

UK2070 Commission Call for Evidence

Submission by Yorkshire Universities

November 2018

About Yorkshire Universities

Yorkshire Universities (YU) is a regional higher education association representing eleven universities and one specialist higher education institution (HEI).¹ YU is a partnership based on a shared mission to strengthen the contribution that universities and HEIs make (individually and collectively) to the economic, social, cultural and civic life of places in Yorkshire. Economically (i.e. gross value added), this contribution totals £3.2bn per annum. YU works in close collaboration with national, regional and local partners. Our strategic focus on place-based development, drawing on the broader economic and societal role of our members, recognises the government's vision for the UK industrial strategy and local industrial strategies to help tackle spatial disparities in the UK.

Increasingly, YU members have adopted a global perspective, but they remain firmly-embedded in local economies and communities, working with public and private sector organisations of all sizes. Our members are vital anchor institutions driving local and regional growth. YU is charged with bringing together and harnessing the scale and capacity of its member institutions, drawing upon teaching, knowledge exchange and inter and cross-disciplinary research strengths.

YU welcomes the UK2070 Commission, and its intention to examine the structural causes of uneven development. We need to identify the specific interventions that present the best opportunity to address spatial disparities in the UK, which are some of the widest amongst Organisation for Economic Co-operation and Development (OECD) member economies.

Our response to the Commission's questions

Current Conditions

1. *What interventions will make a fundamental change in productivity of underperforming economic areas?* To address spatial disparities in the UK we need a long-term policy commitment underpinned by sustained investment in addressing the causes of weak productivity in poorer regions. This includes investment in infrastructure, skills (especially Levels 2, 3 and 4), enterprise and innovation, as well as making radical improvements to the quality of management and leadership in private industry. A new regional policy should direct higher levels of support to underperforming places. New institutions, such as national and/or regional

¹www.yorkshireuniversities.ac.uk/

Members are: Leeds Arts University; Leeds College of Music; Leeds Beckett University; Leeds Trinity University; Sheffield Hallam University; University of Bradford; University of Huddersfield; University of Hull; University of Leeds; University of Sheffield; University of York; and York St John University.

investment banks, could provide new forms of capital, which is likely to be needed should the UK's future access to European Investment Bank finance become restricted.

2. *What cross-cutting criteria could be used to define threshold standards of community wellbeing?* As part of a new policy there should be greater emphasis and investment upon supporting the 'foundational' infrastructure – such as water, energy, education, health and social care – that is essential to building and sustaining resilient and prosperous communities.² The criteria used to benchmark community wellbeing should include: the quality and quantity of employment; income levels; housing standards and affordability; educational attainment; health outcomes; carbon reduction; and environmental improvements.
3. *Which decisions are best taken at a national level and which at a city region or wider regional level?* We recognise the importance of effective multi-level governance to address spatial economic imbalances. There should be an enduring strong relationship between national and sub-national (including regional, city-regional and local) governments and institutions, but certain policy interventions are best implemented at specific geographical scales. For example, decisions taken at the national level should include, the design and implementation of national frameworks for economic development and planning; macro-economic policy, including fiscal frameworks; employment regulation; national infrastructure strategy; elements of innovation investment; the coordination of major inward investment; and support for regional and city-regional institutions. At a region or city-region level, there should be greater responsibility for economic development; enterprise; skills and vocational training; place-based innovation; inward investment delivery and aftercare; infrastructure strategy, planning and provision; health and well-being; and housing.
4. *What can we learn from international and our own past experiences?* One lesson, particularly from an English perspective, is that the constant reorganisation of institutions charged with supporting local and regional development is wasteful and counter-productive.³ Churn does not help build the stable and effective governance systems held up by the OECD as being crucial to supporting sub-national and local growth. Furthermore, international evidence, although mixed, suggests that devolution to regional and city-regional scales is a necessary but insufficient condition by itself to deliver spatially-balanced national economies.⁴ Other lessons are evident from the importance that governments elsewhere attach to national spatial development and planning policies, and the value of research, analysis and intelligence capacity within regional and city-regional authorities.

² The Foundational Economy Collective (2018) Foundational Economy: The Infrastructure of Everyday Life, The Foundational Economy Collective, Manchester University Press: Manchester.

³ Pike, A., Kempton, L., Marlow, D., O'Brien, P. and Tomaney, J. (2016) Decentralisation: Issues, Principles and Practice, CURDS, Newcastle University: Newcastle upon Tyne.

⁴ Tomaney, J., Pike, A., Torrisi, G., Tselios, V. and Rodriguez-Pose, A. (2011), 'Decentralisation outcomes: a review of evidence and analysis of international of international data', Final Report to Department for Communities and Local Government, Centre for Urban and Regional Development Studies, Newcastle University, and Department of Geography and Environment, London School of Economics.

5. *What lessons can be drawn from 50 years of policy initiatives to address geographical inequalities?* Governments in the UK and across the rest of Europe have to wrestle with the fundamental challenge of achieving greater spatial balance in national economies whilst protecting the gains from prosperous regions.⁵ There is a genuine need to maintain a long-term and consistent approach to regional policy. Reversing profound geographical inequalities requires substantial commitment and resources. This will become more significant in the run up to and beyond the UK's likely exit from the European Union. This is a major test for the government's new UK Shared Prosperity Fund that will replace European regional development funding though as yet the details are vague. Any new approach to regional policy should also be mindful of the geographical bias that certain national policies produce by favouring more prosperous regions.⁶

Future Risks

6. *What levels of geographical inequality will persist over the longer term on the basis of current and potential socio-economic trajectories?* The complex nature and pace of technological advancement, coupled with economic risk and uncertainty, could worsen spatial inequalities. Whilst labour market performance in less prosperous regions has improved (albeit in quantitative terms) over recent years, we need more and better jobs in the places where levels of unemployment and economic inactivity still remain stubbornly-high. Studies have also forecast that Brexit will result in further regional divergence,⁷ whilst the growth in automation and the need for stronger environmental protection could impact more negatively on poorer places if change is not handled sensitively.
7. *To what extent will the patterns of inequality be affected by changing external market conditions or government policy?* The processes and spatial patterns of inequality are shaped in different ways by market conditions and government policy. Government, in successive guises, has set the context, regulatory framework and environment within which markets function. Government action can also give a strong signal to markets, through direct public policy and investment, which can encourage private interests to invest in regions outside London and the South East.
8. *What range of assumptions should be used in framing policies and programmes about the scale of economic performance in disadvantaged parts of the UK?* One of the lessons from the 2016 EU referendum is the risk associated with fomenting a perception that certain places have no or diminishing long-term future within the national political economy. The 'city centrism' model has brought benefits, but it

⁵ Martin, R., Pike, A., Tyler, P. and Gardiner, B. (2015) Spatially Rebalancing the UK Economy: The Need for a New Policy Model, Seaford, Regional Studies Association; Iammarino, S., Rodriguez-Pose, A. and Storper, M. (2017) 'Why Regional Development Matters for Europe's Economic Future', Working Paper WP 07/2017, European Commission: Brussels.

⁶ Ibid.

⁷ See: <https://www.birmingham.ac.uk/schools/business/research/research-projects/economic-impacts-of-brex-it-on-the-uk.aspx>

also has its limits.⁸ Inclusive growth is not necessarily derived exclusively from very large cities and city-regions. We need to find a way of building stronger territorial inter-relations between city cores and wider city-regions, smaller cities, towns, rural and coastal areas.⁹ Government appraisal mechanisms, which assess where public infrastructure investment should take place, often favour cities and regions that are more prosperous. We need a revised approach to appraisal that recognises the broader value of investing in poorer regions.

9. *What forms could a UK-bespoke regional and national spatial development programme take?* Any future spatial development programme (or regional policy) should seek to direct more resources into the places of greatest need. There should be greater local discretion over funding decisions, coupled with a less bureaucratic approach to project/programme development and management. The continued emphasis on national competitive processes to allocate public funding should also be reviewed. The time and resources taken to prepare bids for what, at times, are relatively small amounts of money can result in opportunity costs and the diversion of crucial capacity. Funding should be longer-term and where possible delivered through a 'single pot' mechanism so local and regional institutions have the flexibility to redirect funding and achieve integration across different policy areas.
10. *What are the pros and cons of these possible options?* Adopting a framework that targets more investment towards areas of greatest need would, on the plus side, signal important political support for disadvantaged places, and over the long-term achieve a more balanced economy. The potential downside is that directing more resources into poorer regions, and away from other places, could diminish national economic output in the short-term. However, a conventional, market-led approach that seeks higher returns on investment would always concentrate on more successful areas. Over the longer-term, there is a case that continued investment in prosperous regions – in the form of transport, housing and other capital – runs the risk of producing diminishing returns, whilst investment in places where there is latest demand could in time improve overall national productivity and performance.

Future Opportunities

11. *What range of development programmes or major long-term projects within all regions and nations could be recognised as national priorities?* In Yorkshire, there is an urgent requirement to improve intra- and inter-regional transport infrastructure. The current state of local and regional rail services, including poor connections to other cities and towns in the north of England, acts as a drag on labour mobility, productivity and economic performance. Alongside major regional transport (including ports, airports and roads), housing and infrastructure programmes, and telecommunications, there is a requirement in Yorkshire to invest in manufacturing, energy, health, creative industries, automation and med-tech. And to increase

⁸ Pike, A. (2018) *The Limits of City Centricism*: <https://www.cityevolutions.org.uk/the-limits-of-city-centricism/>

⁹ Pike, A. (2018) *Continuity and change in territorial development and policy*, presentation to the ESPON conference on 'Building the next generation of research on territorial development', London, CURDS, Newcastle University: Newcastle upon Tyne.

support for higher skills development, particularly in vocational areas. These priorities, which underpin national and local industrial strategies, should, where appropriate, be recognised as priorities in the National Infrastructure Pipeline and the National Infrastructure Assessment. Such investments would make a major contribution to increasing prosperity in Yorkshire, the wider north of England and UK overall.

12. *What mechanisms could be introduced to improve the level of and capacity for concerted action across public and private sectors?* YU's strategy is to widen and deepen our members' collective engagement with place-based development. We are supportive of closer working between Local Enterprise Partnerships and (mayoral) combined authorities; and any steps that strengthen university/HEI engagement in national and local industrial policy and strategy. Where appropriate, cross-LEP and combined authority boundary collaborations that reflect business supply chain and sector geographies, should be encouraged. YU members possess world-class research expertise and facilities. Government and public and private sectors in Yorkshire could be incentivised to work more closely with universities to develop co-ordinated (including applied) research and intelligence capacity to provide the evidence base to drive concerted action to address spatial disparities.
13. *How can decisions at each level of government be better integrated spatially?* The concept of place has received greater attention recently in UK policy-making, but within and across government departments and agencies, in-depth understanding about the value of place-sensitive policies remains limited. Within a multi-level governance framework, stronger collaboration and partnership working between different levels of government is essential for implementing effective national spatial development policies and strategies. The government's forthcoming devolution framework should seek to support this.
14. *What form of national spatial policy for England would be most useful in terms of its content, processes, status and impact, and its relationship to the rest of the UK?* The UK could learn important lessons internationally from how national spatial development and planning frameworks in other countries are developed and operate. In particular, these strategies guide long-term growth and development within different regions and places, and crucially steer public and private infrastructure investment.
15. *Should there be national targets for reducing the differentials in inequality?* In the past, there have been national targets for reducing regional disparities (e.g. Public Service Agreements). There is a potential role for the new national Industrial Strategy Council, in terms of providing an independent assessment of the performance of industrial policy and strategy to addressing regional disparities. In order to maintain political commitment to reducing spatial inequalities, some key performance indicators attached to policies and interventions might be useful.

16. *What actions can be taken within current administrative frameworks to coordinate a shared vision for the future of the UK?* The concept of 'departmentalism' within government has been increasing since the EU referendum, but works against efforts to co-ordinate national policy, interventions and investment. This poses a serious challenge to developing and implementing a shared vision for the future of the UK. Government as a whole should take responsibility for adopting and implementing a shared vision and strategy to address spatial imbalances would be a useful step forward. There should be a stronger inter-departmental mechanism that co-ordinates ministerial oversight and civil service capacity under one shared mandate to address spatial imbalances, alongside the increased visibility and engagement of national government officials within the English regions.

Contact

Dr Peter O'Brien
Executive Director
Yorkshire Universities

p.obrien@yorkshireuniversities.ac.uk