

Centre for
Urban & Regional
Development Studies

CURDS

Response to the Business, Energy and Industrial Strategy
Committee sub-inquiry on [Levelling up: local and regional
structures and the delivery of economic growth](#)

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About Newcastle University and CURDS

Newcastle University (NU) is one of the UK's leading civic research-intensive universities. Drawing on a strong tradition of engagement and partnership, NU is committed to working with local and national government to deliver inclusive, place-based growth. It is in the forefront of the regional response to the pandemic, leading the higher education contribution to the North East Response Group. NU is also a founding partner in the Civic University Network and is working with the University of Northumbria on a Civic University Agreement.

NU's Centre for Urban and Regional Development Studies (CURDS) is an internationally renowned research centre founded in 1977.¹ Reflecting more than forty years of research and policy engagement, CURDS has compiled this submission on behalf of NU. CURDS has also recently published a research briefing on local and regional recovery from the pandemic.² CURDS is a central part of the newly-established NU Centre for Cities Research which brings together the University's world-class expertise on cities and regions.

Overview of the levelling up strategy

The UK and especially England is amongst the most highly centralised countries compared to other developed nations.³ The UK also has a higher level of geographical disparity in economic and social conditions than many other advanced economies. The long-standing nature of regional disparities in the UK means that a consistent, long-term strategy is required to address them. Historically, regional policy expenditure has been out-weighted by expenditure on spatially blind policies such as defence, research and innovation, and infrastructure which has tended to favour the south of England.⁴ This underlines the central role of science and infrastructure in the government's levelling up agenda, particularly in spreading investment beyond the South of England.⁵

The risk of the COVID-19 pandemic widening existing social and geographical inequalities reinforces the political importance of levelling up as part of national and subnational economic recovery. There is an opportunity to learn from the relatively recent experience of the 2008 economic crisis by avoiding a return to 'business as usual' in favour of a more radical process of renewal.⁶ The pandemic creates the chance for a more fundamental rethink and 'building back better' towards a more socially and geographically just future.⁷ One key element of this should be political decentralisation and the provision of greater powers and resources for subnational institutions, especially local government.⁸

Response to Key Issues

Evidence base: *what evidence exists to measure the performance of the various tiers of regional and local government in the delivery of growth? What evidence have regional and local leaders based their local or regional industrial strategies on, and what forms of stakeholder engagement were included in the drafting of priorities? Considering the cost of institutions, what cost benefit analysis exists to show the value for taxpayers' money when compared to the delivery of wealth and job creation?*

Evidence on the performance of regional and local government bodies in the delivery of growth remains limited. While there is considerable evidence of differential rates of growth across the country⁹, it is difficult to attribute this to the work of local and regional government

which is generally outweighed by other national and international economic drivers. Local evaluation capacity is limited, while local areas lack the powers to design and deliver the policies required to enhance growth and productivity.¹⁰ As part of the process of levelling up growth across the country, there is a need to strengthen the research and analytical capacity of local institutions, involving partnerships between universities, LEPs, local authorities and business.¹¹ For instance, NU is developing a proposal for a Policy and Evidence Hub to address the research needs of its regional partners. The existing evidence on local economic performance is based almost exclusively on employment and GVA measures, with recent interest in the incorporation of social and environmental measures underlining the need to develop broader indices of socioeconomic performance.¹²

Local structures: *what structures exist across the country and how does this compare across different regions? How do these different tiers work together to deliver local growth? What good case studies exist, and can lessons be learnt from poor collaboration or leadership? How should local structures support delivery of regional growth across England? Do regional or local structures act in the best interests of local priorities and stakeholders or act more as a delivery arm of central Government? What should local authorities do more or less of to achieve these aims? Where should government focus its post-Covid-19 levelling up policy to best support regional growth: English regions, core-cities, towns, Growth Hubs and LEPs?*

Successive and overlapping policy initiatives have created a complex map of local and regional structures across England. This reflects the pattern of organisational churn and reorganisation that characterises the UK.¹³ After 2010, a complex landscape of Local Enterprise Partnerships (LEPs), Combined Authorities (CAs), Enterprise Zones, City Deals and Devolution Deals was established.¹⁴ In addition, a set of trans-regional arrangements have emerged since 2014, most notably the Northern Powerhouse, Midlands Engine (ME), Oxford-Cambridge Arc and Western Gateway. With the establishment of the £3.6 billion Towns Fund in 2019, 101 towns, many of which lack a clear geographical basis as administrative or economic units, have been selected to apply for Town Deals.¹⁵

While all places are covered by LEPs and local authorities, the development of other structures has been geographically uneven. CAs have formed in only some regions, and the government's approach to devolution deals has been geographically selective, largely focusing on city-regions with CAs.¹⁶ Trans-regional arrangements cover only some of the country and are strongest in the North and Midlands. Similarly, the performance of different structures and tiers in working together to deliver local growth is highly uneven between areas.¹⁷ Some areas such as Manchester, Sheffield and Tees Valley have brought combined authorities and LEPs together within integrated structures, while in others such as the North East they continue to operate separately and across different geographies.

Local and regional structures face a tension between representing local priorities and stakeholders and acting as delivery arms of central government. This tension is reflective of a highly centralised system. The COVID-19 crisis underlines the need for meaningful decentralisation of powers and appropriate resources to enable local and regional political leaders and institutions to play their part in fostering economic recovery.¹⁸ Enabling local areas to lead in crafting and experimenting with tailored and place-based institutional arrangements and policy mixes should be a priority. For example, CURDS is developing a place-based toolkit which emphasises the need to move away from individual projects, programme and deals on competing geographies to holistic multi-tier place-based leadership teams and multi-level governance collaboration.¹⁹

Different places will require different policy responses on the basis of their local priorities, assets and geographies. Places have distinct economic geographies and spatial structures based on their relationships with their surrounding regions, nation and wider global economy. For instance, CURDS' research on cities experiencing relative economic decline in the UK distinguished between three types of cities based on their economic geographies : 'core cities' as the principal cities of their city-regions; 'overshadowed cities' with larger neighbouring cities; and, 'freestanding cities' which are smaller and more distinct from core cities.²⁰

As the Government's long-awaited Economic Recovery and Devolution White Paper for England looks set to acknowledge, there is a pressing need to provide greater coherence to decentralisation in England rather than continuing with the current piecemeal, deal-based approach and its complex patchwork of institutions and geographies.²¹ The efficiency and effectiveness of the current arrangements are unevaluated and have been brought into question by the crisis. A clearer framework is needed for a more coordinated and systematic approach to subnational governance that can enable better collaboration, co-ordination and joint working between different geographical tiers of government and related agencies. Instead of treating cities, towns and rural areas as separate geographies, a more integrated regional approach is required, based on an understanding of the economic relationships between places.²²

Stakeholder engagement: *how does each tier of regional or local government engage with delivery stakeholders (such as businesses, education providers, etc)? Do different tiers engage in different ways? Where are there examples of good practice? Do stakeholders believe the different tiers are effective and worthwhile to engage with? Do stakeholders consider certain tiers to be more of a constraint on growth as opposed to a delivery partner for growth?*

Reorganisation has been a recurrent feature of the governance of sub-national economic development in England over recent decades.²³ This has created a complex and congested organisational landscape operating at multiple scales, which is not easily legible for either business or other parts of the public sector to engage with, access appropriate support from, or develop joint projects and programmes with. LEPs can play an important role in engaging the business community, particularly in areas with Mayoral CAs where there are indications that they are morphing into business advisory organisations.

Universities are key actors in local and national economic recovery strategies as local 'anchor' institutions.²⁴ The recommendations of the Civic University Commission for universities to sign civic university agreements with their local partners is likely to assume greater significance as places try to overcome the social and economic impacts of COVID-19.²⁵

Targeted regional investment: *how could 'shovel ready' growth projects in England drive local growth and jobs? How could clustered R&D investment support local growth? How should priorities be agreed across the regions?*

'Shovel ready' infrastructure and housing projects have an important role to play in stimulating economic recovery and local growth. Yet a more comprehensive approach based on strategic regional economic recovery plans is needed. In addition to infrastructure, these recovery plans should be based around driving innovation in key growth sectors, for example ageing, energy and data in North East England. The clustering of R&D investment can support local growth, but international evidence on the geography of innovation indicates that such an approach will largely benefit the UK's core cities – which have the assets,

capacities and skills to attract R&D investment – to the exclusion of other geographies, particularly towns, outlying districts and rural areas.²⁶

Another key priority is support for firms and workers in the sectors most affected by the pandemic such as retail and travel. Here, the skills agenda will be critical given the likely scale of job loss, requiring close collaboration between higher and further education providers and employers.²⁷ Devolution will be important in providing local organisations with the flexibility to address local needs.

To benefit a wider range of people and places, levelling up policies also need to recognise the importance of what is termed the ‘foundational’ or ‘everyday’ economy comprised of basic goods and services.²⁸ ‘Building back better’ from the pandemic requires a revaluing of ‘essential’ services and ‘key’ workers, emphasising the need to support front-line service workers in sectors such as health, transport, infrastructure and housing.

Given the UK’s history of centralisation, it is essential that local and regional leaders are involved in agreeing priorities across the regions as part of a national recovery plan.

Regional funding: *how should the UK Shared Prosperity Fund be specifically targeted to replace EU Funding and address regional inequality? What role should local structures play in allocating funding to best achieve regional growth? What role could the British Business Bank have in the post-Covid-19 levelling up of regional economies?*

It is essential for the levelling up agenda that the Shared Prosperity Fund remains focused on narrowing regional differences in prosperity and well-being. It should be allocated on the basis of need using a robust formula and up-to-date statistics.²⁹ Once funds are allocated, local structures should determine how they are spent within sub-regions, based on place-based strategies and investment. The British Business Bank (BBB) plays an important role in improving regional access to finance through its regional programmes, although these funds rely heavily on EU support through the European Regional Development Fund and European Investment Bank (EIB). Despite the provision of additional funds, it remains unclear whether the BBB can fully replace the role of the EIB, particularly for riskier infrastructure projects.³⁰ Levelling up is likely to require a major expansion of the BBB’s regional programmes.

Project Speed: *Project Speed will bring forward proposals to deliver government’s public investment projects. How should Project Speed identify and distribute growth opportunities into communities across the country to best achieve its levelling up agenda? What should the balance be between Whitehall decision making and local decision making? Do we have the capacity and capabilities at local and/or regional level to do this work on behalf of central government?*

A key issue here concerns the need for central government to work closely with local and regional leaders and organisations to identify growth opportunities, ensuring that Project Speed does not lead to further centralisation in Whitehall. Levelling up is a serious political commitment that requires a stable framework for long-term investment, and it is questionable whether speed is the main issue from this perspective. Levelling up should be seen as a shared national project involving substantial decentralisation to local decision-makers as part of a place-based approach designed to tackle long-standing disparities.³¹

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