PLAN FOR THE NORTH

How to deliver the levelling up that's really needed

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Steve Fothergill and Tony Gore

Centre for Regional Economic and Social Research
Sheffield Hallam University

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FOREWORD

By:

Sir Steve Houghton, Leader, Barnsley MBC
Dan Jarvis MP, Mayor of South Yorkshire
Ros Jones, Elected Mayor of Doncaster

The North of England is a great place to live and work but over successive decades it has been battered by economic forces beyond its control and let down by Westminster and Whitehall. Our people in the North deserve a better deal from government, and our local authorities need the powers and resources to tackle the numerous challenges our communities face.

The government's commitment to levelling up is therefore welcome. But the practical steps have so far been limited and disappointing. We've seen the re-cycling and re-labelling of a few existing budget lines, the planned move out of London of a couple of government offices, the release of two dodgy lists of 'priority areas' and, frankly, not a lot else. What's more, competitive bidding for funding, which seems to be the government's preferred way forward, cannot be expected to do much to level up the North when bids are invited from everywhere across the country.

So what should 'levelling up' really look like? If we don't like what's on the table at the moment, exactly what should we be asking for?

That's why we commissioned this report. In January this year we asked Prof Steve Fothergill, whose published work on UK regional development extends back over five decades, and his long-standing colleague from Sheffield Hallam University, Dr Tony Gore, to help develop a *Plan for the North*, setting out what's really needed to deliver the levelling up we all want to see.

Let's be clear: what we have here is the independent, professional assessment of two experienced academics. Lots of players in the North will have their own perspective on what's needed and their views won't necessarily coincide with everything set out here. But that's not the point. We wanted to get the debate started.

Let's also be clear that although the report was initiated by Yorkshire politicians it's about the whole of the North – the North East and North West as well as Yorkshire and the Humber. For this reason the report isn't a shopping list of projects, however important they might be. Rather, it sets out a direction of travel – the national priorities, the funding streams, the regulations and the local powers that need to be in place to build a revival in the North.

As local politicians we all have our pet projects, and we wouldn't be doing our jobs properly if we didn't. Some of these projects are of strategic importance and span several neighbouring authorities – Northern Powerhouse Rail is a case in point. But a list of new railways, of by-passes, science parks and town centre redevelopments is for another day, and perhaps another much bigger document further down the line.

A short report could also never do justice to the diversity of places and circumstances in the North. In particular, there are issues that are distinctive to the North's rural areas and to its seaside towns. If the present report does not give these places the attention they deserve it's not because we as politicians (or indeed the authors) are unaware of their needs. Again, this is perhaps something for a fuller document at a later stage.

There is nevertheless much to be commended in the report. It sets out the long-term challenges we face to match levels of prosperity in London and the South, and the immediate problems arising from Brexit and the pandemic. It explains how the present government initiatives fall short of what is required. It identifies the national policies we need to support economic growth in the North. It spells out the case for investment in infrastructure and public services, and for devolution.

The report highlights the critical conditions needed for levelling up to have a chance of success. For us, four crucial points emerge:

- **Levelling up the North requires a plan**, with measurable goals and a coherent locally-adapted strategy for getting there. At the moment the government has yet to define what levelling up should look like, how it will be delivered, or how success will be measured.

- **Levelling up is about powers as well as money**. While levelling up will always be a partnership, it needs to be locally led to have the best chance of success. Local government in the North has a unique understanding of what's needed to rebuild our economies and communities. It needs more control over spending and more devolution of powers.

- **Levelling up requires spending that is long-term, reliable and genuinely transformative in scale**. Too much of what is currently on offer is short-term, is funding that isn't actually 'new', or is undermined by what seem to be politicised decisions. Unreliable, piecemeal pots make strategic planning nigh on impossible.

- **Levelling up requires action across a broad front**. An important part is investment in infrastructure – in rail for example – but support for business, education, skills and public services are important too. There never has been a 'silver bullet' that at a stroke will solve all the problems of the less prosperous parts of the country.

These are critically important messages. Levelling up is hard, or it would have happened by now. It is not good enough just to set it as a goal: to have a real chance of success, the policies to deliver it need to be right. That is the difference between an agenda which gives a superficial appearance of transformation and one that delivers on its substance.

We're aiming the report at range of audiences.

To our fellow local authority representatives, including Council Leaders and the Elected Mayors of Combined Authorities, we say you're invited to come on board in this venture, to help develop a *Plan for the North* that we can all share and to unite in putting forward proposals that will really make a difference. We'd be pleased to hear your thoughts on what's set out here and we're keen to find a way forward that cuts across party political divides.

To the business community and trade unions, we say this is about trying to find a way forward in the North that will benefit employers and workers. It's a lot easier to run a business or to find a good job if the local economy is booming. We are confident that the North can deliver growth and prosperity if the right framework is in place. So we'd be pleased to hear from you too.

To the opposition in Westminster – for us that means our own Labour Party – we say it's important to have a clear view of what's needed to deliver levelling up for the North, especially if you're not happy with what the government has done so far. We think there are some good messages in here, and picking up and running with them will resonate with voters in the North.

Most of all, *to the government in London*, we say that you need to listen to the North. That levelling up is now firmly on the agenda is a big step forward but there is still a huge gulf between your aspirations and the delivery of practical policies that will make a difference. We don't need schemes that are dreamt up in Whitehall by officials with scant understanding of the North and even less knowledge of the long history of policies to help less prosperous part of the country, of what works and what doesn't. We also don't need still more competitive bidding that sets authority against authority, with no certainty of outcome, and erodes the collaborative cross-border working that so often proves most effective.

To the government in London, we say you need to go through this report carefully, take heed of its recommendations, and act upon them. You can be assured that we will work with you.

Summary

The North of England is a large and diverse part of the UK but taken as a whole it lags behind in prosperity. The government's commitment to levelling up is welcome but its present initiatives offer funding that mostly isn't new, is often short-term, and looks likely to be scattered widely across the country.

***On managing recovery from the pandemic**, Plan for the North calls for:*

- *No return to austerity. The best way to reduce the budget deficit arising from the pandemic is to grow the economy. Growth increases tax revenue and reduces spending on out-of-work benefits.*

- *A pragmatic, phased wind-down of the Coronavirus Job Retention Scheme, keeping elements in place as long as they are needed to preserve the skills base of companies and the incomes of households.*

- *Retention of the £20 a week top-up to Universal Credit, planned to end in September, which has helped hard-pressed households through the crisis.*

***On strengthening the North's economy**, the report calls for:*

- *A new emphasis on growing the manufacturing sector, which remains a large component of the North's economy. There needs to be a business environment that encourages investment, a competitive exchange rate, a budget strategy that sustains demand, and protection from unfair foreign competition.*

- *Investment in the green economy to lower carbon emissions and bring new jobs to the North. Energy intensive industries, which are important in parts of the North, should be helped to reduce their carbon emissions, not discarded.*

- *Support for training and skills, particularly apprenticeships and lifelong learning. Strengthening the economic base of the North will create the context for those with top skills to stay local.*

- *A full replacement for EU funding to the regions. The new UK Shared Prosperity Fund should be allocated by formula to the places of greatest need and managed locally with minimal interference from central government.*

- *A new Assisted Area map as part of the UK's new 'subsidy control' regime. This will allow financial support for investment and job creation in disadvantaged areas in the North and, outside the EU, details of the new rules can be adapted to UK requirements.*

- *A substantial diversion of government R&D spending to the North. There needs to be more emphasis on practical support for product development and the improvement of production processes across the wide range of industries that make up the bulk of the North's economy.*

***On investment in the North's infrastructure**, the report calls for:*

- *Investment in rail, road, bus services and active travel to improve connectivity within the North. Faster links between the big cities are welcome but often the requirement is for more modest investments in a much wider range of local improvements.*

- *Gap funding for land and property development. Low land values and property rentals currently mean that without public support the private sector won't touch industrial and commercial property investment in disadvantaged parts of the North.*

- *Full fibre broadband across the whole of the North. Towns and smaller communities should not be left behind, as has so often been the case with digital connectivity.*

***On supporting public services**, the report calls for:*

- *Better funding for local authorities. Public services matter, especially to those who rely heavily on them, but over the last decade local authorities across the country have been seriously underfunded.*

- *A fairer allocation of funding to councils in the North. Many of the biggest budget cuts have been forced on councils in the North. Shortcomings in funding formulae need to be rectified.*

- *A new round of devolution of power and responsibility to the North. Devolution delivers greater sensitivity to local needs and opportunities, provides a platform for independent action and sharpens democratic accountability.*

1. THE CHALLENGE

The North of England

The North East, North West and Yorkshire & the Humber make up a substantial part of the United Kingdom. With a combined population of 15.5 million[1], or almost a quarter of the UK total, the North is home to more people than many countries around the globe.

The North is also diverse. It includes major cities and industrial towns, former pit villages, coastal resorts and rural communities. It covers the heartlands of Britain's industrial revolution and some of the country's most stunning landscapes. There are quite prosperous areas, there are cities that have been undergoing rapid change, and there are communities that remain disadvantaged on just about any social or economic indicator.

Taken as a whole, however, the North's prosperity has lagged behind for far too long. Although there are some parts of the North that can match the best in the world for innovation and enterprise, they are too easily outweighed by the places that continue to struggle with high levels of deprivation and worklessness.

It is not difficult to understand why so much of the North has faced long-term economic challenges. The industries on which prosperity was first built – coal, steel, shipbuilding, and textiles – have now either shrunk to a shadow of their former selves or disappeared entirely. Since at least the inter-war years and especially since the deindustrialisation of the 1980s, the dominant challenge has been to rebuild the economic base of so many of the North's cities, towns and communities. There has been real progress and there is clear evidence that the North's economy is capable of reinvention. So far, however, the recovery has never been sufficiently powerful or sustained to narrow the prosperity gap with London and the South.

Levelling up

The commitment by Boris Johnson's government to level up the UK regions is therefore welcome. The North needs support from central government if it is to catch up with the most prosperous parts of the country and deliver its full potential.

The 'levelling up' label is new but the idea of promoting growth in less prosperous parts of the country goes back much, much further. The UK invented 'regional policy' as far back as the 1930s and over the following years all UK governments have implemented regional development policies of one kind or another. What matters now is that the government's

[1] Source: ONS mid-year population estimates, 2019

evident enthusiasm for levelling up is matched by policies that are appropriate to the task in hand and capable of delivering real improvements for the people who live and work in the North.

A difficulty is that levelling up has gained prominence at an unusually difficult moment. Added to the challenges posed by long-standing imbalances there are presently two major complications.

The consequences of Brexit

The first of these is Brexit. The UK left the European Union in January 2020 and the transition period, when EU rules and regulations continued to apply, has now ended. The *Trade and Cooperation Agreement* signed in December allayed fears by allowing tariff-free trade between the UK and EU though there are clearly teething problems in the new trading relationship and there remain worries about the impact on long-term investment plans. Other economic consequences of Brexit remain to be sorted, and these are of particular relevance to the North of England:

One is that the EU was a major source of **funding for regional economic development**. In the EU's 2014-20 spending round, £2.4bn was allocated to North of England[2], making the EU the biggest source of funding for regional and local development in many parts of the region. The EU supported investment in training, infrastructure, R&D, business support and green technology. Some of this spending will linger for a while as projects committed before the end of 2020 wind down, but otherwise this major source of funding has now dried up.

Another issue is that the EU set the **State Aid rules** governing where and how much financial assistance could be given to companies, for example to support investment that creates or protects jobs. In 2018, the most recent year for which figures are presently available, the UK public sector spent a total of around £8bn on various forms of State Aid[3]. Much of the North of England, particularly its most disadvantaged places, benefitted from Assisted Area status under the EU rules, allowing higher rates of assistance than in more prosperous parts of the UK. These EU rules no longer apply.

The UK government is grappling with exactly what will replace EU funding to the regions and with its own 'subsidy control' regime to replace the EU State Aid rules. The outcomes matter greatly to the North of England.

[2] Source: HM Government. Figure refers to funding from the European Regional Development Fund and the European Social Fund.
[3] Source: European Commission *State Aid Scoreboard*.

Recovery from the coronavirus crisis

The other major complication is recovery from the coronavirus crisis. During 2020 the UK economy contracted by more than at any time for three hundred years and public sector borrowing as a share of national income reached record peacetime levels. In the spring of 2021, with the implementation of a vaccination programme, the virus appears to have been brought under control but the crisis is still far from over.

Hard evidence on the impact of the crisis on the North is only just emerging[4] and can be summarised as follows:

- In health terms, the crisis has hit especially hard: over the pandemic as a whole up to March 2021, **infection rates** in the North were 15 per cent above the national average and **death rates** were 17 per cent above the national average[5]. High infection rates owe something to more limited opportunities for working from home (compared for example to London's office workers) and high death rates reflect a high proportion of older and less healthy residents.

- Vast numbers of the North's workers have been **furloughed** – roughly a third of all employees at peak. There remain worries about whether all furloughed workers will eventually return to work.

- **Claimant unemployment** has surged in the North, to levels last seen in the early 1990s, and youth unemployment in particular is now running at disturbingly high levels.

- In parts of the North the **overall out-of-work claimant rate** (unemployed, sick etc) now approaches or exceeds 20 per cent of all adults of working age.

- The numbers **in-work** but claiming Universal Credit as a top-up have also roughly doubled during the crisis.

The North entered the coronavirus crisis lagging behind in terms of health[6] and prosperity. It was then hit very hard by the crisis. There is every reason to expect that as the UK economy finally emerges from the crisis the North will still be lagging behind on a wide range of indicators.

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[4] See in particular C Beatty and S Fothergill (2021) *The Impact of the Coronavirus Crisis on Older Industrial Britain*, CRESR, Sheffield Hallam University.
[5] Source: HM Government coronavirus data.
[6] See C Thomas, A Round and S Longlands (2020) *Levelling Up Health for Prosperity*, IPPR North, Manchester.

The grip of London

There is an appetite among local authority leaders and other players in the public and private sector to address the North's economic weaknesses but there are limits to what they can achieve by themselves. The problem is that the UK remains a highly centralised state: decision-making and financial power rests in the capital, with Westminster and Whitehall, to a far greater extent than in just about all countries of comparable size.

Devolution has begun to break this pattern in Scotland, Wales and Northern Ireland but not in England, where London still dominates. Despite a population larger than all three devolved nations combined, the North of England falls far short in matching their devolved responsibilities. The creation in parts of the North of combined authorities with elected mayors has so far only dented this centralised model. The independent tax raising powers of northern local authorities remain deeply limited, with central government setting the cap on Council Tax increases and the level of Business Rates – powers that until the 1980s rested with local government.

For the moment, many of the key levers for the economic revival of the North can only be pulled in Westminster and Whitehall.

2. SHORTCOMINGS OF THE PRESENT INITATIVES

Although 'levelling up' has become a mantra repeated by ministers at every opportunity, the reality is that so far the government has actually done little to add to regeneration efforts in the North.

Towns Fund

In July 2019 the government announced the Towns Fund, worth £3.6bn to support towns to develop and sustain strong local economies. The Towns Fund contains two elements:

- The **Future High Streets Fund**, which is about developing solutions for high streets under pressure, for which £1bn was initially set aside

- **Town Deals**, to be agreed between government and local players, to address the wider economic issues facing struggling towns, accounting for the remainder of the funding

Both elements of the Fund are allocated by competitive bidding.

In December 2020 the government announced 72 'winners' to be allocated £830m from the Future High Streets Fund. Just 20 are in the North of England – just over a quarter of the winners, which is the same as the North's share of England's population. **The Future High Streets Fund does not contribute to 'levelling up'**.

The North has done a little better out of Town Deals. Of the 101 towns invited to submit bids in September 2019, 43 are in the North. Each bid was to be worth up to £25m. Of the 45 Town Deals confirmed in the Budget in March 2021, 20 are in the North. The selection of places invited to bid for Town Deals has however been strongly criticised, with the accusation that the choice was biased towards marginal constituencies just ahead of the 2019 general election. This prompted a National Audit Office inquiry which confirmed a strong involvement of ministers in the selection[7].

In March 2021 the government announced that there would not be a second round of bidding for Town Deals, as had originally been planned, and the unallocated funding would be diverted to the new Levelling Up Fund.

[7] National Audit Office (2020) *Review of the Town Deals selection process*, NAO, London.

Putting aside the valid criticism of the selection of places, **there is little reason to think that the Towns Fund will make more than a marginal difference to the North's economic fortunes**. Longer-term structural problems require more than short-term funding for a limited number of places.

Levelling Up Fund

Judging by the name, this should be the government's flagship fund for raising the economic performance of the North. A closer look reveals that it falls short.

The Levelling Up Fund was first announced in the Spending Review in November 2020. It was initially to be worth £4bn, to be spent within the life of the present parliament, and was for England only. The government has subsequently extended the Fund to cover Scotland, Wales and Northern Ireland, and the funding has been increased to £4.8bn to include payments that would anyway have been made to the devolved nations under the Barnett formula.

The prospectus for the Levelling Up Fund, published alongside the Budget in March 2021, makes it clear that the funding, which is jointly managed by the Treasury, the Ministry of Housing, Communities and Local Government and the Department for Transport, is primarily for capital spending on local transport schemes, urban regeneration projects and cultural assets.

The Fund is open to all local areas across the UK and is being allocated by competitive bidding. **It is difficult to see how a fund that is open to all parts of the country can be squared with levelling up**.

Alongside the prospectus, the government published a categorisation of areas intended to represent the level of need and form part of the criteria for assessing bids. Of the 123 local authorities placed in 'category 1' – the places with the highest need – just 40 are in the North of England. Moreover, the list is riddled with inconsistencies. That places such as Barnsley, North Tyneside, Salford and Sheffield should miss out, whereas Richmondshire in North Yorkshire should be included, is bizarre.

An equally serious criticism is that the Levelling Up Fund does not appear to be 'new money'. Rather, it looks very much like the successor to the Local Growth Fund, which operated in England between 2014 and 2020 and was similarly allocated through competitive bidding across the whole country using money from the same departments. The Institute for Fiscal Studies[8] put Local Growth Fund spending at £9.1bn, or an average of around £1.5bn a year over its lifetime. This is actually substantially more than the £1bn a year allocated to the Levelling Up Fund in England. Or to put this another way, **the Levelling Up Fund represents a reduction in spending compared to its predecessor**.

[8] Institute for Fiscal Studies (2020) *Levelling up: where and how?*, IFS Green Budget 2020, chapter 7, IFS, London.

UK Shared Prosperity Fund

The UK Shared Prosperity Fund is the planned successor to EU funding to the UK regions. The intention to introduce the Shared Prosperity Fund was first trailed in the Conservative manifesto for the 2017 general election. Four years later, the details of the new Fund remain sketchy and the intention is now that it will not kick in until April 2022.

The important point is that **the Shared Prosperity Fund is not new money** – it is simply the replacement for a funding stream previously coming from the EU. As an EU member, the UK made financial contributions to the EU budget, some of which was then recycled back to the UK as funding for regional and local development. Outside the EU, the Treasury is able to fund the whole of the Shared Prosperity Fund from the money it no longer pays over to Brussels.

In the 2020 Spending Review the government said that the Shared Prosperity Fund would be worth an average of £1.5bn a year, with the spending profile to be announced at the further Spending Review planned for later in 2021. Allowing for inflation, £1.5bn a year is almost exactly what the UK received from the European Regional Development Fund and the European Social Fund, (the two main funding streams) in the EU's 2014-20 spending round.

However, in the absence of Brexit the UK would have received substantial additional funding because of the deteriorating GDP statistics for South Yorkshire, Tees Valley & Durham and Lincolnshire, which would have placed them in the same top-priority category of areas for EU aid as Cornwall and West Wales & the Valleys. Replacing EU funding from the 2014-20 spending round by a similar sized UK Shared Prosperity Fund, as the government intends, in fact represents **a cut in the funding the UK regions would have received.**

Alongside the Budget in March 2021 the government launched the prospectus for the UK Community Renewal Fund, intended to pave the way for the introduction of the Shared Prosperity Fund. At just £220m for the 2021-22 financial year, the Community Renewal Fund is a shadow of the £1.5bn-plus annual EU funding to the UK regions that would by now have been receiving.

Like the Levelling Up Fund, the Community Renewal Fund also suffers from major flaws in the government's list of 'priority areas'. Just 30 of the 100 'priority areas' are in the North. Richmondshire again makes it onto the list but not for example Liverpool, Sunderland, Wigan or Sheffield.

Freeports

The government has decided to establish a new generation of Freeports, where businesses will be able to engage in international trade with the support of tax reliefs and tariff exemptions. Ministers see Freeports as an important tool in developing a new, post-Brexit role for the UK in the world economy but they have also flagged up potential local benefits.

The Budget in March 2021 announced eight successful bids for Freeport status in England. Of the eight winners, three are in the North – Humber, Liverpool and Teesside. However, the choice of three other winners – Felixstowe & Harwich, Solent and Thames – in the south east of the country, the most prosperous part of the UK, rather gives away the fact that **Freeports are not really about levelling up.**

Whether the North's new Freeports prove to be a useful tool in growing the economy remains to be seen and, in truth, the concept has been tried before in the UK (in the 1980s and 90s) without much obvious effect. If the new Freeports do succeed, their spread around the country suggests that they are unlikely make much difference to the North-South divide.

3. THE NATIONAL CONTEXT THAT'S NEEDED

The future of the North is inextricably bound up with the fortunes of the UK economy as a whole. There is a lot that can be done to narrow the gap with London and the South but it is unrealistic to expect the North to forge ahead on its own if the wider national economy remains mired in recession. The first thing the North needs, therefore, is the right national context.

No return to austerity

The 2008 financial crisis triggered a big increase in government borrowing and the response was then years of austerity and cuts to public spending and services. This is now widely recognised to have been a mistake, and one which actually slowed recovery.

The measures put in place to address the coronavirus crisis have triggered an even bigger increase in government borrowing and there are some who would now like to see tax increases and spending cuts to begin to balance the books. As in the wake of the financial crisis, this would be a mistake. **The best way to reduce the budget deficit is to grow the economy**, which generates additional tax revenue and reduces spending on out-of-work benefits. With interest rates at an historic low the UK government can afford to service the increase in debt. There is no need to return to austerity.

The Coronavirus Job Retention Scheme, which at peak supported nearly a third of all workers in the North, has been one of the successes in managing the crisis. It has held down unemployment and propped up household finances at an extraordinarily difficult time. The current intention is that the scheme will end in September. However, the speed at which businesses are able to fully restart looks likely to vary from sector to sector – a full recovery for aviation and international tourism, for example, still seems a long way off. **A pragmatic, phased approach is needed to winding down the job retention scheme**, keeping elements in place as long as they are needed to preserve the skills base of companies and the incomes of households.

A new emphasis on manufacturing

One of the distinctive features of the North's economy is that it remains strongly dependent on manufacturing – 10 per cent of the North's jobs are in manufacturing, compared to 8 per cent across the UK as a whole and just 2 per cent in London[9]. By selling products to the

[9] Source: Business Register and Employment Survey, 2019.

rest of Britain and the world, manufacturing also brings in income that re-circulates and supports further jobs in business and consumer services in the North.

A key step government can take to raise the prosperity of the North is to foster the growth of UK manufacturing. A revival of manufacturing should have happened in the wake of the 2008 financial crisis, which exposed the UK's overdependence on the financial sector and on a model of national economic growth based on borrowing rather than production, but this did not happen and the old model of growth was largely rekindled, perpetuating imbalances in trade and rising consumer debt. In the wake of the coronavirus crisis, a revival of manufacturing remains what the UK economy needs and what would help the North in particular.

To deliver a successful and growing manufacturing sector the UK government needs to get the economic context right:

- **A business environment that encourages investment**. Low interest rates are helpful but the banks need to invest on a longer-term basis than has so often been the case in the UK.

- **A competitive exchange rate**. This fosters exports and helps businesses compete against imports in the UK market. The Bank of England's monetary policy has the potential to be helpful here.

- **A budget strategy that sustains aggregate demand**. The Treasury has a key role in averting recessions and in ensuring that economic growth is not held back by over-zealous deficit reduction.

- **Protection from unfair foreign competition**. Outside the EU, the UK needs to introduce its own 'trade defence instruments' to ensure that British businesses are not damaged by subsided or dumped products from other countries.

The government's commitment to an industrial strategy seems to have waned, illustrated by the recent abolition of the Industrial Strategy Council, and the flow of new 'sector deals' has dried up. So far as manufacturing is concerned, the government seems to have taken its eye off the ball.

Investment in the green economy

There is a consensus that investing in the green economy is necessary to reduce carbon emissions and a potential source of new jobs. Investment is needed globally, nationally, regionally and locally.

Historically, the North was home to much of the UK coal industry and much of the UK's power generation too. Britain's last colliery (in Yorkshire) closed in 2015 and the number of coal-fired power stations is dwindling fast. The government's record on investment in green energy is mixed however, with something of a stop/start approach. Nevertheless, the UK already has a well-established renewable energy sector, including for example in off-shore wind power. **The development of renewable energy has the potential to bring jobs and investment to places that have seen their traditional industries decline**.

The proposed shift to electric vehicles requires massive investment, not least to crank up the capacity for vehicle charging at home, at work and throughout the whole country. The towns and communities away from the big cities, including in much of the North, need this investment more than most because they are generally more dependent on private cars than on public transport, and likely to remain so for the foreseeable future. Investment in **electric charging points** needs to be ramped up.

On the other hand, important UK industries should not be discarded just because they produce carbon. The North remains home to **energy intensive industries** such as steel, glass and chemicals. Taxing their carbon outputs would almost certainly result in a transfer of production abroad, with no net reduction in global carbon emissions. What these industries need is investment in new technology, supported where appropriate by the public purse, to reduce carbon emissions as far as possible and capture those that cannot be eliminated. **Carbon capture and storage** has been talked about for many years but has never taken off in the UK, not least because of prevarication about government funding.

Support for training and skills

The North has a below-average share of graduates in its working age population – 27 per cent compared to a UK average of 32 per cent and 48 per cent in London[10]. This is the consequence of a weak local economy, not its cause. Although a low skills base can impede local investment, the location of higher-skill workers mainly reflects the location of higher-skill jobs. The North does generate large numbers of graduates for example, but many of them then move elsewhere in the country or the world to where graduate-level jobs are more readily available.

Strengthening the economic base of the North will create incentives for those with the top skills to stay local. However, it will not necessarily do much to resolve the immediate skills shortages facing local businesses or to address the needs of young people who have been denied a foothold in the labour market during the coronavirus crisis. These problems need national solutions.

In the 1980s and 90s the old apprenticeship system essentially broke down. It wasn't perfect, but what it has been replaced by is a hotchpotch of short-duration schemes and college courses that hasn't really plugged the gap. Too many of Britain's most skilled workers are now getting too old. **Apprenticeships need to be the cornerstone of vocational education**. They matter particularly to manufacturing employers, given the hands-on, workplace-based experience they provide. In particular there needs to be a review of the Apprenticeship Levy, which actually appears to have reduced the number of opportunities on offer.

[10] Source: Annual Population Survey, 2019.

Lifelong learning is vital. There are varying predictions as to what will happen to the labour market in the years to come. Automation of routine jobs, triggered in particular by the introduction of artificial intelligence (AI), looks likely but at the same time this may create demand for new skills in new activities[11]. Disruption to working patterns may therefore be more likely than mass unemployment but this still requires the government, employers and local communities take practical steps to adapt to change. Support for retraining is needed to provide people with the skills to move into new roles.

A safety net that works

Substantial numbers of people across the North rely on welfare benefits. Most are out-of-work, including for reasons of ill health or disability, but there are also growing numbers in work on low incomes who rely on benefits as a top-up. For those forced to draw on benefits it is important that there is an adequate safety net.

Welfare benefits that are set nationally have major consequences for the North. Over the last decade or so there have been numerous changes to eligibility rules and payment rates that have had the effect of reducing the income of millions. These reforms have had a disproportionate impact on parts of the North, especially its older industrial areas and seaside towns where there are large numbers of claimants[12].

The coronavirus crisis has led to a surge in the numbers drawing on benefits. The number of claimant unemployed, now nearly all on Universal Credit, increased by 56 per cent in the North over the year to February 2021[13]. In the first six months of the crisis, the number of in-work Universal Credit claimants doubled[14].

As the crisis broke, the government introduced a temporary £20 a week top-up to Universal Credit. The top-up has subsequently been extended to the end of September 2021. At that point there will still be very large numbers of Universal Credit claimants, even if there has been a post-pandemic upturn in the economy. A reduction in their benefit entitlement is indefensible and would increase poverty among households that are already struggling. **The £20 a week top-up to Universal Credit should be made permanent**.

There are plenty of other features of the benefit system that need fixing – the long wait for Universal Credit payments, which force so many to fall back on food banks, and the arbitrary Benefits Cap for example. The North of England, and the UK more generally, deserves a benefits system that genuinely provides a safety net to see people through hard times and help those who for whatever reason are unable to support themselves.

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[11] See British Academy and Royal Society (2018) *The Impact of Artificial Intelligence on Work: an evidence synthesis on implications for individuals, communities and societies*, BA/RS, London.
[12] See C Beatty and S Fothergill (2016) *The Uneven Impact of Welfare Reform: the financial losses to places and people*, CRESR, Sheffield Hallam University.
[13] Source: DWP
[14] Source: DWP

4. STRENGTHENING THE NORTH'S ECONOMY

According to official statistics, output per head in the North is just 82 per cent of the UK average, and output per hour worked only 85 per cent[15]. This isn't because workers in the North are lazy or unproductive. Rather, it reflects a mix of industries and occupations skewed towards lower value-added activities. Adjusting for these factors, estimated efficiency in the North is actually only a few points behind the national average and even this gap may reflect measurement issues[16]. Nevertheless, a specialisation in lower-productivity industries and occupations is not good news.

The UK's regional differences in productivity have remained the same for over a decade[17] and are among the largest in Europe[18]. Older industrial towns in the North, in particular, have not made up for the declines in their fortunes seen in the last quarter of the 20th century[19].

Below we set out the measures that central government needs to put in place to deliver its commitment to level up the economy of the North and other parts of the country that lag behind in prosperity.

Replacing EU funding

It is appropriate to start with the UK Shared Prosperity Fund, intended to replace EU funding to the regions. As noted earlier, the government says this will be worth an average of £1.5bn a year, making it the largest of the present batch of levelling up initiatives and potentially a major contributor to growth and regeneration in the North. However, details of the Fund are yet to be settled.

- Allocations to local areas from the Shared Prosperity Fund should be determined by a **formula, not competitive bidding**, which is wasteful of time and resources, open to favouritism and poor at delivering better outcomes. A needs-based allocation formula is much better.

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[15] Source: ONS
[16] C Beatty and S Fothergill (2019) *Local Productivity: the real differences across UK cities and regions*, CRESR, Sheffield Hallam University.
[17] S Clarke (2019) *Mapping Gaps: geographic inequality in productivity and living standards*, Resolution Foundation, London.
[18] P McCann (2020) 'Perceptions of regional inequality and the geography of discontent: insights from the UK', *Regional Studies*, vol. 54, pp. 256-267.
[19] S Agrawal and D Phillips (2020) *Catching up or falling behind: geographical inequalities in the UK and how they have changed in recent years*, Institute for Fiscal Studies, London.

- The Fund should operate on the basis of **multiannual financial allocations** of the longest practicable duration. EU funding to the regions operated on a seven-year cycle that was widely valued because it allowed for the proper planning and implementation of projects, especially schemes of a more ambitious or transformational nature.

- **Sub-regions** are the best basis for allocating and managing funding to local areas. Local economies generally operate across local authority boundaries but stop short of standard statistical regions. In practice too, the economic diversity of the UK is especially marked at the sub-regional scale.

- The parts of the North that would have received additional EU funding should not be disadvantaged. As noted earlier, if the UK had remained within the EU, **South Yorkshire and Tees Valley & Durham** would have been in line for very substantial additional EU funding

- The proper role for competitive bidding is between potential projects within each local area. Under the EU-funded programmes, decisions were made by **panels comprising local stakeholders**. These arrangements were effective and should be carried over.

- The government should exercise **a light touch in defining priorities**. The broad objectives set out in the Spending Review – investment in people, investment in communities and place, and investment for local business – are sensible and sufficiently broad to cover the interventions that are needed. Operational decision-making should be up to local players in the North and elsewhere who know their area best.

- **Simplification** needs to be delivered. The government has emphasised the need for a less bureaucratic fund, better tailored to UK needs. However, it is yet to set out just how this will happen. It will not be achieved if the UK government seeks to meddle in local details or project selection.

- **Speedy implementation** of the Shared Prosperity Fund is essential if a hiatus in activity is to be avoided. Although EU-funded spending will still run on for a while as pre-2021 commitments work their way their way through the system, there is a danger that the new Fund will not ramp up fast enough.

Support for business

The government is presently consulting on what it calls a ‘subsidy control’ framework to replace the EU rules that previously governed financial aid to businesses. Primary legislation might be expected later in 2021, with a new set of UK rules in place the following year.

The EU rules provided certainty about what would and would not be permitted, whilst the absence of replacement UK rules risks ‘bidding wars’ between different parts of the UK and the need for scrutiny of each individual award. A new UK regulatory framework also has the potential to be a valuable tool in levelling up. Financial support for business investment in less prosperous areas long predates the UK’s membership of the EU and there is clear evidence that these forms of financial support have worked in delivering new jobs[20].

It is difficult to see how the government can deliver levelling up without an Assisted Area map. Under the EU rules, an Assisted Area map (not to be confused with the map of areas supported by EU regional funds) defined the places within the UK where businesses were eligible to receive investment aid to help create or protect jobs.

- The **population coverage** of a new Assisted Area map should be higher, to better reflect the extent of regional and local disadvantage across the UK, including in the North of England.

- There is merit in adopting a **tiered Assisted Area map** to reflect the incidence and intensity of disadvantage and need. Substantial parts of the North have a strong case for inclusion in the highest category, where higher rates of financial assistance would be allowed.

- **Aid intensity ceilings** for investment in the Assisted Areas should be higher than under the previous EU rules in order to make a real difference to business decisions.

- **Support for re-investment** by larger firms in existing plants should be restored in all Assisted Areas. The EU stopped allowing this in 2014 with detrimental effects on efforts to strengthen existing businesses and retain production in the UK.

- **Financial top-ups** for R&D, small and medium-sized enterprises and training should be reintroduced in the Assisted Areas. This is also something the EU stopped allowing but is an important complement to regional investment aid.

Getting the rules right is the first step. What the government then needs to do is ensure there are **budget lines to make use of the new rules**. This hasn’t always been the case. Following the demise of the Regional Growth Fund in 2015, which provided £3.2bn of support to businesses over the preceding five years, for the first time in over 40 years there hasn’t been a central government budget line for regional investment aid in England. Meanwhile Scotland, Wales and Northern Ireland have operated their own schemes, placing the North at a distinct disadvantage in attracting investment.

[20] See for example M Hart et al (2008) *Evaluation of Regional Selective Assistance (RSA) and its successor Selective Finance for Investment in England (SFIE)*, BERR occasional paper no. 2, London, and National Audit Office (2014) *Progress report on the Regional Growth Fund*, HC 1097, Session 2013-14.

Investment in R&D

Research & development is a small part of the UK economy, accounting for just 1.7 per cent of GDP, but it is influential in the long-run growth of regional economies. A report published in 2020 looked at the distribution of R&D across the UK[21]. For the regions of the North, it observed that:

- The **North East** has below average public sector[22] R&D spending and below average private sector R&D spending

- The **North West** has below average public sector R&D spending but private sector R&D spending is roughly in line with the UK average

- **Yorkshire & the Humber** has below average public sector R&D spending and below average private sector R&D spending

Bearing in mind that the North West's private sector R&D spending is boosted by the nuclear and aerospace industries, the overall R&D record for the North is poor. By way of contrast, the report noted that the sub-regions containing London, Oxford and Cambridge, with 21 per cent of the population, account for 46 per cent of public R&D and 31 per cent of private R&D.

It's not that the North does no R&D, or that it's poor quality. Several northern universities have an excellent or even world-leading track-record and there are companies in the North that do much pioneering work. The problem in the North is that there isn't enough R&D and it isn't making a big enough impact on local economies.

The government didn't make a good start in rectifying the gaps in R&D spending. Its Industrial Strategy kicked off by prioritising R&D in an exceptionally narrow range of sectors such as robotics & artificial intelligence, batteries, self-driving vehicles and space &satellite technology, which collectively account for few jobs in the North[23]. Nevertheless, in the Budget in March 2020 the government committed to increase public R&D spending to £22bn a year, which it described as the largest and fastest ever expansion of support for basic research and innovation.

There needs to be **a substantial diversion of government R&D spending to the North**. This should be easier at a time when it is planning to increase R&D spending. In July 2020 the government published an R&D roadmap[24] which promised "a comprehensive and ambitious UK R&D Place Strategy". So far, however, nothing has emerged.

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[21] T Forth and R Jones (2020) *The Missing £4 Billion: making R&D work for the whole UK*, NESTA, London.

[22] Government, university and charity spending on R&D.

[23] See S Fothergill, T Gore and P Wells (2017), *Industrial Strategy and the Regions: the shortcomings of a narrow sectoral focus*, CRESR, Sheffield Hallam University.

[24] HM Government (2020) *UK Research and Development Roadmap*, BEIS, London.

Additional R&D spending in the North needs to be of a particular kind – less emphasis on laboratories and exotic leading-edge technologies and more on practical support for **product development and the improvement of production processes** across the wide range of industries that make up the bulk of the North's economy. Focussing additional R&D spending just on the North's biggest cities[25], for example, is not enough.

[25] P Swinney, L Ramuni and K Enenkel (2020) *Identifying potential growth centres across Great Britian*, Catapult Connected Places.

5. INVESTMENT IN THE NORTH'S INFRASTRUCTURE

Infrastructure investment serves a dual purpose: it helps underpin the economy and also improves everyday life for residents and travellers. But the North has been short-changed: over the last decade public spending per head on transport in London, for example, has been almost two-and-a-half times higher than in the North[26]. The latest data, for 2019-20, shows that in the North public spending per head on transport (revenue plus capital) is still running at 20 per cent below the UK average and at only just above 40 per cent of the level in London[27].

Recent revisions to the Treasury's *Green Book*[28], which sets out the government's preferred methods for project evaluation, are a step in the right direction because they place greater emphasis on the regeneration potential of investments. Nevertheless, it is unlikely that tweaks of this kind will bridge the big gaps in infrastructure spending that have opened up. The proposals below draw in particular on a recent report on the infrastructure needs of older industrial Britain[29].

Rail tracks, rolling stock and services

There is no clearer example of how the North has been short-changed than the skewed pattern of investment in rail. For many years, investment in rail has been focused on London, where Crossrail is expected to cost around £20bn. HS2, linking London and Birmingham with potential extensions to Manchester and Leeds, could cost as much as £100bn. These staggering sums dwarf rail investment in the North.

The North's needs are distinctive and neglected. Faster connections between the big cities – between Manchester and Leeds for example – are clearly welcome but often the requirement is for more investment in local connections, in particular between the North's cities and their surrounding towns and smaller communities[30]. Over the last decade, job growth in the cities has pulled in more and more commuters and prior to the pandemic the strain on local rail networks was showing badly. In too many places the network is skeletal and rolling stock has become overloaded.

[26] See L Raikes (2019) *Transport Investment in the Northern Powerhouse*, IPPR North, Manchester.
[27] Source: HM Treasury
[28] HM Treasury (2020) *Green Book Review 2020: findings and response*, HMT, London.
[29] Industrial Communities Alliance (2020) *Levelling Up: the infrastructure needs of older industrial Britain*, ICA, Barnsley.
[30] See R Crisp, E Ferrari, T Gore, S Green and A Rae (2018) *Tackling transport-related barriers to employment in low-income neighbourhoods*, Joseph Rowntree Foundation, York.

Across the North there are plenty of opportunities for investment at a fraction of the cost of prestige schemes:

- **New services**. The re-introduction of passenger services on long-lost routes, including present-day freight lines, has often proved a commercial success in other parts of the country.

- **New stations**. Some present-day services pass stations that closed when the assumption was that people would travel by car. Others pass newly-developed residential areas that have never had a station of their own.

- **New rolling stock**. Too many of the North's local services still use old trains and carriages. Slow, noisy and polluting diesels run on lines that have already been electrified.

- **More frequent services**. London commuters are accustomed to services that run every few minutes. Not so in much of the North. Miss the train home and you'll often have a long wait for the next.

- **Better station experience**. Too many of the North's stations are inhospitable places, particularly for lone travellers, with bad lighting, dark underpasses, isolated car parks and little protection from the elements.

There are quick wins for the North's rail network that the government should back[31].

The omens are not good. Transport for the North's funding from central government is due to fall by £20m, or around a fifth, in 2021-22. Integrated rail/bus ticketing and the roll out of contactless technology is the main casualty.

Buses and trams

Deregulation moved buses from a public service to a commercial activity. One result is that regular services have often retreated to the places where there are enough passengers to maintain viability. Early morning, late night and weekend services often only exist because of subsidies, but local authority finances are extremely stretched.

For many people in the North, buses remain the vital link between outlying communities and jobs and services in town centres, but buses have had a reputation for being unreliable, unpleasant and inconvenient. To the credit of the bus companies, their vehicle stock has sometimes been upgraded with USB charging points, free WiFi and contactless payment. Nevertheless. in many places the experience of catching a bus has remained unchanged – if you're lucky a draughty bus shelter, no real-time information and few or no services out of peak hours – and too many services meander around housing estates.

[31] See L Raikes (2019) *Quick Wins for the North's Transport Network*, IPPR North, Manchester.

As the North tries to move towards a more sustainable greener economy, increasing bus usage offers a cost-effective way forward. The infrastructure spending that would help support bus services in the North includes:

- **Real-time bus information**. Whilst this is commonplace in the cities and larger towns it is still lacking in vast swathes of the North.

- **New bus stations and interchanges**. The numerous smaller towns of the North usually have little more than inadequate bus shelters.

- **Bus priority measures.** Lane segregation, traffic management, traffic signal control, and bus stop improvements can help buses avoid congestion.

Trams and light rail schemes can be part of the jigsaw. Once a common mode of transport in the North's cities and towns, by the 1970s trams had largely become a thing of the past. The first modern light rail project in Britain was the Tyne and Wear Metro and other light rail and tram schemes have since been introduced in Sheffield and Manchester.

Integrated and active travel

In the short-run, public transport of all kinds faces the challenge of rebuilding passengers' confidence following the pandemic. It will take time for usage to build back. In the meantime, there will be a continuing need for **post-pandemic subsidies** to maintain the viability of services.

Looking ahead, there is a need for joined-up transport planning, with seamless transition between services. **Smart ticketing**, currently on hold in the North, gives users flexibility and convenience, avoids queuing for tickets and worries about best value, and can cover both bus and rail services.

Active travel – walking and cycling – has a role to play, especially in the North's cities, and has the added advantages of contributing to good health and lower carbon emissions. There is a need for road layouts, multi-user pathways and in some cases road closures to create a safer and more attractive place for pedestrians and cyclists.

Road network

While better public transport and active travel are clear priorities, in the right places investment in roads can still play a role in regeneration and growth. For better or worse, much of the North relies on cars to move people to work and on lorries to collect and deliver goods, and in smaller places and remoter areas in particular, investment in public transport can only go so far in reducing this dependency.

With a few important exceptions (the dualling of the A66 is perhaps the clearest example) the North's strategic road network is largely in place. What the North needs are relatively modest investments that have the potential to make a big difference at the local level:

- **Access roads** to open up development sites for industry and housing, including where appropriate new motorway junctions.

- **By passes** to take heavy traffic out of towns and smaller communities.

- **Removal of bottlenecks** that disproportionately impede travel to work and the movement of goods.

- **Better connections** into the more remote places that otherwise struggle to attract investment.

Land and property

If you want new jobs and businesses in an area you have to have somewhere to put them. Unfortunately, the supply of development land is not always straightforward. A key problem in large parts of the North, especially away from the big cities, is the weakness of the industrial and commercial property market. Low land values and low property rents mean that potential investments rarely offer the sort of return that commercial investors expect.

Developing brownfield land, for example, is rarely commercially viable. The problem is negative land values – the cost of cleaning up and site preparation exceeds the value of the completed development-ready site. In these circumstances the private sector fails to bring the site to market. Additional complications in some parts of the North include watercourses prone to flooding, where the cost of flood defences means the private sector is unwilling to invest. This is classic 'market failure', but there is a clear and well-tried solution:

- **Gap funding for brownfield sites** is needed to make it worthwhile for the private sector to invest in bringing forward sites that are often of strategic importance but costly to develop.

A supply of development land is only part of the solution in providing space for new jobs and businesses. There also needs to be a plentiful supply of industrial and commercial buildings. This is especially the case because most firms don't have the option of commissioning new-build premises of their own – it takes too long – so they rent or buy buildings already developed by someone else.

In several market segments and in many parts of the North, private sector developers presently show a reluctance to invest in new quality workspace. They are sometimes willing to invest in large 'sheds', generally on the outskirts of towns and often with a specific big-name occupier signed up from the outset, but the private sector rarely if ever invests in speculatively built space for small firms, in incubator units for start-ups, or in high-quality office space in town centres. This is ‘market failure’ once again, and again there is a proven solution:

- **Gap funding for new workspace** is needed to allow local authorities and development agencies in the North, working in partnership with the private sector, to help grow businesses and jobs.

Many places across the North have historically and architecturally important buildings that are central to their identity but whose former use has run its course. These include distinctive older industrial buildings such as warehouses and mills but also cinemas, pubs, church halls, shops and even quite a number of town halls left over from the days before local government re-organisation. In some cases, the buildings are listed or in a conservation area. In areas with a stronger economy the market generally works to re-purpose these buildings, for example as workspace, living space or as a cultural hub. However, in areas of market failure these grand old buildings face a sad decline, with commercial rates of return unable to justify major investment to change their use or even to keep them in a fit state of repair.

- **Gap funding for preservation and re-use** would allow the historic assets and townscape of the North to be maintained and restored to productive use.

Where the public sector puts in money to support private sector property development, it should be possible to arrange profit-sharing or claw-back, especially where financial returns prove higher than expected.

Digital connectivity

For many businesses and families in the North, digital connectivity can be even more important than physical connectivity. Indeed, the coronavirus crisis has highlighted this dependency.

In terms of broadband speeds, the average in the UK is unimpressive by international standards, especially for a supposedly advanced economy. Within the UK, there are differences between places. As a general rule, broadband providers invest first in the places where the biggest numbers of potential customers are located – which means in the cities. The North’s towns and smaller communities get this investment a little later but by that stage a new generation of still faster services is generally being introduced in the cities. Catch-up never quite happens.

The current aspiration is that the UK should move to a ‘full fibre’ system. The problem, once more, is that the main urban centres are first in line with other areas left behind. **Full fibre broadband** needs to be delivered swiftly across the whole of the North, in towns and smaller communities as well as the main urban centres.

6. SUPPORT FOR LOCAL SERVICES

Get the economy right – plenty of well-paid jobs for all – and many problems of financial hardship and social disadvantage will ease. But there are also many people in the North – retirees, schoolchildren, full-time carers and others outside the labour market – for whom a successful economy won't necessarily make a big difference. Public services matter to them, and underpin quality of life for the rest of the population too.

Better funding for local authorities

The most obvious point about public services is that local authorities are badly underfunded. This applies not just in the North but across Britain as a whole. As a result, just about all councils are facing a crisis in their finances or service delivery. Providing high-ticket items such as adult and children's care has become especially fraught.

Government decisions have led to this underfunding. Grants to local authorities have been cut whilst at the same time the government has capped the increases in Council Tax that might have helped plug the gap.

The National Audit Office has documented the impact[32]. They calculate that between 2010-11 and 2017-18, local authority spending fell by 28.6 per cent in real terms. All services apart from children's social care experienced a cut in real terms. In planning and development services the cut was over 50 per cent in real terms, in housing over 40 per cent and in highways and transport more than 30 per cent. The situation has since eased a little but the real-terms reduction in revenue spending since 2010 remains well over 20 per cent[33]. Estimates by the Institute for Fiscal Studies for the Local Government Association are that over the four years to 2023-24 councils face additional cost pressures of nearly £9bn[34].

The coronavirus crisis has added further to the strains. The National Audit Office calculates that there had been £9.7bn in additional cost pressures or income losses for English local authorities by December 2020, whereas the additional financial support from government stood at just £9.1bn[35].

Going forward, a key to the quality of public services in the North is therefore **an increase in the overall funding to local authorities**. There are three main ways in which this can be delivered:

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[32] National Audit Office (2018) *Financial Sustainability of Local Authorities*, NAO, London.
[33] Source: SIGOMA (Special Interest Group of Metropolitan Authorities outside London).
[34] Local Government Association (2020) *Comprehensive Spending Review 2020: LGA submission*, LGA, London.
[35] National Audit Office (2021) *Local Government Finance in the Pandemic*, NAO, London.

- By giving bigger **government grants** to local authorities. This is the source of council funding that was truly slashed during the years of austerity.

- By **reforming Council Tax**, to restore local authorities' long-lost discretion over setting levels and to make sure that it operates as a progressive tax that avoids penalising those on lower incomes.

- By giving local authorities access to **a wider range of funding**. The UK is at one end of a spectrum among larger nations in the low share of national taxation that is collected locally for local purposes.

Fairer funding for the North

A bigger funding pot for all local authorities needs to be matched by a funding formula for the North that properly reflects its needs.

In the years of austerity after 2010, many of the biggest cuts in local authority funding were in the North[36]. This was because less prosperous parts of the North relied more heavily on government grants, which were cut so severely. Urban areas with a legacy industrial job loss were hit especially hard. By comparison, a swathe of southern England outside London experienced the smallest spending cuts.

The rising proportion of local authority funding that in recent years has had to come from Business Rates and Council Tax requires effective mechanisms to compensate for the varying scale of the tax base across the country. This is especially important in the poorer parts of the North where the local tax base is modest. The government has equalisation mechanisms in place but in detail they are flawed, to the detriment of the North. The formula is only periodically revised, for example, and in the last couple of years planned revisions have been postponed. **There needs to be regular updating of the funding formula for local authorities** to take account of differences in growth across the country.

More generally, there is a problem with the way in which Business Rates operate. At present, local authorities can keep half the local growth in business rates, the intention being to incentivise councils to encourage business growth. In reality, local authorities across the North have never needed an incentive to encourage growth – in the places badly hit by industrial job losses it has been a priority for many years. What the government should put in place instead is **a model of local authority funding that is driven by the needs of each area**.

Measuring 'need' is contentious too, and the government has been proposing adjustments that would work against large parts of the North:

[36] See M Gray and A Barford (2018) 'The depths of the cuts: the uneven geography of local government austerity', *Cambridge Journal of Regions, Economy and Society*, vol. 11, pp. 541-563.

- An **area cost adjustment** based on the assumption that services cost more to deliver in more remote areas – something that works against the North's disadvantaged urban areas

- Moderating or removing the influence of the **Indices of Deprivation** – which would work against the North's disadvantaged places

Getting local authority funding right – a big enough pot in total, and a fairer share for the North – is central to the delivery of services and to the quality of life of the North's residents, especially the most disadvantaged and vulnerable.

More local discretion

A corollary of greater local authority funding is that councils should have greater responsibility for the services they provide. Over many decades, the independent powers of local authorities have been stripped away – taken over, indeed, by central government. As monitoring and regulation have grown alongside ever-tighter control over revenue, and as functions hived-off (local schools to academies for example), England's local authorities have increasingly been pushed into acting as the local delivery agents of Westminster and Whitehall. The creation of mayoral combined authorities in parts of the North has so far only begun to dent this unfortunate centralisation.

There needs to be a new round of devolution of power and responsibility to the North of England. Devolution delivers greater sensitivity to local needs and opportunities. It provides a platform for independent action and innovation. It also sharpens democratic accountability.

There are competing models of devolution to the North, involving differ geographies and perhaps different speeds of implementation from place to place. The preferred direction of travel is clear: the North needs greater control over its own fate if it is to deliver its full potential.

STATISTICAL PROFILE OF THE NORTH

Population

Resident population (mid-2019)	15,514,000
Share of UK total	*23.2*
Population growth 2011-2019 (%)	4.4
UK average	*6.4*
% of residents aged 65 plus	18.9
UK average	*18.5*
% minority ethnic	9.9
UK average	*13.7*

Sources: ONS, Census of Population, APS

Health

Average life expectancy (Male/Female)	78 / 82
UK average	*79 / 83*
% of residents aged 16+ reporting long-term health problems	37
UK average	*38*
Disability Living Allowance / PIP claimant rate (% of all residents)	5.0
GB average	*4.1*
Coronavirus confirmed infections per 100,000*	7365
UK average	*6383*
Coronavirus deaths within 28 days of positive test, per 100,000*	220
UK average	*188*

Sources: ONS, DWP, HM Government
*over whole pandemic up to 14/15 March 2021

Economy

GVA per head* (UK=100)	82
GVA per hour worked* (UK=100)	85
Estimated ‘efficiency factor’* (UK=100)	93
Gross Fixed Capital Formation per head* (UK=100)	73
Private enterprises per 100,000 residents (UK=100)	83
% of jobs in manufacturing**	10.1
GB average	*8.0*
% of jobs in finance & business services**	11.1
GB average	*12.3*
% increase in workplace jobs 2011-2019	11.4
GB average	*12.3*

Sources: ONS, UK Business Counts, BRES, Sheffield Hallam University
*2018 **2019

Labour market

Employment rate (as % of 16-64s)	73.9
UK average	*75.5*
Self-employed (% of 16-64s)	12.3
UK average	*13.7*
% working part-time	24.5
UK average	*24.2*
% in manual jobs	45.1
UK average	*41.0*
Median hourly earnings – men (UK=100)	93
- women (UK=100)	93

Sources: APS, ASHE

Welfare benefits

Claimant unemployment, Feb 2021 (% of 16-64s))	7.0
UK average	*6.4*
Increase in claimant unemployment, Feb 2020-Feb 2021 (% point)	3.3
UK average	*3.4*
Youth (18-24) claimant unemployment, Feb 2021 (% of 18-24s)	10.1
UK average	*9.3*
Increase in youth unemployment, Feb 2020-Feb 2021 (% point)	4.8
UK average	*5.0*
Incapacity (IB/ESA/UC) claimant rate, Aug 2020 (% of 16-64s)	7.1
GB average	*5.6*
Universal Credit in-work claimant rate, Jan 2021 (% of 16-64s)	5.9
GB average	*5.5*
Overall out-of-work claimant rate, Feb 2021 (% of 16-64s)	14.7
GB average	*12.7*

Source: DWP

Education and skills

'Attainment 8' score at GCSE, 2019	45
England average	*47*
% of school-leavers going to university, 2019	43
England average	*47*
% of 16-64s with degree or equivalent, 2019	27
GB average	*32*
Apprenticeship starts, 2019 (as % of 16-24s)	7.8
England average	*6.6*

Sources: DfEE, APS, HM Government

Housing

% owner-occupied, 2019	64
England average	*64*
% private rented, 2019	18
England average	*19*
% social rented, 2019	18
England average	*17*
Average house price	£158,500
UK average	*£227,100*

Sources: MHCLG, Land Registry

Deprivation

% of LSOAs* in most deprived 10% in England, 2019	20
% in most deprived 20%	33
% in most deprived 30%	43
% in households with below 60% median income**	
Before housing costs	19.9
UK average	*16.8*
After housing costs	23.2
UK average	*22.0*

Source: Indices of Deprivation
*neighbourhoods of approx. 1,500 people
** 2016/17-2018/19

Public expenditure per head, 2019-20 (UK=100)

Transport (capital and revenue)	80
London	*189*
Enterprise & economic development	73
London	*126*
Science and technology	86
London	*125*
Health services	103
London	*121*
Education	96
London	*112*

Source: HM Treasury

(All data is for 2020 unless otherwise stated)

Contacts:

Centre for Regional Economic and Social Research
Sheffield Hallam University:

- Steve Fothergill: natsec@ccc-alliance.org.uk
- Tony Gore: t.gore@shu.ac.uk

Sheffield City Region: enquiries@sheffieldcityregion.org.uk
Dan Jarvis MP and Sheffield City Region Mayor:
officeofdan.jarvis.mp@parliament.uk
Barnsley Council: communications@barnsley.gov.uk
Doncaster Council: communications@doncaster.gov.uk

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