient and affordable transport holds productivity back and is estimated costs the UK economy £20 billion/year⁹.

1. REDUCING REGIONAL DISPARITIES IN PRODUCTIVITY

Figure 1.21. **Educational attainment and productivity are closely related at the regional level**

2014¹



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

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

Greater Regional Integration: Regional convergence through transport investment has been key to sustaining the rate of jobs growth and the quality of jobs in the Wider South East. Fast-improving travel between cities, towns and villages has been critical, delivering two-hour door-to-door travel time to core business activities in London and the Wider South East, and creating the largest European 'mega-region'. This contrasts with the connectivity of the UK's other economic hubs. For example, all other national and regional centres are more than 2 hours away door to door from Manchester, including those in Northern England. If the same level of connectivity between the major economic centres of the UK as exists for the London region, it would result significantly more competitive regional labour markets. In the case of northern England, for example, this would be equivalent to the sixth largest economy in the EU¹⁰. Replicating this level of connectivity to the rest of the UK is a key element to Dynamic Recovery, helping to reverse the past decoupling of London's economy from the rest of the UK.

Delivering a Zero-carbon Economy: The greatest risk is that in giving priority to economic growth the UK continues with Business as Usual. This will result in the continued concentration of economic activity in London and the Wider South East, which will threaten the fundamental goal of transforming the UK into a zero-carbon economy. The pandemic recovery must not be based on 'steading the boat' but linked to a long-term programme for improving the natural and cultural environments to establish a decarbonised green lifestyle and attract external investment.

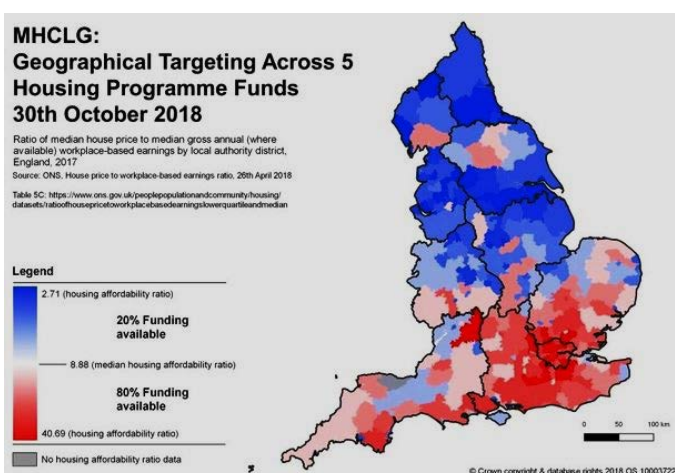
Repairing the Frayed Social Infrastructure: Investment in social infrastructure is as critical as capital investment. In addition to increased skills and education funding, there is also a need for early intervention in family support, and community and neighbourhood regeneration. The pandemic has made this even more necessary. As recommended in the JRF report 'Levelling Up the Economy', the scale of investment in basic, digital and vocational skills should be increased to match the ambitious investments in infrastructure.¹¹



Source: Unsplash

Providing Homes for more Balanced Growth: Providing enough housing and social infrastructure to meet all demands at affordable cost is essential for a balanced recovery. Unless the Levelling Up agenda is delivered, housing costs in London and the Wider South East will continue to rise relative to the rest of the UK, whatever the rate of economic growth. This would be reinforced by maintaining existing policies which indirectly subsidise the overheating of housing markets and disparities in wealth¹². For example, 80% of Homes England funding is targeted at ‘highest affordability pressure’ areas (see map¹³), which are known to be in London and the Wider South East¹⁴. The mismatch between economic policy and housing provision must be corrected otherwise the most vulnerable areas (which will be recover most slowly) will fall even further behind. The national guidance on the assessment of housing need must be revised to link to economic strategies, and new support mechanisms, for example through a single housing investment fund as recommended by Homes for the North¹⁵.

A National Commitment: The Prime Minister is right to ‘double down’ on the Levelling Up of the UK in the Post-Covid Recovery Plan. The nations of the UK need to recommit to the elimination of inequalities of health, housing conditions, worklessness, education and poverty. However, only a comprehensive, large scale, and long-term approach is likely to make any meaningful difference. This goal must be translated into a *New Deal for Levelling Up the UK*.



References

1. ONS [Corona Virus Round-up: August 2020](#): This figure excludes public banks
2. NIESR: [Household Spending in Lockdown: July 31st 2020](#)
3. OBR [Fiscal Responsibility Report 14th July 2020](#)
4. ONS [2018: The 2008 Recession 10 Years on](#).
5. Refer Technical Report by Cambridge University
6. OECD: [Economic Surveys: United Kingdom 2017: Figure 1,21](#)
7. [The Manufacturer survey in Annual Report 2020](#)
8. Reference UK2070 Report: Series 2:refer Appendix A
9. Estimate drawn from figures in [Andrew Haldane speech](#) which quotes the cost of ineffective local transport as £3100/cap
10. Assuming narrowing of productivity gap (excluding London of 15%) Northern England would be c. £500bn, i.e. larger than all but Germany, France, Italy, Spain and the Netherlands
11. JRF report: [Levelling Up the economy: we can't afford not to](#).
12. For example, even [QE policies](#) were considered to have benefitted most the richest 10% households.
13. [Key Cities report](#)
14. Homes for the North: UK2070 Series: Paper 2.2.: refer Appendix A
15. *ibid*.

A New Playbook for the UK: Go Big-Go Local

Context - The Failing Playbook

Covid-19 is likely to intensify the UK's inequalities, whilst disrupting personal behaviour and economic networks. The current 'playbook' by which decisions are taken by Government is no longer fit for purpose and the UK must seize the opportunity to break free from policy inertia which has allowed substantial inequalities to persist.

Meeting the Zero-Carbon target by 2050 means reversing many patterns of consumption and production¹. The disruption to our social and economic institutions caused by Covid-19 has now greatly expanded what is 'politically acceptable'. We have experienced much improved air quality, working from home and the advantages of local suppliers. As the Prime Minister has said: *'This moment also gives us a much greater chance to be radical and to do things differently to build back better'*².

Proactive government can build national resilience, go beyond austerity and rebuild social capital which has been stretched to near breaking point³. Unless we seize these opportunities for change the UK's regional inequalities will create deep social and political divisions. Again, as the Prime Minister has said:

*'This is the dawn of a new era in which we no longer accept that your life chances ... should depend on which part of the country you grow up in.'*⁴

A New Playbook for Levelling Up the UK: Go Big - Go Local

- ➔ The UK needs a new playbook for Government action, to embed and mainstream the Levelling Up agenda, a Just Transition to a zero-carbon economy and the delivery of the Sustainable Development Goals.
- ➔ The current Covid-recovery programmes are short term and not sufficient to deliver the change required.
- ➔ The rhetoric of Levelling Up must be translated into a £375bn 25-year 'New Deal' strategy for Just Recovery.

The Key to Success: Go Big-Go Local

Fractured economies can be rebuilt and linked to social goals: we saw this in FDR's New Deal, the Post-war Marshall Plan and the EU Structural Funds (the latter policy initiated by the UK in the EU). The US New Deal (see Appendix B) helped rebuilding the nation. It was unprecedented in both the breadth and scale of its plans, combined with programmes of action built from the bottom up⁵. The European structural funds required spatial frameworks for investment and longer term programmes of support in key regions.



A New Deal for Levelling Up the UK

The words of FDR in response to the Great Depression ring just as true today as they did then:

“Our greatest task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the government itself, treating the task as we would treat the emergency of war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources.” (FDR 4th March 1933)

The UK’s current recovery programmes are essentially short-term or modest in scale relative to the problem. They provide some components upon which to build back bigger and better, but they are not delivering the scale of change required.

Guiding Principles of a New Deal for Levelling Up the UK

The current UK crisis requires a New Deal for Levelling Up the UK, not relying on narrow fiscal objectives alone. It should embed decarbonisation, resilience to climate change, green energy production, sustainable transport investment, flood control, culture and the arts, training and education, housing and environmental conservation, alongside manufacturing. Spatial priorities should be linked to spending programmes. A culture of excellence will need to be driven forward by new decentralised government bodies, drawing in talent that lies outside Whitehall.

These objectives would also, in parallel, meet the UK’s international obligations to delivering the UN Sustainable Development Goals, and presented as an exemplar at the UN COP26 Meeting, hosted by the UK in Glasgow next year.

The guiding principles that underpin the plan are illustrated in Box A. These reflect its overarching purpose of securing the UK’s global future, setting out a scale of ambition; and creating new processes to empower regions and nations and share responsibility in the allocation of resources.

In April 2020, the Scottish Government charged an independent Advisory Group with providing expert advice on economic recovery. Their report, entitled *Towards a Robust, Resilient Wellbeing Economy for Scotland*, was submitted to the Scottish Government in June. On 5 August, the Scottish Government responded to the Advisory Group’s recommendations in a document entitled the *Economic Recovery Implementation Plan*. A number of the Advisory Group’s recommendations are in tune with the thinking of the Commission. It called for an investment-led recovery and recognised the need to address regional disparities in Scotland. The Scottish Government’s *Implementation Plan* emphasises the importance of housing and infrastructure; decarbonising the economy; economic and social renewal; and changing patterns of work and travel. This is illustrative of the sort of approach which is needed.

Box A- A New Deal for Levelling Up The UK Guiding Principles

A **New Deal for Levelling Up the UK** will be key to its recovery, underpinning and coordinating the programmes of the UK and devolved governments for a more balanced economy, a just transition to zero-carbon and sustainable patterns of consumption and production, in accord with the UK’s commitment to the UN Sustainable Development Goals. Its guiding principles would be to:

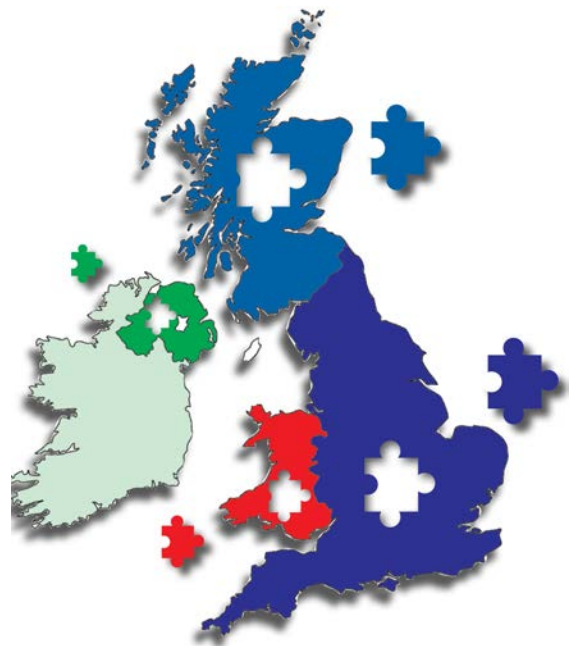
- ➔ **Reinforce the role of the UK as a global economic player**, underpinned by centres of excellence and a connectivity revolution.
- ➔ **Set outcomes frameworks for economic performance** and social conditions in the nations and regions.
- ➔ **Prepare strategic spatial plans** as reference frameworks for outcomes, devolved funding and the implementation of national projects.
- ➔ **Set out a devolved framework of local governance for England**, including enhanced and new local strategic bodies (such as combined authorities, or unitary county councils).
- ➔ **Maximise the decentralisation of government** to the devolved nations, and in England for managing programmes, selecting projects and comparing statistics, as well as management of existing central funding programmes on a decentralised basis where possible.
- ➔ **Ensure coordination and coherence** between horizontal and vertical layers of government.

Implementation

A New Deal for Levelling Up the UK requires a new urban and regional policy which safeguards the economic base of places most at risk from recession whilst providing a new constitutional devolution settlement of powers and responsibilities.

This needs to be based on an ambitious 10-year spatial economic plan, with the tools to deliver:

- ➔ A Resilient Connected Economy through linked centres of excellence and connectivity revolution to create greater economic resilience, applied research and employment growth (see Section 4);
- ➔ Full Devolution, including fiscal competences that empower local action to lead change (see Section 5); and
- ➔ National Outcomes that set out the requirements, including a foundational economy and universal basic services (see Section 6).



References

1. This is required to meet the to deliver the [UK's SDG12 commitment](#)
2. <https://www.gov.uk/government/speeches/pm-economy-speech-30-june-2020>
3. This draws up the UK2070 Series: Paper 1.1 published in August 2020: Refer Appendix A.
4. <https://www.gov.uk/government/speeches/pm-address-to-the-nation-31-january-2020>
5. This draws on UK2070 Paper Yaro & Wray & the [Ditchley Speech](#) by Rt Hon M Gove June 2020

Go Big: Resilience and Connectivity

Section 4

Context

The Covid-19 crisis has been likened to putting the economy into a medically induced coma¹. The resulting shock has been widespread and debilitating: a fall in demand, a shock to supply and a financial crisis. Consumer spending has been dramatically curtailed; supply chains disrupted; and financial liquidity reduced², testing economic resilience almost to breaking point.

The risk of future disruptive shocks is real: not just a second wave pandemic, but also other anticipated global challenges, including extreme global poverty, the loss of vital ecosystems and failure to deliver a zero-carbon economy.

In conditions of great uncertainty, any recovery plan must strengthen economic resilience, so that local economies can cope with future shocks. The aftermath of the 2008 financial crisis³ showed that nations and regions which best withstood the shock had high shares of knowledge-intensive and high-tech services, and higher-level qualifications, creating higher output jobs and high productivity growth rates⁴. The wider South East of England was the most resilient region, with the North East and Yorkshire and Humberside the least resilient, along with Northern Ireland. The most resilient regions were those where short-term interventions were embedded within proactive and long-term economic plan⁵.

Transport investment has reinforced economic position of London, vis-à-vis other regions, by investment that were not justified by their low rating in the normal appraisal methodology (Coyle and Sensier)⁶. This may, however, well reflect the underlying but unstated spatial economic strategy of prioritising support for the growth of London. At a time when the London economy was on the same downward trajectory as the northern regions of England⁷ that might have been appropriate, but circumstances have changed. **There is now an overriding case for investment in other parts of the UK as part of a new and explicit strategic view about the geography of economic development.**

Go Big: Build a Resilient Connected Economy

- ➡ The UK's economy is vulnerable and exposed by its dependency on London and the Wider South East. The UK needs a Connected Multi-Hub Economy.
- ➡ The UK needs to fill the £4bn gap in R&D investment in at least four institutions outside the Golden Triangle as global centres of science and technology.
- ➡ The UK needs to fill the £20bn gap caused by poor local connectivity by reallocating road space; a nationwide scheduling and a major infrastructure investment programme with Transit Systems in all major towns and around 1000 miles of new, upgraded and electrified main railway lines.

The new economic geography to build resilience mirrors that required to level up the UK. Purely reactive policies will not build economic resilience. Build Back Better must mean transforming the economic geography of the UK to address structural challenges – especially over-dependence on London and its wider region, and on the service sector.

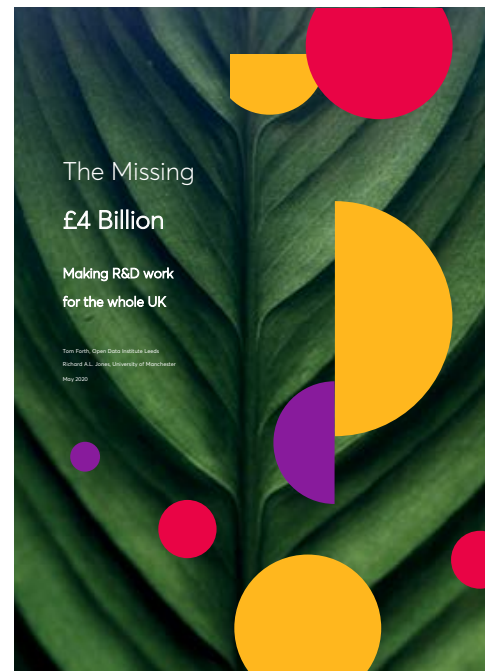
The UK economy is like a plane flying on just flying one big, highly strained, engine. A resilient future requires multiple and distributed economic engines to increase overall capacity and performance. We need a well-connected economy with many strong hubs. The following section sets out proposals for achieving this by creating of new centres of excellence, connected by new transport networks across urban and rural areas, across towns and city regions, and supportive of a Just Transition to Zero-Carbon economy.

Global Centres of Excellence: Building a Resilient Economy

The UK has the potential to become a science, digital and research superpower through its constellation of world-leading universities and companies, gearing up the economy across all regions. Drawing on international experience, this can be achieved through the Government's proposed enhanced level of expenditure on science and research. This however must not be focused solely in the golden triangle (London, Oxford & Cambridge).

The UK must plan a long-term scaling-up of other Global Centres of Excellence for science and R&D, on a hub-&-spoke model, committing to long-term plans and institution building, tackling the '£4 billion Gap' in R&D investment identified by Richard Jones and others, to rebuild an advanced industrial base.

The pandemic has exposed the acute vulnerability of international supply-chains. It is likely to accelerate the process of 're-shoring' of manufacturing production⁸. Regardless of whether there is a full economic recovery, concern remains about the risks of current global manufacturing and supply networks⁹. One survey¹⁰ has suggested that 60% of firms are giving consideration to changing their practices to increase resilience. Investment in new manufacturing capacity will increasingly need access to research institutions to support high R&D advanced technology, including the requirement to personalise products for individual consumers.



The pandemic has also increased concern about the UK's high dependence on the service sector, which provides almost half of UK exports and 60% of private sector investment and employment in research and development. But it also includes many low productivity activities in the so called 'hospitality sector' which has been hard hit by the pandemic as well as the shift to online purchases and experiences. Some of these concerns were raised in the UK's Industrial Strategy.

There is therefore a strong case for the UK Government to adopt a target of doubling the manufacturing base of the UK, comparable to the German scale of manufacturing.



Source: Sheffield AMRC

In June 2020, a report¹¹ from NESTA estimated that during the past quarter of a century, the North, Midlands and South West of England, together with Wales and Northern Ireland, there has been a combined under-investment to the tune of £12 billion per year by the public and private sectors.

This funding gap arises because both public sector and private sector investment in R&D has been low in the poorer regions. Public investment has not been used to stimulate investment where private sector investment has been poor or absent (refer Box B).

In contrast, German public sector R&D spending is used to stimulate growth in regions with weaker economies. In the UK public sector R&D spending seems designed to stimulate further growth in regions that are already the most productive, alongside the other hidden perverse ‘regional’ policies identified by the UK2070 Report. The scale of investment was also significantly higher than that in the UK. In this context it should be noted that even the NESTA proposals are lower than the EU average.

Box B – Regional Variations in R&D investment

- ➔ **High private/Low public R&D:** *East Midlands, West Midlands, North West.* Low public and private sector investment leaves regions vulnerable to further loss of R&D.
- ➔ **Low private/Low public R&D:** *Wales, Northern Ireland, Yorkshire and the Humber, North East, South West.* Benefits of inward investment lost and the innovation capacity of the existing businesses constrained by low financing.
- ➔ **Low private/High public R&D:** *London and Scotland.* Comparable to German approach of public interventions targeted at filling funding gap, and by setting targets and creating institutional support (e.g. National Manufacturing Institute for Scotland)
- ➔ **High private/High public R&D:** *East of England and the South East.* Combined high R&D investment by both the private and public sectors explains significantly higher regional productivity.

Source: NESTA: Forth & Jones

Policy Implications for R&D

The UK2070 proposal for creating Centres of Excellence has been reinforced by more recent research. The UK needs higher levels of R&D funding and new mechanisms to deliver it operating on hub and spoke principles with universities and the private sector.

New institutional mechanisms are needed to build entirely new capacity, targeted at areas of strategic importance, such as low-carbon energy, healthcare related research and transport. Although UK Research and Innovation (UKRI) must be a key partner, priorities for R&D funding must be led regionally and integrated with the overall development and infrastructure priorities for the area, including the future research role of the universities.

In order to balance the distribution of research infrastructure and institutions across the UK, the UK2070 Commission urges government to:

- ➔ Raise its goal of increasing UK R&D intensity to 2.4% of GDP to 3%, to making it comparable with our leading competitors;
- ➔ Adopt the additional goal of leveraging a 2:1 ratio of private to public funding for total R&D;
- ➔ Devolve 50% of public sector funding to new transregional bodies (comparable to the Northern Accelerator Board for transport);
- ➔ Remedy the regional imbalance in government R&D spending, especially in government research institutions; and
- ➔ Establish at least four new international science and technology institutions outside London and the Golden Triangle.

Bringing the UK Together: A Revolution in Connectivity

The UK2070 Report advocated a revolution in communications connectivity. Further work has been commissioned to set out the core elements of a pan-UK network which meet wider policy objectives¹².

The need to 'level up' the UK economy must be integrated whilst achieving net zero carbon by 2050. This means improving connections generally from high inequality areas to major opportunity areas; building stronger city regions though broadening catchments and reinforcing corridors linking access to jobs and education; improving connections with international gateways and with London; and enhanced connections for towns on the coast.

In the UK some 60% of the connectivity weakness is inter-city¹³. This contrasts with the situation, for example, in the Netherlands and many parts of Germany, which have integrated ticketing systems. As a result, the same passenger card and/or electronic ticket can be used across multiple modes of transport – like a nationwide Oyster card type of system – providing seamless public transport.

Levels of connectivity are also affected by the digital disparities persist across areas of the UK. London has 7.0% internet nonusers, compared with 12.1% in the North East of England¹⁴. The changing patterns of work and travel are increasingly driven by the quality of the digital infrastructure of the UK. The implications have been exposed by the pandemic in terms of access to services, ability to work from and the quality of home schooling, all of which have benefited the better off.

To meet the Government's objectives the UK must put in hand measures to:

- ➔ Join up our scheduled public transport system;
- ➔ Bridge the digital divide;
- ➔ Reduce unreliability of the public transport network caused by road and rail congestion;
- ➔ Eliminate diesel generated carbon emissions, and improve air quality;
- ➔ Tackle serious gaps in the transport network;
- ➔ Reduce highway capacity to support more active travel;
- ➔ Reverse the continued increase in dependency on car-based travel;
- ➔ Give increased funding priority to peripheral and 'left behind' areas; and
- ➔ Give greater significance measures of deprivation used in transport policy.

This connectivity revolution must have five elements.

- ➔ **The re-allocation of road space** to support a planned expansion of walking and cycling for short-distance travel in local neighbourhoods.
- ➔ **A nationwide scheduled public transport network** which is user-friendly, electrically-powered, reliable and accessible by walking and cycling.
- ➔ **Equal connectivity to well-off/high accessibility places and less well-off/peripheral places** by a national public transport system which ties together various public transport services.
- ➔ **The construction of a sustainable national and local logistics network** which reduces dependency on HGVs, with electrified multi-modal trains linking nations and economic regions of the UK; the urban and metropolitan connecting people and jobs locally; and across the urban-rural continuum, connecting the most disadvantaged places to services and opportunities. This will take time to implement fully but much can be done straight away as the economic recovery builds.
- ➔ **Bridging the Digital Divide** by an accelerated roll out of full digital coverage across the UK, specifically targeted at less economically prosperous parts of the country.

Creating the network to meet these challenges requires ambition. It must secure seamless integration of movement at three levels: intercity, intra-urban and reaching beyond to marginalised and remote communities. This is essential if the UK is to reduce carbon emissions, level up our economy, secure new international investment in the economy - and help tackle the obesity crisis caused part by the fall in physical activity and movement powered by our own muscles.

Securing the connectivity revolution will require fundamental policy shifts, including new services and upgrades along the east and west coast main line corridors; a seamless interurban express bus network; a rail decarbonisation strategy and a programme of rail electrification; a strategic rail freight network with multiple distribution centres; and an integrated zonal fares system across scheduled public transport.

These are ambitious investment proposals, but they are far from unrealistic, being similar in scale to the motorway and road building programmes which were the centrepiece of UK transport strategy in the 1960s, 1970s and early 1980s. It aims to give the UK the same quality of public transport and active travel networks which are commonplace in many other European countries.

The Greengauge21 study¹⁵ for the UK2070 Commission of these new levels of connectivity require the completion of HS2/Northern Powerhouse Rail, with HS2 services extended to the South West, Scotland and Wales to connect all major city regions. This needs to be complemented by the east-west northern and midland axes as set out in the UK2070 February report. There would be nearly 1000 miles of new, upgraded and electrified main railway lines, alongside a programme of line re-openings for areas 'left behind' by the Beeching cuts. Intra-region networks would be enhanced for metropolitan regions and international ports.

Light Rapid Transit (or similar technology) should be constructed across all cities with populations over 175,000. All this would require a network of 44 hub stations and mini-hubs, and new estuarial and river rail crossings. New distribution centres would also be created. The key components are summarised in Box C.



The required revolution: transforming the UK's transport connectivity

Prepared for the UK2070 Commission

Greengauge 21

www.greengauge21.net

June 2020

Box C - Key Outcomes of a Pan-UK Network

Strategic Outcome 1: Intercity Rail

Excellence to become the mode of choice for longer distance journeys with:

- ➔ HS2 'Y' shaped network completed and extended to 'X' configuration to allow HS2 to perform a cross country (inter-regional) function and link other major cities with London.
- ➔ The implementation of the Midlands Rail Hub proposal, and High Speed North placing cities at the heart of the high speed network.
- ➔ Upgrading the East Coast Main Line (ECML) as a high priority alongside HS2.

Strategic Outcome 2: Metropolitan and City Regional Connectivity

to meet the need for enhanced metropolitan networks and to spread the benefits of intercity connectivity by:

- ➔ New metropolitan SBahn style rail services and networks for Birmingham, Bradford, Manchester and Leeds.
- ➔ New metro systems for Bristol, Cardiff, and Southampton and expanding the Nottingham Light Rapid Transit (LRT) System.
- ➔ LRT (or equivalent) systems for all cities over 175,000 population, accompanied by major improvements to the public realm in urban centres, with pedestrianisation measures to prioritise active travel alongside an appropriate zero carbon transit system.

Strategic Outcome 3: Service integration

across the urban-rural continuum to connect with the worst social mobility areas in remote former single-industry areas (for example coal and steel-making) and coastal areas, especially on the eastern side of the country (in both England and Scotland) through infrastructure and operational improvements including:

- ➔ Rail line re-openings connecting with interurban express bus services through a set of mobility hubs.
- ➔ New rail estuarial and river crossings, to expand the catchments and economic strength of disadvantaged coastal communities.
- ➔ An integrated national fares and public transport information system for ease of use, and to support concessionary fares systems for those in most need.

References

1. P. Krugman: [The US Economy is in a Medically Induced Coma: May 2020](#)
2. Bristow and Healy: UK2070 Series: Paper 1.3: refer Appendix A
3. ESPON: Economic Crisis: Resilience of Regions
4. Ibid & Sensier and Devine, 2020
5. Bristow & Healy: UK2070 papers: see Appendix A
6. D. Coyle & Sensier: [The imperial treasury: appraisal methodology and regional economic performance in the UK: 2019](#)
7. Ron Martin et al: [Rebalancing the UK economy: 2015](#)
8. Foresight Report: [The Future of Manufacturing: 2013](#)
9. Redrawing the Map of Global Trade:2020: McAdoo
10. <https://www.theengineer.co.uk/poll-pandemic-reshoring-uk-manufacturing/>
11. NESTA: [The Missing £4 billion: Forty & Jones: 2020](#)
12. Greengauge21: UK2070 Series: Paper 1.7: Refer Appendix A
13. Arbabi, H., Mayfield, M., and McCann, P., 2019, "On the Development Logic of City-Regions: Inter- Versus Intra-City Mobility in England and Wales", *Spatial Economic Analysis*, 14.3, 301-320; and Arbabi, H., Mayfield, M., and McCann, P., 2020, "Productivity, Infrastructure, and Urban Density: An Allometric Comparison of Three European City-Regions across Scales", *Journal of the Royal Statistical Society: Series A*, 183.1, 211-228
14. ONS report: [Exploring the UK's Digital Divide: 2019](#)
15. Greengauge21: The required revolution: transforming the UK's transport connectivity: UK2070 [website](#)

Go Local: Full Devolution Across the UK

Section 5

Context - Creating Parity of Esteem

Covid-19 has demonstrated the importance of local leadership. Levers cannot be pulled in Whitehall to bring about exactly the same outcome everywhere¹. Nor should they. Our consultation shows² the need for a full package of powers open to all local authorities so that they can decide what they need and what they have the capacity to manage. The UK2070-Paper 1:2 illustrates how this would work³. This has been reinforced by the recent IPPR report on devolving powers to regions, towns and cities⁴.

Cities have convening power and wider vision. City based governance can bring together business, transport, education, planning, health and the voluntary sector in ways which cannot be achieved by individual Whitehall based departments. In cities activities can come together and the developmental power of government and civic society can be properly coordinated.

Before the pandemic, English local government was facing a wide range of pressures from rising costs, falling transfer grants, and static property tax revenue. Covid-19 has made a difficult situation worse. In England, it is estimated that Covid-19 has increased local council funding shortfalls to about £10bn/year¹⁴, precipitating a freeze on any new local expenditure¹⁵.

Covid-19 has increased dependence on central grant funding. The previous pattern of incremental reform generated a bow-wave of local financial difficulties, worsening over the last decade. Covid-19 has intensified the problem, threatening to create large numbers of failing councils.

The pandemic might seem to have made changes to the local government finance system more difficult. In fact, it has made it more urgent. The longer-term impacts on property values, travel patterns and business location make a systematic overhaul of local government funding urgent.

A Devolution and Local Recovery White Paper would be expected to set out the next steps for England to include creating more elected mayors, more combined unitary local authorities and

Go Local: Full Devolution across the whole UK

- ➔ The UK is the most centralised major developed economy inhibiting national economic growth and productivity and has eroded capacity to take action.
- ➔ An independent accelerated commission should be appointed to set out by December 2021 the basis for the comprehensive transfer of fiscal power to local and devolved governments.
- ➔ The lack of strategic regional governance in England is a barrier to economic growth. New arrangements for locally based powers are needed for city regions and rural county areas.
- ➔ Cross-regional working for the four 'provinces' of London and the South, the Midlands, the North and the Southwest has now become an imperative for rebuilding the nation.

stronger town and parish councils⁵. It needs to go much further, creating a parity of esteem⁶ between central and local government, moving away from centralised decisions and controls which are imposed on local government. Devolution must involve a genuine transfer of political authority with the following characteristics:

- ➔ **Fiscal devolution** with new local financial structures, local control over the sources of revenue, and the capacity for local and devolved governments to exercise their own powers and responsibilities.
- ➔ **Strategic powers** to design and implement strategies for city regions and rural areas. The principle of parity of esteem must apply also to the relationship between the UK Government and the devolved administrations in Scotland, Wales and Northern Ireland.

Fiscal Devolution

The UK is highly centralised in terms of revenue generation and sub-national expenditure compared with other OECD countries. On the revenue side, only 3% of revenues are collected by subnational levels of government compared with around 33% across the OECD. Similarly, 35% of expenditure is carried out by subnational levels of government compared with almost 60% across the OECD⁷.

Overall levels of sub-national autonomy in the UK are akin to countries such as Moldova or Albania. In 2016 the UK was ranked as 29th in share of sub-national government revenues and 26th in investment. Countries ranked below the UK are much smaller and at lower levels of development. Most of Western and Northern Europe, North America, Australia, and East Asia have between two and four times the UK's level of local autonomy.

Local governance structures and national economic growth are, however, linked to the pattern of interregional inequality⁸. Decentralisation, with increased local revenue-generation and expenditure, allows investment in local economic development to be better-designed, generating greater returns. The greater the sub-national decentralisation, the higher the level of regional equality.

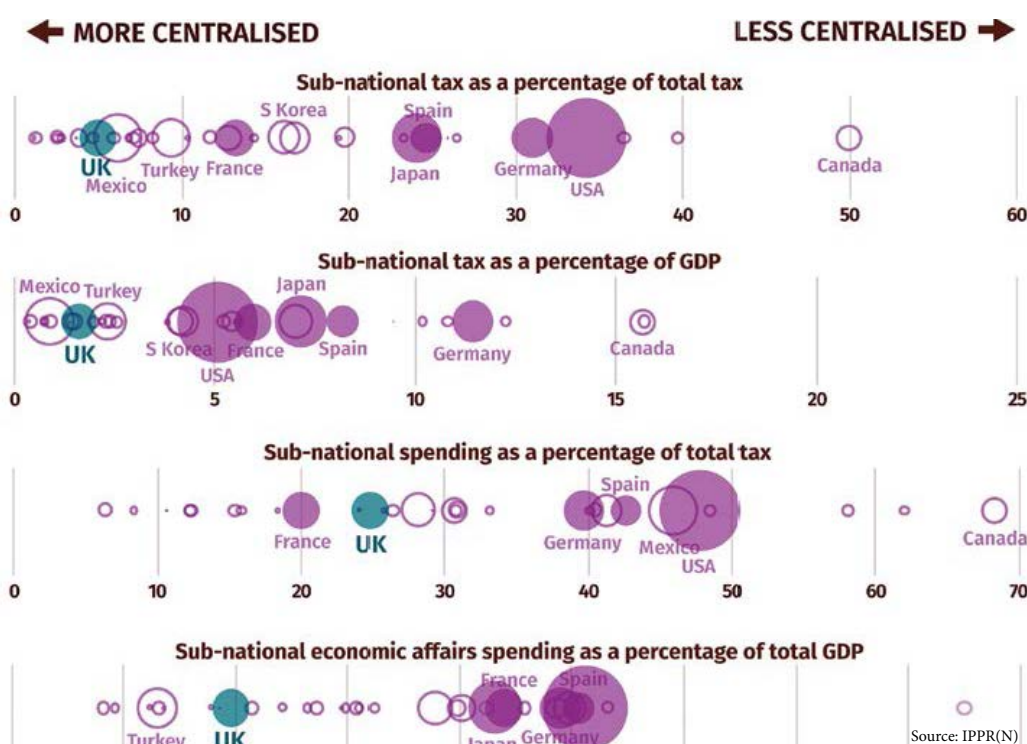
Some countries which raise more resources sub-nationally do well under different kinds of 'Levelling Up'; some (e.g. US) are much better on the former (decentralised economy) than the latter; others (Low Countries, Scandinavia) are good on both. As noted in the UK2070 earlier reports, the difference is down to better spatial

redistribution of resources between richer and poorer areas, not purely about tax bases.

In Germany, subnational economic spend is 2.5 times as high as a proportion of GDP than it is in the UK⁹. Its investment in lagging-regions has allowed them to realise their potential and mobilise the resources needed to generate resilient growth. In three decades since reunification, Germany as a whole has become much less regionally unequal than the UK. Its productivity differential relative to the UK today is greater than it was at reunification¹⁰.

There is no evidence for any national growth advantage associated the dominance and clustering in and around London¹¹. The UK's interregional inequalities have brought no benefit to the economy, but imposed potentially enormous long-term social, political and economic costs. Moreover, the combination of Brexit and Covid-19 will almost certainly make the UK interregional inequalities worse.

In short, the centralised nature of the UK is a disadvantage in terms of fostering both overall economic growth and regional balance¹². Fiscal devolution and decentralisation in the UK could potentially improve spatial patterns of economic growth. The evidence suggests that decentralising public investment by 50% or above significantly benefits our national economic growth¹³.



Policy Implications for Fiscal Reform

In the looming recession, vital support networks to protect the most vulnerable must be retained. Creating more ad hoc and short-term deals and arrangements will not suffice.

Moving towards greater fiscal devolution from a position of extreme regional inequality will be a challenge. Devolution will require strong fiscal support for weaker places (McCann 2016)¹⁶. The relative dominance of London in population terms over the UK's second city is more than 1.5 times the average for unitary states, and even more in terms of GDP.

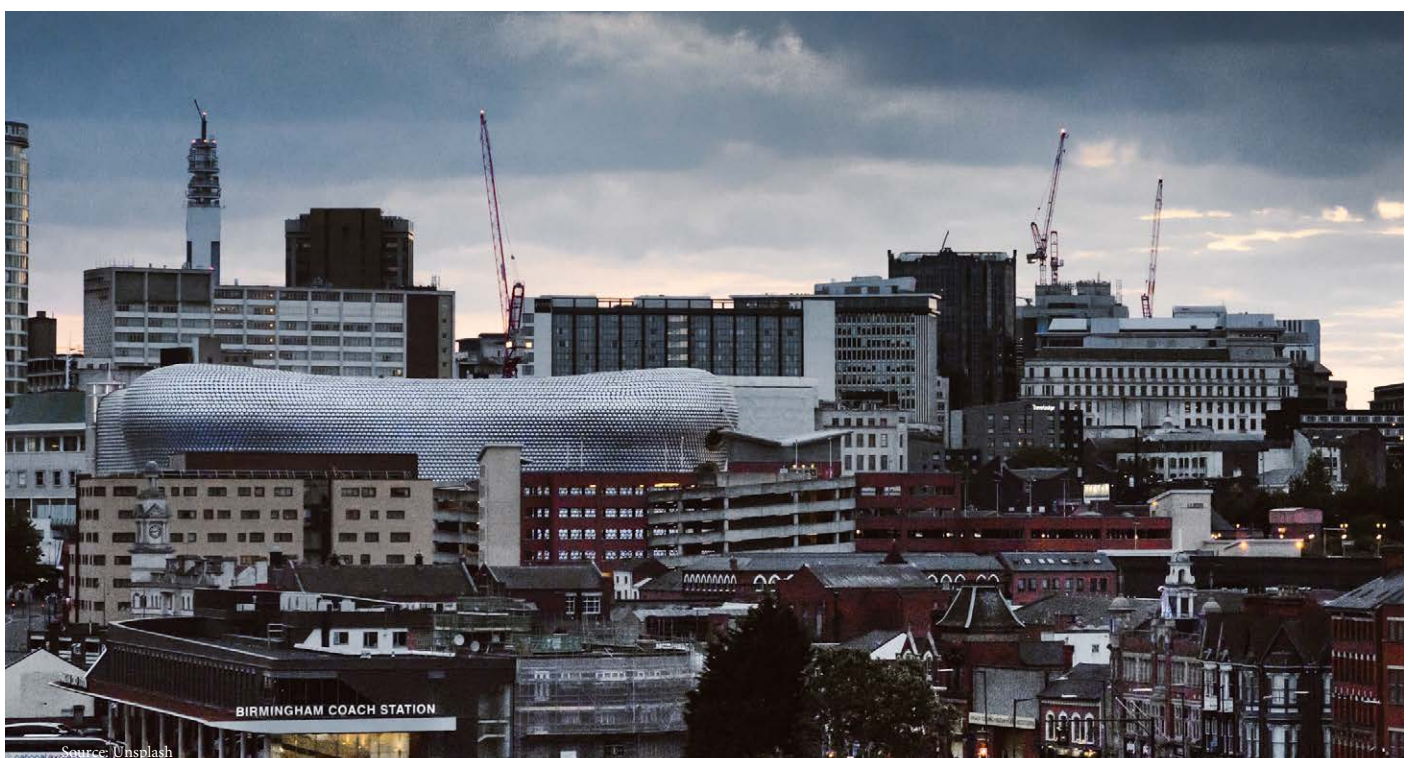
A movement towards more devolved public revenues and expenditure would therefore need inter-regional fiscal stabilisers if it is to lead to more balanced growth. However, with carefully designed fiscal stabilisers, economic growth could be enhanced.

The pandemic has illuminated the power of decentralised approaches alongside the erosion of local capabilities and capacity for action. Without financial powers, devolution could constrain the ability to take wealth-creating initiatives locally. This is central to the recovery of the UK, since action has to be driven by a deep place-based ethos, with

central support for locally-tailored decisions, not the local delivery of standard national policies. This requires a rewiring the system, based on local democratic accountability as part of the new Play-Book that unlocks latent local capacity to take initiative.

Fiscal decentralisation would have a positive impact on economic growth, productivity and human capital. It would allow central government to get on with its task, promote new ideas and innovation, give the initiative back to local councils and enable more sensitive place-based responses. Identifying the best model for fiscal devolution would be complex.

Much work has already been done across OECD countries both in terms of analysis and evidence and **an Independent Commission should be able to reach conclusions by Autumn 2021**. Its brief should be to set out the options for restoring local revenue raising to at least 50%, alongside the necessary fiscal stabilisers which are required to underpin the transition to, and continuation of, effective devolution.



The Need for Sub-National Strategic Powers

Post-Covid economic recovery will require investment in services across local authority boundaries, as will the Government's policy of Levelling Up for big infrastructure, strategic sites, environmental resources and key services such as skills, health, transport and housing. In particular, it is essential that there is a new mechanism to mediate the different housing requirements across market areas. The reliance on a 'coalition of the willing' will not deliver the most sustainable outcomes nor maximise net zero growth.

The need for Sub-national Structures is summarised in Box D.

Regional interdependences have been accentuated by Covid-19 impacts. The images of empty city centres, clear motorways, reduced public transport services capture the sheer scale of interaction between different council areas. In London and the Wider South East, new work and business behaviours could change previous relationships between the capital and its region. Elsewhere, huge efforts may be required to secure economic recovery.

Strategic Power Gaps

The economic shock has had differential impacts on communities. Centrally defined responses have the danger of being place blind. Delivering Levelling Up in towns, cities and rural areas relies on joined up services to create coordinated approaches to education, training, and job creation linked for example to access to affordable housing and childcare. Such joined up policies need local knowledge and capacity to deliver place-based solutions. Local strategic capacity across the board is central to the devolution and Levelling Up agenda.

In addition, there is a wider strategic gap in England with the exception of the Combined Authorities with executive Mayors, and some rural counties like Cornwall. Current administrative boundaries for local government generally have little relationship to the areas within which businesses operate nor are they always related to housing markets, travel to work areas, flood and river catchments or labour markets. These cross-boundary infrastructure and environmental issues are wider than even the few existing strategic bodies are able to address alone.

Box D - Levelling Up the UK: The Need for Sub-national Institutional Structures

The following examples illustrate policies in UK2070's 10-Point Action Plan which require new sub-national institutional arrangements:

- ➔ **Just Transition to Zero-Carbon Economy:** the transition to a zero-carbon economy requires fundamental change, particularly in energy generation, building standards and travel modes. This requires clear and consistent approaches within economic regions as well as the setting of national standards.
- ➔ **Enhanced Regional Connectivity:** In addition to the planning of major intercity transport investment, regional cross boundary coordination is required in terms of integrated timetabling and fares systems across scheduled public transport.
- ➔ **Devolved R&D Investment:** The proposals to expand R&D investment requires the creation of new science and technology institutions at a regional level outside London and the Wider South East, and establishing regional funding Centres of Excellence.
- ➔ **Future Skilling the Nation:** A more coherent regional skills offer is required to build services that people can tap into throughout their lifetime, and for employers to be able to access strategic support in business change and innovation, and to reduce unproductive competition between colleges.
- ➔ **Housing Infrastructure:** The current system has depended upon the local authority 'Duty to Cooperate' across housing market areas. This has failed and needs to be replaced if housing needs are to be met in full and not frustrated and delayed by the absence of a non-litigious means of resolving disputes.
- ➔ **Shared prosperity fund:** Narrowing the differences in prosperity across the UK should be the Fund's main objective. Its management should be part of the Devolution settlement not just to the devolved nations.
- ➔ **Levelling Access to Funds:** The review of the Greenbook is committed to building in Levelling Up based on some measure of 'strategic fit' whereby local and national strategic goals are properly integrated into policy development.

Table 1	National Policies: Potential Impact on Housing Development ('000 new homes/year)		
	Actual Rate of New Home Build	2015 National Guidance	2020 Proposed Requirement
London & Wider South East	101	140	194
The Midlands	44	40	57
Northern England	56	43	50
South West England	26	27	37
England	227	250	338

Source: Lichfield: A new method of assessing housing need: August 2020

The **strategic vacuum is too often filled by central government** and its agencies, either directly, or through appeal processes, often ending on Minister's desks. Thus, strategic decisions which could be taken by locally accountable politicians remain under central control, notwithstanding the centre's lack of knowledge about local issues and circum-stances. If the vacuum grows, it will result in confusion and delay, undermining confidence.

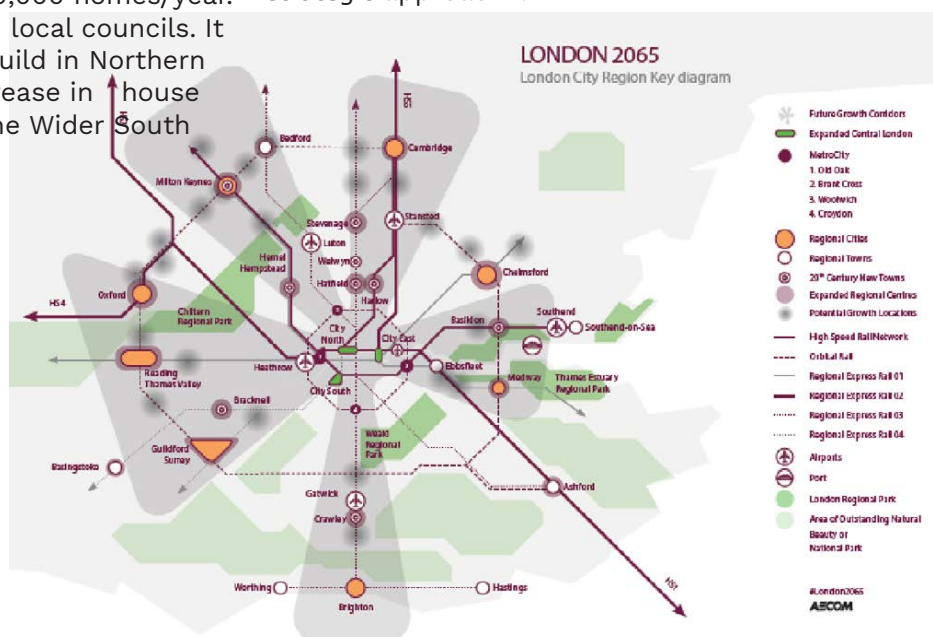
This problem can be countered by building on the emerging cross regional arrangements in England for the four 'provinces' of London and the Wider South East, the Midlands, the North and the South West to address transport, energy and environmental resources and developing spatial strategies (as illustrated by the work of the One-Powerhouse Consortium).¹⁷

The problems are exemplified by the Government's recent involvement in housing policy. In 2015, MHCLG intervened to cut through the debates about housing land. Its approach has made the process of assessing housing needs complicated and litigious. In 2020 the Planning White Paper seeks to resolve the housing debate with greater centralisation. There will be a national figure to increase the number of homes built to over 300,000 homes/year. This figure will be divided between local councils. It would require a reduction in new build in Northern England, with over 90% of the increase in house building imposed in London and the Wider South East (see Table 1).

The White Paper also proposes to remove the duty on local authorities to cooperate. This is a particular problem where local administrative areas are part of a wider housing and labour markets, and are dependent upon common transport networks. Unfortunately, the current system has failed, and cooperation has defaulted to being no more than an alliance of the willing (e.g. with the London Plan) thereby institutionalising 'Nimbyism'.

The strategic gap is of particular concern for London and the Wider South East, where there is no effective strategic cooperation. The Minister has, however, asked the GLA to produce and deliver *a new strategy with authorities in the wider south east to offset unmet housing need in a joined-up way*.

No parallel requirement is placed on other authorities outside London and the Mayor has no powers to require authorities in the wider south east to collaborate with, let alone agree, any such strategy. This problem is complicated by the high-density assumptions about the future of London, post-Covid, which may no longer be tenable. The study by AECOM shows the potential of a more strategic approach¹⁸.



Policy Implications

The UK's constitutional arrangements are based on centralised power. This shapes the culture of government. In contrast, almost all other comparable sized advanced economies operate on the opposite presumption either with a federal structure or decentralised administrations. The lack of equivalent devolved or decentralised powers in the UK has contributed to its poor productivity growth record of over the last decade, and its remarkably wide regional inequalities. It is time to rectify this democratic imbalance between central and local government, creating a structure based upon creating a parity of esteem.

Various alternatives have been explored by the UK2070 Commission. In England, emerging devolution policies have established a basis upon which progress could be made: these include the combined authorities, the regional transport arrangements for the North and Midlands and the new regional accelerator bodies. But these ad hoc arrangements are not comprehensive nor are they systematic. They are confused.

To remove this confusion and create sound structures for decision making, which will instil private sector confidence, new arrangements should be based on the following principles:

- ➔ Local and sub regional areas of cooperation should be based on functional economic regions to ensure that collaboration is based on true community of interest.
- ➔ Joint working in metropolitan and city regions should be mandatory.
- ➔ Cross regional working should be instigated in England for the four 'provinces' of London and the South, the Midlands, the North and the Southwest.
- ➔ Decisions should be supported by being linked to spending programmes, with bodies critical to the implementation of decisions engaged in the planning process.
- ➔ Joint technical teams should be established to undertake the work on a long-term basis with accountable executive leadership.

References

1. Sarah Longlands UK2070 Series: Paper: 1.2: refer Appendix A
2. Paul Hayes UK2070 Series: Paper: 1.4: Through the Lens of Local Government: Refer Appendix A
3. *Ibid.*
4. IPPR Report: The Devolution Parliament: devolving Powers to regions, towns and cities.
5. Local Government: Devolution: Written question - 67823
6. Mark Sandford UK2070 Series: Paper: 2.1: refer Appendix A
7. OECD: Economic Surveys: United Kingdom 2017
8. Carrascal-Incera, A., Ortega-Argilés, R., McCann, P., and Rodríguez-Pose, A., 2020, "UK Interregional Inequality in a Historical and International Comparative Context", 2020, National Institute Economic Review, 253, R4-R17
9. OECD: Fiscal Decentralisation Database: 2019
10. Carrascal-Incera et al: UK Interregional Inequality in a Historic and International Comparative Context: July 2020
11. *ibid.*
12. *ibid.*
13. Carniti, E, Cerniglia, F., Longaretti, R., and Michelangeli, A., 2019, "Decentralization and Economic Growth in Europe: For Whom the Bell Tolls", *Regional Studies*, 53.6, 775-789
14. IFS Report on English Council Spending: August 2020 concluded that in-year pressures are forecast to be £7.2 billion, with billions of pounds more in losses in local tax collections also hitting councils' main budgets from next year.
15. This refers to the Section 114 notice and only allows new funding where needed for the safeguarding vulnerable people and statutory services
16. McCann, P., 2016, *The UK Regional-National Economic Problem: Geography, Globalisation and Governance*, Routledge, London
17. One Powerhouse: Blueprints for the 4 mega-regions of England
18. Aecom: London 2065: 2015

Go Long-Term: Embedding National Outcomes

Section 6

Context - The Need for Milestones

The UK's ambition is to Build Back Better after Covid-19. This goal needs to be translated into action. The Prime Minister's welcome commitment to 'Double-down on Levelling Up' now needs to be supported by a plan with specific milestones and outcomes to which successive governments are committed and by which success is measured. This requires a Plan for Levelling Up which sets out a jointly-agreed set of Outcomes Frameworks for all four nations.

Scotland has already set out a range of national performance indicators relating eleven broad goals for the wellbeing¹ and quality of life, including: safety; health; inclusion; diversity; creativity; skills & education; quality of environment; quality of businesses and work; and equality of wealth, power and opportunities. Similarly, the Welsh Government has created a national outcomes framework for care and wellbeing. Both these frameworks cover issues raised in the UK2070 Final Report.

For over 70 years², policies have directly or indirectly sought to ensure minimum standards of living. These relate to a basic right to income, education, health, decent housing and work. This has provided safety-nets through which no-one should fall. On

Embedding National Outcomes

Scotland and Wales have already identified national performance indicators. In England the Government has no equivalent set of ambitions.

There is a need for agreed targets for Levelling Up nationally for the most disadvantaged communities:

- Filling the productivity gap;
- Sustainable access to job opportunities;
- Universal Standards of basic services (e.g. access to medical services);
- Raising environmental standards; and
- Equitable prospects of social mobility.

their own, however, they have not addressed the causes of the deep-rooted systemic issues which divide the regions and nations of the UK. Current policies that reduce the impacts of inequality through benefits and transfer payments are necessary but not sufficient and, in effect, deal with the cost of failure, at a high cost. Flawed policies are now seen to have exacerbated patterns of inequality. Some of the key indicators are set out in Table 2.

Table 2: Issue	Hidden Costs of Inequality ³
Overall Costs of Poverty	Dealing with the effects of poverty costs the UK £78 billion a year, equivalent to 4 per cent of the UK's GDP.
Welfare Costs	£9 billion in lost tax revenue and additional benefits spending resulting from dealing with the symptoms of poverty.
Housing Benefit	Annual housing benefit costs rose by £12 billion between 1991-2018.
Health Costs	The costs to the NHS associated with inequality were £4.8 billion per year at 2011/ 2012 levels.
Infrastructure Costs	Construction costs in London up to 25% higher than UK average.

Levelling Up Outcomes

In order to translate the goals of Levelling Up into programmes of action, ‘outcomes’ need to be defined in terms of the scales of change. Future policies need to be tested ex ante in terms of their potential impacts on the Levelling Up Agenda. There is an emerging set of metrics in Scotland and Wales. However as reported by the Industrial Strategy Council⁴, in England there has been no real progress in embedding relevant social and economic objectives alongside cost-effectiveness on all major investment projects. It is considered that these could, however, include filling the productivity gap, accessible job opportunities, access to services, environmental conditions and social mobility (refer Table 3). Defining appropriate outcomes has to be a combination of national and local considerations. The following examples, however, illustrate the potential for setting outcomes for Levelling Up which are required at a national level in all administrations.

Bridging the Productivity Gap: Table 4 illustrates a potential shift in regional productivity that might form the basis of bridging the Productivity Gap which lies at the heart of many of the patterns of inequality in terms of income and wealth. This implies increasing employment in the North by 1.2 million over current trends and reducing the pressure on the London and Wider South East. This could form the context for economic planning in the nations and regions, breaking the dependence on trend projections. It would have consequential implications for the demand for housebuilding and infrastructure, the implications of which would have to be worked out locally since this would be determined, for example, by the levels of available of ‘spare’ labour and surplus housing stock.

Illustrative National Outcome from Levelling Up Productivity: Increasing the employment planning assumptions for housing and infrastructure provision in accord with Table 4.

Table 4: Jobs (Millions)	Jobs Growth 2020-2051	National Jobs Outcome Target 2051
London and WSE	1.4	14.2
Midlands	1.2	6.1
South West	0.6	3.3
N. England	1.7	8.8
Wales	0.3	1.7
Scotland	0.6	3.1
All Britain	5.8	37.2

Table 3	Indicator of Inequality
Existing policy support	Housing Costs
	Living Wage
	Educational Standards
	Health Service
No agreed standards or targets	Productivity
	Accessible Job Opportunities
	Access to Services
	Environmental Standards
	Social Mobility
Consequential impact of policy interventions	Productivity - GVA/Cap
	Household Wealth
	Healthy Life Expectancy
	Access to Higher Education
	Child Poverty

Accessibility to Job Opportunities: The labour markets are constrained by the major regional skills gap and the fact that the UK’s transport system is not joined-up. Appendix C lists the authorities with lowest scoring LSOAs in terms of skills. These need further analysis but are the starting point for a discussion about national priorities and targets for action. Similarly, there is a pressing need to fill gaps in connectivity within all cities with populations over 175,000 (refer Section5).

Illustrative National Outcome from Levelling Up the Labour Market: Priority to be given to additional 5-year funding in the most poorly served areas to future-skill the workforce to achieve the nation-al average, and to create high quality reliable zero carbon transit system for all cities with populations over 175,000 by 2045.

Access to Basic Services: The Index of Deprivation also ranks areas in terms of the barriers to access to services – the physical proximity to schools, doctors, general stores and supermarkets (refer Appendix C). This particularly affects rural communities. Issues of access, however, go well beyond the criteria used in the IoD e.g. the nature of access itself (its sustainability) and the state of the social fabric. It would be useful for more up-dated measures to be developed. However, even within the limitations of the current data, it is possible to identify national priorities for improving access to basic services, for example through programmes to support for the most poorly served.

Illustrative National Outcome from Levelling Up Access to Basic Services: Priority be given to additional 5-year funding to deliver local services to the most poorly served areas in accord with the locally prepared spatial strategy in areas.



Source: Unsplash

Environmental Conditions: Covid-19 has highlighted not only the importance of access to private and public greenspace⁵ but also the current inequity of provision. Deprived inner-city areas have five times less good-quality green space and higher levels of air pollution than other urban areas^{6 7}. Post-Covid, greater priority must be given to health and well-being. The NPPF supports the provision of better green infrastructure including the urban fringe landscapes but needs to go further in requiring standards to be set, tailored to local conditions. This can be delivered through a range of national outcomes criteria. These include including a basic standard of provision, the identification of priority areas or national spatial priorities for restoring impoverished environments. None at present exist.

Illustrative National Outcomes for Levelling Up

Environmental Conditions: Further work is required to establish the best approach to basic standards of provision, the identification of priority areas and national spatial priorities for restoring impoverished environments.

Social Mobility: Variations in social mobility is a post-code lottery – it depends on where you live⁸. In areas of low social mobility, it is far harder for someone from a deprived background to escape deprivation. Up to 33% of the pay gap is driven by non-educational factors, such as fewer labour market opportunities, lack the informal networks needed to find work when there are fewer jobs available, or because the skills requirements of employers increases in weak labour markets⁹ and fraying social fabric. For example, people are increasingly dependent upon access to Internet and mobile phone services. Covid-19 has reinforced the importance of these and the variations in the capacity of households to work from home or for home learning has further disadvantaged poorer households and marginal communities. As concluded by the SMC⁸, to equalise opportunities across the country, government must consider what support can be targeted on local authorities with the poorest social mobility outcomes (see Appendix C).

Illustrative National Outcome for Levelling Up

Social Mobility: Priority given to additional 5-year funding and support to improve social mobility for the most vulnerable council areas.

Policy Implications

The outcome frameworks should be an expression of commitment by Government to support and not dictate local priorities. It is essential that they are prepared through cross-border collaboration and the sharing of experience and expertise between administrations. They must also be agreed in partnership with local leaders as part of the commitment to decentralisation and 'going big' on local empowerment. The examples are only indicative they illustrate the potential of what is possible within existing published data.

The ability to define local priorities in terms of outcomes on basic services would be enabled by devolution, for example relating to health, open space, education, and health at work. Local measures will be most effective if they are supported by a commitment by national government to delivering outcomes related to, for example, universal basic standards and support for inter-regional priorities.

As expressed in the latest Onward report:

"We now know where in the country needs the greatest attention and which aspects of community have experienced the greatest change in recent years. The next step, which we will now begin in earnest, is to identify ways."¹⁰

A full set of worked up Outcomes need to be prepared collaboratively with national and regional leaders and institutions, and with independent scrutiny across the UK and devolved nations, comparable to the role exercised by the Future Generations Commissioner in Wales. They need to be prepared with a sense of urgency; the tools are there. Political will is now needed to translate the rhetoric of Levelling Up into substantive goals and action. It is essential that the Levelling Up outcomes must carry weight in the framing of priorities and allocation of resources if they are to have impact. Consideration should therefore be given to giving some form of statutory or legislative status, for example by creating an independent body to review progress as was done on climate change.



References

1. Social Service: the Welsh Government's [National Outcomes Framework 2019](#)
2. The Committee's Report on Social Insurance and Allied Services was published in December 1942. It became known as the Beveridge Report.
3. Research to be published 2020 on the UK2070 Commission website: <http://uk2070.org.uk/commission/>
4. Industrial Strategy Council: [Annual Report 2020](#)
5. [Evidence from Public Health England](#) on the health benefits associated of green spaces is wide-ranging including life expectancy, improved mental health and wellbeing as well as positive physiological effects of better-quality environments .
6. [Marmot Report](#)
7. ONS Report: [May 2020](#): In England, Black people are nearly four times as likely as White people to have no access to outdoor space at home, whether it be a private or shared garden, a patio or a balcony (37% compared with 10%).
8. Social Mobility Commission 2020: [Long Shadow of Deprivation and Tables](#)
9. Social Mobility Commission 2020: [Long Shadow of Deprivation and Tables](#)
10. Onward: [The State of Our Social Fabric](#): p96

Immediate Action for Government

Section 7

Context - Current Commitments

The scope of 2070 Commission's 10-Point Action Plan remains sound and is even more urgent.

The UK Government has already taken steps which are supportive of the Levelling Up Agenda in terms of policy announcement and Spending Programmes. These include those shown on Table 1. These, however, are ad hoc and need to be sustained and expanded. There is a need to be more consistent and strategic in these programmes. The approach to spending remains deal-based and competitive and although the Levelling Up agenda is a commitment and in terms of policy there are few tangible changes yet. The proposed spending review provides the opportunity to do so.

It is also important that the whole power of the Government and its agencies works to a common Vision. This includes the raft of governmental reforms being introduced (e.g. for transport, housing, planning and devolution). For example, policies for housing delivery must not undermine the efforts to level-up by subsidising pressure on overheated markets, overloaded infrastructure or sensitive environments.

Immediate Action for Government

Government has already taken some steps which support Levelling Up (including transport, housing and devolution). But they are not aligned, nor are they adequate in scale and scope.

Our immediate priorities for Government are therefore as follows.

First, **A New Deal for Levelling Up the UK** in with a minimum budgetary commitment in the 2020 Spending Review in the order of £150bn over the next 10-years.

Second, it should commit to **full fiscal devolution to the devolved nations and local councils in England**, decentralisation of government itself and establish a Commission to report back by the new parliamentary session in Autumn 2021.

Third, it should ensure that COP26 2021 Glasgow programme on climate change **embeds the principles of a Just Transition to Zero-carbon economy.**

Fourth, a Cross Departmental Committee should be established to audit and recommend how to **embed the Levelling Up agenda in all government programmes and policies**, including setting out a National Outcomes Framework.

Fifth, Accelerator Task Forces should be established for creating **Global Centres of Excellence outside the Golden Triangle**, in the North, Midlands and the Western England, with parallel initiatives in the devolved nations.

Finally, the National Infrastructure Commission should have its role expanded to include preparation of a **Spatial Framework Plan for England with a linked 10-year action programme** and collaboration with the devolved nations.

Table 5: Early Actions to implement the UK2070 10-Point Action Plan

Action	Current Commitments	Additional Policy Requiring Programmes of Action		
1. Just Transition to Zero-Carbon	Zero-Carbon Target COP & Decarbonisation	Integrate Levelling up into UK Climate Change Agenda	Update the BEIS Industrial Strategy for a Just Transition	BEIS to target regions most vulnerable to decarbonisation
2. Connectivity Revolution – A UK-Network	Decarbonisation Strategy announced for Green Transport Revolution	1000km of additional new or upgraded rail network	NIC to define the long-term Intercity Network	Require Intra-urban Transit Strategy in all city-regions
3. New Centres of Excellence	Commitment to extra funding	Create a UK-Gateway for the bringing forward Centres of Excellence based key institutions as hubs outside the Golden Triangle; Pilot in Bristol, Manchester & Sheffield		
4. Strengthening Local economies	Local Towns Fund	Task LEPs to Embed Foundational Economy in Industrial Strategies & Welsh Government approach adopted across all nations		Establish standards of Universal Basic Services
5. Rethinking Housing Crisis	An additional 100,000/year in London and the Wider South East	Embed Housing in Economic Policy (BEIS & LEPs)	Devolve Housing responsibilities	Establish a 10year Social Rented Programme (MHCLG)
6. Harnessing Environment & Culture	Support for Culture Sector Recovery Fund	Task public bodies to build in levelling up (DEFRA & DMCA)	Create Gateway for the bringing forward new national cultural institutions outside London	
7. Comprehensive Inclusive devolution	Devolution Bill (9/20)	Devolution Bill to embodied a comprehensive package of decentralised functions and devolved powers and block funding (HMG)		Confirm existing and new pan-regional bodies, including parliamentary and ministerial portfolio for each area
8. Future Skilling the UK	Part of Industrial Strategy	Link skills to levelling up agenda (DES)	Innovative training & skills regimes	Transform inner-city educational performance
9. Local Access to Finance	Expected as part of Devolution White Paper	Confirm target of £15bn/an Shared Prosperity Fund (HMG)	Lift cap on Infrastructure and R&D Spend (HMT)	Promote Strategic Sharing of Uplift in Land Values
10. Regional and National Spatial Plans	Current Consultation on Strategic Plan as part of Planning White Paper	Task NIC to prepare an NSP for England	Link to subnational & sectoral plans	Task NAO, ONS et al to build levelling up into analytic processes
Reforming Government	Expected as part of Devolution White Paper in preparation	Establish National Levelling Up Outcomes Frameworks		Establish a Cross Ministerial Committee on Levelling Up

Acknowledgements

Acknowledgements

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

Members of the UK2070 Steering Group in particular Professor Ian Wray (The Heseltine Institute of Public Policy, University of Liverpool), Michael Henson and Siobhan Campbell (Turner & Townsend), Profs Cecilia Wong and Vincent Goodstadt (The University of Manchester), Dr. Lucy Natarajan (Bartlett School of Planning, UCL), Philip Brown (University of Sheffield), Michael Goodstadt, Robin Wilde and Barton Willmore.

Although the views expressed in this report are those of the UK2070 Commission, it is very grateful for the advice and guidance, research undertaken for the Commission and contributions to the UK2070 Papers, in particular the Commission would like to thank the following:

Dame Kate Barker, Prof. Mike Batty (UCL), James Blagden & Will Tanner (Onward), Prof. Duncan Bowie (Highbury Group), Prof. Mark Boyle, Prof. Gillian Bristow & Dr. Adrian Healy, (Cardiff University), Dr. Armando Carbonell (Lincoln Institute), Andrew Carter (Centre for Cities), Prof. Paul Collier (University of Oxford), Lewis Cooper (The Independent Commission on the College of the Future), Prof. Jagjit Chadha, Dr. Ying Jin & Dr. Ben Gardiner, Prof. Ron Martin & Prof. Pete Tyler (University of Cambridge Prof. Tony Crook (The University of Sheffield), Dr. Emma Degg (NWBLT), Prof. Trudi Elliott (Henley Business School. University of Reading), Dr. Nicholas Falk (URBED), Julia Goldsworthy (WMCA), Prof. Alan Harding (GMCA), Dr David Inness(JRF), Dr. Andrew Jones (AECOM), Dr. Benjamin Kulka (The British Academy), Jim Hubbard (CBI), Dr. Sarah Longlands (IPPRN), Ben Lucas (Metrodynamics), Profs Craig Watkins, Philip McCann & Alasdair Rae (University of Sheffield), Bill McElroy, Michael Henson & Gareth Poole (Turner & Townsend), Prof. Duncan MacLellan (University of Glasgow), Gail Mayhew, Charles Dugdale, Craig Beevers and Ben Bolgar(The Stewardship Initiative), Prof. Niamh Moore-Cherry (University College Dublin), Sadie Morgan (dRMM), Prof, Chris Murray (Core Cities), Andrew Pritchard (EMC), Dr. Richard Prothero (ONS), Dr. Graeme Purves, Kevin Richardson (Newcastle University), Dr. Mark Sandford, Mike Shields, Dr. Martin Simmons, Jim Steer. Deborah Carson and John Jarvis (Greengauge21), Dr. Tim Stonor & Ed Parham (Space Syntax), Jane Healey-Brown & Alex Jan (ARUP), Ed Rowberry and David Barclay, The Bristol City Office Team, Sir Hugh Sykes, Bob Yaro (University of Pennsylvania), Sandy Taylor and Dave Thew (FNWM), Prof. John Tomaney (UCL), Alan Wenban-Smith, Proprietor, Urban & Regional Policy, Profs Richard Jones, Karel Williams & Cecilia Wong, Dr Caglar Koksak, Dr. Helen Zheng (University of Manchester), Phil Williams, as well as ARUP, UK Collaborative Centre for Housing Evidence (CaCHE), Centre for Advanced Spatial Studies (UCL), Martin Centre for Architectural and Urban Studies (Cambridge), Greater Manchester CA, City Councils of Bristol, Leeds and Cardiff, Common Futures Network, Spatial Policy & Analysis Laboratory (MUI), Homes for the North, & Tees Valley DC.

A series papers and think pieces have been prepared for the UK2070 Commission as background to this report and can be found on the UK2070 [website](#). These include:

First Series: August 2020

1. **Six Propositions: The New Norms, Values and Politics after Covid-19:** *The Right Honourable The Lord Kerslake, Professor Ian Wray & Professor Vincent Goodstadt, UK2070 Commission*
An overview of the effect of the Covid-19 pandemic on British society; an evaluation of six emerging 'mega-trends' for life after Covid-19; and a discussion of how unless this opportunity to 'recover' the UK of its pre-existing underlying problems is seized, then these problems will be exacerbated, including the deep-rooted and unacceptable inequalities in society that the UK2070 Commission seeks to address.
2. **Levelling Up: why we must build a better economic vision of the North's future:** *Dr. Sarah Longlands, Director of IPPR North and UK2070 Commissioner*
An exposition of how Covid-19 is exposing the weaknesses of the UK's centralised political and economic system, and is threatening to intensify our regional inequalities still further; with it therefore being time to commit radical change and an ambitious plan for building a better northern economic future.
3. **Covid-19 and Economic Resilience:** *Professor Gillian Bristow (UK2070 Commissioner) and Dr. Adrian Healy, School of Geography and Planning, Cardiff University*
A summary of the economic shock being brought by the Covid-19 pandemic not just to the UK economy; but to the economies of its constituent nations, regions and localities with a potentially very significant and lasting effect on demand both at home and in overseas exports markets.
4. **UK2070 Through the Lens of Local Government:** *Paul Hayes, Wakefield Council and Key Cities Group, writing in a personal capacity*
An examination of the potential contribution of local government, primarily in England, to be better engaged in the delivery and achievement of the UK2070 Commission; and also, a range of new policy proposals to deliver radical change.
5. **The UK2070 Commission & Bristol's One City Approach:** *Ed Rowberry and David Barclay, The Bristol City Office Team*
A comparison of the UK2070 Commission's vision and the 'One City Approach' that has been developed in Bristol over the last four years; and a proposal for a formal partnership to build synergies between the national efforts of the Commission and the city level innovations taking place in Bristol.
6. **Moving Forward from Lockdown: Some Perspectives from Scotland and Wales:** *Dr. Graeme Purves, UK2070 Commissioner*
A systematic look at some distinctive Scottish and Welsh dimensions to the issues addressed in Make No Little Plans, The Final Report of the UK2070 Commission; and indicates how thinking is developing in the light of the experience of the Covid-19 pandemic.
7. **Covid-19, Cities and Public Transport (Page 52):** *Jim Steer, Deborah Carson and John Jarvis - Director, Associate and Associate Director at Greengauge 21*
An argument in favour of a pan-UK network of service hubs centred upon major towns and cities; to produce a restored, healthy and improved public transport service that is central to national economic recovery and to comply with the Government's commitments on climate change.
8. **Additional Evidence for the UK2070 Commission:** *Professor ADH Crook CBE FACSS FRTP, Emeritus Professor of Town & Regional Planning at the University of Sheffield*
Further evidence on the need for change in the capturing of land values to finance both infrastructure and affordable housing; drawing particular reference to Professor Crook's work for the Scottish Land Commission.

9. **Reinventing Town centres: A Call for Action Now!** *Dr. Nicholas Falk, Director of The URBED Trust*

A summary of the threats posed by the Covid-19 pandemic on Britain's town centres and high streets, in the context of other challenges faced in recent decades; and a five-point set of proposals to address them

Second Series: September 2020

1. **Following the money: how the Covid-19 crisis could drive changes to local government funding:**

Dr. Mark Sandford, House of Commons Library, writing in a personal capacity

The balance between centrally-raised and locally-raised revenues is too often ignored, yet it plays a critical role in delivering the UK2070 Commission Ten Point Action Plan for 'Levelling Up'. Dr Sandford's paper explores how local government finances assist or obstruct these changes.

2. **Housing, national recovery and the uncanny return to regional inequality:**

Homes for the North
Evidence shows regional differences in how Covid-19 has impacted communities, with unequal access to quality homes having contributed to this. This paper explores how housing policy will determine success of both the national recovery and the 'levelling up' agenda.

3. **Innovating the residential business model: from short term to Stewardship:**

Gail Mayhew, Charles Dugdale, Craig Beevers and Ben Bolgar, The Stewardship Initiative

This paper argues why the failure of the housing market lies in the residential business model rather than the planning system. It proposes a 'stewardship' approach to land assembly and funding linked to a new Land & Infrastructure Investment Fund so as to overcome this.

4. **Household stocks and flows: planning to manage uncertainty:**

Alan Wenban-Smith, Proprietor, Urban & Regional Policy

New households depend primarily on homes becoming available for sale or rent from turnover of existing stock. This paper argues that direct social provision could be a better way to meet needs, in terms of social inclusion, productivity and environmental quality.

5. **A post Covid-19 perspective from the East Midlands:** *Andrew Pritchard, East Midlands Councils, writing in a personal capacity*

This paper provides a post Covid-19 East Midlands perspective for the delivery of the Ten Point Action Plan set out in The Final Report of the UK2070 Commission: Make No Little Plans – Acting at Scale for A Fairer and Stronger Future, and particularly draws on the need for investment in the eastern leg of HS2.

6. **Covid-19, Community and Public Policy – a big idea from a small place:** *Dr. Lowri Cunnington-Wynne, Professor Julie Froud and Professor Karel Williams, Aberystwyth University and The University of Manchester.*

The UK2070 Commission recognises the importance of foundational goods and services such as health, education, care, housing and utilities. This report focusing on Blaenau Ffestiniog and Bro Ffestiniog illustrates why this is more important than ever post Covid-19, and makes suggestions for new thinking in addressing unemployment.

7. **Covid-19 pandemic: putting universities at the heart of economic recovery of place:** *Kevin Richardson, Visiting Fellow, Newcastle University*
This paper argues that universities are at the heart of any recovery plan post Covid-19, but that they must be related to their local economy also as 'place' will matter much more, not less, after the pandemic – requiring a fundamental rethink of existing policies.

8. **Creating colleges of the future for a fairer and stronger society:** *Lewis Cooper: Director of The Independent Commission on the College of the Future*

Colleges of further education have a vital role to play in addressing regional inequalities, and future skilling the UK. This paper sets out the need for a systemic approach, based on local coordination across all parts of the education system – alongside employers, local government and other agencies – to enable further education colleges to fulfil this role.

9. **Sustaining the construction supply chain: protecting skills and promoting growth through the Covid-19:** *Gareth Poole, Director of Contract Services, Turner & Townsend*

This paper explores the challenges to the construction sector exposed by Covid-19, and the role of Government as the industry's largest client in creating a new, more robust and export-oriented model for the sector as part of the Government's Covid-19 recovery plan.

Lessons Learned from the US New Deal

Local leadership and innovation

Strategic investments in infrastructure, natural resource protection and energy protection can transform the economy of left behind regions. In the US virtually all of the New Deal's regional development programmes were first proposed by local officials and business and civic leaders, and then financed and built by the federal government.

Special Purpose Delivery Agencies

In each case, special purpose delivery agencies were established to plan and deliver these complex, multi-billion dollar and multi-year projects.

Electric Power Production and Distribution

Each of the New Deal's regional development projects involved production of low-cost hydropower, or in the case of the Tennessee Valley Authority (TVA,) a mix of hydro and fossil fuel power production. And in each case, the power produced by dams and power plants was distributed by electric cooperatives or government subsidized distribution systems. In designing a 21st century version of these programmes, it would be necessary to focus on carbon-free alternative power generation and distributed power systems. These could include wind, solar, wave or other alternative energy sources, and could be part of a broader strategy to decarbonize the UK energy supply and economy.

Water Management

All of the New Deal regional development projects included flood control, irrigation and public water supply elements. In designing a 21st century version

of the New Deal, the UK could focus regional development projects on climate-related flood control measures to address coastal, riverine and urban flooding. It could also focus projects on conserving water resources in the face of more frequent droughts and widely variable rainfall patterns.

Job Training and Education

New Deal projects resulted in the construction of thousands of new and renovated schools across the country and New Deal workers also received skills training that they could utilize long after the had left these public construction projects. The final product of the New Deal was the GI Bill, which provided millions of World War II veterans with higher education and trade educations and low-cost mortgages, and underpinned a generation of prosperity for the US in the post-war era.

Environment and Conservation

A major focus of New Deal projects was conservation and development of natural resources, through the efforts of the Civilian Conservation Corps, Resettlement Administration and other New Deal agencies. A New Deal for the UK could also focus on preservation of countryside, wildlife habitat, waterways, and ancient woodlands, reclamation of brownfields and improvement of parks, footpaths, historic sites and other recreational resources.

Mobility Systems

The New Deal produced thousands of miles of new and improved roads across the United States. And as noted above, New Deal planners also proposed



a national limited access system that became the post-war National Defense and Interstate Highway System. A post-Covid mobility system for the UK could include some improvements to roads, but would necessarily focus on modern high-performance rail networks, like HS2 and Northern Powerhouse Rail and their counterparts in other left behind regions. These systems could support the emerging post-pandemic trend towards the increasing employment and population out of central London and the Southeast, and promote development in left behind regions and mid-sized cities across the nation.

Housing and New Communities

The New Deal produced hundreds of thousands of council housing units across the United States, and pioneered in creating Greenbelt Towns that became templates for post-war suburban development. These projects were designed to put large numbers of the unemployed to work, but also to produce much needed low-cost housing. The UK could

adopt similar measures to address severe affordable housing shortages across the country.

Financing

The entire New Deal was financed through US Treasury Debt. As a result of New Deal spending, the national debt of the US increased by 50% between 1933 and 1936. During today's period of historically low interest rates and readily available capital, it should be possible to finance the UK's version of the New Deal through sale of UK Treasury debt, which would be Sterling denominated, and the vast majority of which would be purchased by international investors and sovereign wealth funds. In effect, the rest of the world would be investing in building Britain's future economy. And if projects are well selected and designed to create new efficiency and productivity across the UK economy, debt service would be paid for with future increases in employment and tax revenues.

Lessons from FDR's New Deal

"Our greatest task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the government itself, treating the task as we would treat the emergency of war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources." (FDR 4th March 1933)

Building from below, the New Deal created massive public works employment programmes across the USA helping to pull the country out of the Great Depression, creating the modern economic geography of the USA and transforming formerly under-developed regions into post-World War II economic powerhouses.

It left a legacy of public works that continue to benefit the USA, including roads, tunnels, bridges, dams, hydro power projects, rural electrification, more and better national and state parks, social housing, schools and hospitals. Some of these assets, like New York's tolled bridges and highways, generated streams of income which, capitalized, were used to continue massive investment. Alongside infrastructure investment were programmes of cultural investment, creating employment for artists, actors and playwrights: post war the GI Bill underpinned a generation of social mobility and post war prosperity.

The New Deal shaped planning for war. Its agencies provided the expertise to ramp up government and the economy, including systemic data collection. Roosevelt carried forward New Deal planning principles into his rearmament drive, with government investment at its heart, as well as his plans for the post war Interstate Highways, and for post war scientific education and research. Between 1940 and 1945, new investment in US industry amounted to \$26 billion. Only \$8.6 billion came from private sources.

The most important lessons are the need for long term planning and thinking, creating new leadership institutions, and promoting a culture of excellence in government. A New Deal for the UK will mean creating and strengthening investment vehicles and leadership institutions, and building from the bottom up. It would help the 'levelling up' of the national economy and respond to much wider economic, social and environmental challenges.

Council Areas

(Most Deprived in terms of
Access to Services, Skills and Education
& Levels of Social Mobility)

Rank	Access to Services	Skills and Education	Social Mobility
1	Northumberland	NE Lincolnshire	Chiltern
2	Ryedale	Tendring	Bradford
3	West Suffolk	Wakefield	Hyndburn
4	Herefordshire	Rotherham	Gateshead
5	Carlisle	Great Yarmouth	Thanet
6	South Holland	Bristol	Blackpool
7	Richmondshire	Wyre Forest	Oldham
8	Hambleton	Sandwell	Bolton
9	Boston	Doncaster	Stockton-on-Tees
10	Shropshire	Boston	Walsall
11	East Suffolk	Kirklees	Wolverhampton
12	Ashford	Walsall	Barrow-in-Furness
13	Uttlesford	Bradford	Pendle
14	Mid Devon	Stockport	St Helens
15	Babergh	Redcar & Cleveland	Kirklees
16	Eden	Leicester	Blackburn with Darwen
17	Huntingdonshire	Scarborough	Rochdale
18	West Berkshire	Stoke-on-Trent	Wigan
19	Allerdale	Middlesbrough	Dudley
20	Wycombe	Mansfield	NE Lincolnshire
21	Craven	Blackpool	Rotherham
22	East Lindsey	Dudley	Kingston upon Hull
23	South Cambs	Wirral	Fenlands
24	Cherwell	Swale	Mansfield

Sources: Index of Deprivation and Social Mobility Commission

Email

UK2070@turntown.com

Post

The UK2070 Commission
c/o Turner & Townsend
7th Floor, Pearl House
Friar Lane
Nottingham
NG1 6BT

Twitter

@UK_2070

All plans are reproduced from the Ordnance Survey Map with the permission of the Controller of HMSO. Crown copyright Reserved. Licence No. AR152684.

© 2020 by UK2070 Commission.

Design by Robin Wilde Design & Creative
(robinwilde.me)

Printed in the United Kingdom. First Printing, 2020

© The contents of this document must not be copied or reproduced in whole or in part without the written consent of the UK2070 Commission Partners.