

Spotlight

REGIONAL DEVELOPMENT: ACCESS TO OPPORTUNITY

Jim O'Neill / Luke Hall / Tracy Brabin / Jo Stevens



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The rocky road to regeneration



It's hard to argue with the need for "levelling up." With the anchoring of the UK economy in services other than manufacturing, funding, talent and power has drained towards the south – especially London. Left to itself, the process is self-perpetuating – in 2018, London and the south-east not only outdid every other region in productivity as measured by gross value added (GVA), but also spent over three times more than any other region, except for Scotland, on research and development (R&D).

The deliberate disruption of this process through allocating billions of pounds to areas left behind by successive governments can only be commended. The same is true of involving communities more directly in decision-making, whether through devolution and empowerment of locally elected officials or through extensive consultation schemes.

In practice, however, levelling up is not level enough, and the pursuit of its lofty goals lacks coherency. Earlier this year, the majority of local councillors surveyed in a *Spotlight* poll thought that levelling up was little more than a slogan. In July, parliament's Business, Energy and Industrial Strategy Committee levelled a similar charge, warning the policy risks becoming "about everything and nothing" unless clearer plans are laid out.

While this is a sobering warning against overreach and ambition, levelling up needs to be more comprehensive and all-encompassing, not less. Even within its current scope, the gaps in government policy compromise its stated goals. Digital poverty is a case in point: if communities are to participate in consultations, to take up retraining courses, or even to inform themselves of the opportunities offered by the levelling-up agenda, online access and digital skills are essential. Both are in short supply, with 1.5 million homes across the UK lacking internet and 11.3 million adults lacking basic digital skills. Predictably, the older, poorer and lower-skilled you are, the likelier you are to find yourself among the digitally disadvantaged. There is no way the levelling-up agenda will reach its stated aims if access to opportunity is not improved. ●

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Jim O'Neill, the renowned economist and former Northern Powerhouse minister, talks to Jonny Ball about skills policy, the city-town dilemma and the north of England's relationship with China

“Our system seems to be slowly deteriorating”

In a much anticipated July speech, Boris Johnson began to set out his vision for levelling up. He lamented the differences in life expectancy between wealthy and deprived areas of the country. He hinted at greater devolution, while having a dig at the “loony left” and elusive “municipal socialists”. He bemoaned Whitehall’s churn in regional policy that has seen dozens of short-lived schemes come and go over the past four decades, all full of the same initial promise but each falling out of favour when a new resident enters Downing Street.

“The most important factor in levelling up,” Johnson told the audience, “the yeast that lifts the whole mattress of dough, the magic sauce, the ketchup of catch-up... is leadership.”

But the Johnsonian oratory on “leadership” and the outdated spectres of the town hall “loony left” did little to disguise that the speech lacked any solutions to the maladies it diagnosed. Jim O'Neill, one of the original architects of the Northern Powerhouse project, was less than impressed. Speaking from his home in south-west London, the life peer and former commercial

secretary to the Treasury, who shaped the Powerhouse agenda under David Cameron and Theresa May, told *Spotlight* that the “speech was notable for the fact he didn’t mention the phrase ‘Northern Powerhouse’” a single time.

Perhaps that was a sign that it has become the latest regional development programme to fall by the wayside in Westminster’s short-termist political culture. It has been eclipsed.

“But eclipsed by what?” asks O'Neill.

The Northern Powerhouse project boasted real – albeit underfunded – institutions and initiatives. A private sector consortium was founded, which O'Neill still chairs alongside former chancellor George Osborne, bringing together civic and business leaders to advocate for the region. “City deals” gave powers to new, elected mayors like Andy Burnham in Greater Manchester. Transport for the North was set up to promote infrastructure megaprojects like Northern Powerhouse Rail (NPR), which plans to link northern cities with high-speed rail.

Levelling up, by contrast, might be high on rhetoric but is widely slammed

for lacking policy substance. In response to Johnson’s speech, his former adviser Dominic Cummings described it as a “vacuous slogan”. The Centre for Cities, a think tank that promotes devolution, said the Prime Minister should “not be surprised that the speech has been widely criticised”. It has since calculated that a genuine, successful levelling-up programme would – at £2trn – rival the cost of German re-unification. The House of Commons’ Business, Energy and Industrial Strategy select committee said “lack of clarity” was in danger of relegating the levelling-up agenda to the status of an “everything and nothing” policy.

For O'Neill, levelling up is “shallow”, “disappointing” and “driven by politics rather than economics”. A proud Mancunian exiled in the capital – he “finished university, buggered off down here and never got away” – his vision for the Northern Powerhouse was based on a regeneration of the great northern cities: Liverpool, Manchester, Leeds, Sheffield, Hull and Newcastle. Economies of agglomeration would be brought about through improved transport connectivity



such as NPR – or “Crossrail for the North” – which would increase growth and boost productivity.

The model would emulate the success of the Randstad region of the Netherlands that encompasses The Hague, Utrecht, Amsterdam and Rotterdam, but which functions as a single, dynamic economic unit on account of its high level of integration. Piecing together the poorly connected and disparate cities of the north, creating multiplier and network effects and economies of scale, was intended to build an economic – and even political – counterweight to London and the south-east. But the future of that project looks uncertain.

Cities or towns?

“It’s pretty clear,” says O’Neill, “that when it relates to geography, ‘levelling up’ means more – to Johnson and his government – about disadvantaged towns than big northern cities.” After decades in which large metropolitan areas have been viewed in public policy circles as the key engines of growth,

apparently bringing prosperity not only to the urban hubs themselves but also to the connected peripheries, the Prime Minister seems to have refocused efforts on investment in smaller, post-industrial conurbations – the archetypal “left-behind” towns.

It is, claims O’Neill, “because a lot of the ‘red wall’ seats are towns, and all the northern cities are – bar one – run by Labour mayors”. For him, the policy adjustment is symptomatic of “what seems to be like an incredibly opportunistic government, even by the standards of opportunistic ones of the past”. The opposition has accused ministers of indulging in “pork barrel politics”, channelling the meagre amounts of allocated level-up funding towards Conservative-held and marginal seats.

But was the metropolitan orthodoxy and relentless public policy focus on larger cities misguided? Doesn’t it make sense to shift some of the attention and investment away from the cosmopolitan citadels and towards marginalised, forgotten communities?

“If you’re really trying to make a difference to the national economic

performance, and you’re brutal about it in terms of economic analysis, then no – it doesn’t make any sense,” says O’Neill. The former banker, who once was responsible for managing \$800bn in assets during his time as chief economist at Goldman Sachs, applies hard-headed reasoning to the town-city dichotomy. “Unless you really focus on the big places, this raises the jam-spreading issue” – i.e., that resources will be spread too thinly across too many areas.

However, he hastens to add: “If I criticise my own philosophy going back eight years, by focusing just on big cities, we were leaving others behind – at least intellectually. Ideally, you want to have a combination.”

China and the north

As well as responsibility over the Northern Powerhouse, O’Neill’s erstwhile ministerial brief also charged him with improving trade relationships with China. This latter project, it was thought, was intimately connected to the north’s prosperity, and northern mayors and heads of local authorities were keen to get on board. ►

Back in 2015, O'Neill joined a delegation of city leaders from Liverpool, Leeds, Manchester and elsewhere, as well as then-chancellor Osborne, on an official trip to Shanghai and Beijing to promote the north as a destination for Chinese investment. Midas, Greater Manchester Combined Authority's inward investment promotion agency, includes the Manchester China Forum. Established by Osborne, it is a body that encourages commercial links between the northern city and the Asian giant, and boasts endorsements from Mayor Burnham.

The China connection fostered by O'Neill built on his previous work as a celebrated economist, where he came to prominence espousing the opportunities of emerging markets. In 2001, Brics – an acronym for Brazil, Russia, India and China – began to enter the nomenclature of high finance and economics. It was coined by O'Neill to describe the four countries he had identified as having the growth potential (as well as the demographic and geographic muscle) to increase their share of relative GDP and re-order the world's global governance structures.

Twenty years ago was a simpler time. Third Way politicians were still predominant in the world centres of power, and enlightened elites basked in the promises of Francis Fukuyama's "end of history" treatise, in which liberal, free-market democracy would surely spread across the world. The Brics seemed to be on a road to liberalisation: Putin talked of joining Nato and rapprochement with the West, India had opened up its protectionist economy, and China joined the World Trade Organization.

Today, the picture looks very different. All four countries are run by different shades of authoritarian strongmen. China's meteoric rise has been accompanied not by political liberalisation but by a resurgent neo-Maoism. But little of this affects the core of O'Neill's original thesis: that G7 nations would carry increasingly less economic weight in a world where the influence of the Brics steadily

increased. When he wrote his seminal paper, the quartet of emerging markets accounted for around 8 per cent of global GDP. Today, they contribute around a third. China's economy is now 15 times larger than it was in 2001. Measured by purchasing power parity, it is already larger than the US.

Despite this steady emergence of a more multipolar world and the beginnings of a less Western-dominated century, the British government has pivoted away from the "golden era" of UK-China relations touted by Cameron and Osborne, and moved towards a relationship of mutual suspicion.

"Economically, it's a real shame," says O'Neill. And it is, he thinks, a diplomatic U-turn that will negatively impact those areas of the north that were hoping for enhanced partnerships with Chinese firms. The Manchester China Forum claims that Greater Manchester has benefitted from £6bn-worth of Chinese investment in multiple development projects, but that expansion could be under threat under the new dispensation. "China is a state-run place, so if we're constantly trying to be brutal with them, they're not going to invest as much. It's pretty straightforward."

The sight of Cameron's Conservative government cosying up to the world's

largest communist state always felt discordant. But, says O'Neill, "this is a nation, albeit an autocratic one, that seemingly has the ability to be as powerful an economic force for the world as the US. And in fact, over the past 20 years, at the margin, it's been economically more important than the US." Its economic weight in the north of England was steadily increasing as local politicians attempted to compensate for the losses incurred under austerity by courting Chinese investment.

In spite of O'Neill's misgivings – he quit the front bench in 2016 over Theresa May's lack of interest in the Northern Powerhouse project – UK-China relations have soured, and the UK has followed President Biden in ramping up anti-China rhetoric.

"The US is greatly driven by the fear of no longer being the biggest guy on the block," O'Neill continues. "But I thought the UK was a bit more adult than that. . . For us, [we are] a reasonably small, open economy that's deliberately decided to leave a free-trade zone that we've been in for 50 years. Why [would we sully our relations with one of the world's largest economies]? Is it just because of some superficial political ideology that relates to something of the past?"



O'Neill's Northern Powerhouse vision was based on a regeneration of cities, such as Manchester



Investment from China relies on collaboration

Sunak has overseen unprecedented peacetime public spending in response to the pandemic

Today's Conservative backbenchers would disagree. They forced a government U-turn on allowing Chinese tech giant Huawei's involvement in rolling out new critical national infrastructure. China's critics describe human rights abuses against China's minority Uighur population in the Xinjiang region as a genocide. And the country's increasing assertiveness in Hong Kong and the South China Sea has led to renewed UK military presence in the Indo-Pacific. Should the UK simply ignore these issues and pursue friendly relations regardless?

To O'Neill, the short answer seems to be "yes". "It [isn't] clear to me that by not engaging that we're going to change any of those things," he replies. "Last time I looked we were still engaged, in fact, directly trying to benefit from exporting weapons and arms to Saudi Arabia. And they're not exactly guilt-free on some of these issues."

"It seems like a bit of a fad. I've followed China for a long time. It's not like the Uighur issue just started five years ago – it's been around for 20 years... And if you really get me going, on the day when you read about escalating real problems with Afghanistan, what exactly is it that we're doing so well when we intervene? The world's a difficult place... The way they're treating the Uighurs seems pretty bad, but it's also clear the reason why it started is because of their own fear of terrorism." Xinjiang has a history

of violent unrest linked with banned separatist and Islamist groups opposed to Chinese rule in the region, but reports by human rights organisations have shown that policies put in operation on the terrorism pretext target the Uighur population as a whole, not just suspected militants and their supporters.

A new economic model?

One of the ironies of the US's continuation of Donald Trump's anti-China agenda under Biden is that, just as it pursues a "decoupling" between the two superpowers, many Western countries are adopting policies that resemble, in inchoate form, something more akin to the Chinese Communist Party's state capitalist model: more interventionist governments, vast amounts spent on infrastructure and capital budgets, state subsidies and incentives for favoured corporate behemoths, protectionist trade barriers, a focus on national industry, and higher levels of public investment.

In the UK, this shifting policy model has manifested itself in the form of a Conservative government breaking peacetime spending records, sparring with Brussels over state aid rules, nationalising Sheffield Forgemasters, and, of course, focusing so much of its as yet unrealised rhetoric on levelling up de-industrialised areas of the country. "It's been quite evident to me," O'Neill says, "that going back to the turn of the millennium, there's something about the economic model that hasn't

functioned the way that the textbooks would argue. In particular, the persistent weakness of private sector investment in many Western countries, despite very favourable circumstances in financial markets, and with it, weak productivity; and this remarkable, persistent, widening gap between profit and real wages. For the state to play a more active role in life, and redistribute resources and spend money more wisely, I think it's basically sound, even if a bit new."

But it remains to be seen whether this government has the leadership or ability to follow through on its promises and "obsessively recurring mantras", as O'Neill describes them. Johnson's rhetorical flourishes and penchant for grand projects might not sit well with the Treasury's more fiscally conservative instincts, and O'Neill has little faith in its ability to deliver. In the autumn, a *Levelling Up* White Paper is due. As we begin our post-Covid recovery, that will go some way to determining the substance, if any, of the levelling-up sloganeering, and reveal whether the idea will remain a feature of Johnsonian oratory or become a genuine project.

"We never have a proper framework or substance for anything. It's just, 'Let me just put my finger up in the air and dream up some sort of statement that plays well on Twitter'," O'Neill says ruefully. "There's something about our system that seems to be slowly deteriorating."

Under these circumstances, the prospects for a real levelling-up strategy look bleak. ●

Universities have a role far beyond education

Northern academic institutions will play a key part in helping their regions emerge from the pandemic stronger and more sustainable, writes [Chris Day](#), vice chancellor of Newcastle University

As the vice chancellor of a university in the north of England, an area disproportionately impacted by Covid-19, I have seen at first hand the crucial civic role of universities and what can be achieved through strong collaboration between ourselves and our regional partners.

One of the reasons why we were able to respond so quickly to the pandemic was not just because of our commitment to help but because all of us already have long-standing local and national partnerships. Now, as we start to move out of the crisis and plan our recovery, universities will be crucial if their cities and regions are to emerge from the pandemic fairer, stronger and more sustainable than before.

UK universities have a world-leading reputation for supporting students to become successful work-ready graduates. At Newcastle alone over the past 18 months we have graduated more

than 600 medical students who have been supporting the NHS frontline Covid response, many of them in our region's hospitals.

But our role goes beyond our traditional undergraduate and postgraduate programmes. Post-Covid, demand for higher-level skills is projected to continue rising and our northern universities have responded to this with training and upskilling programmes tailored to employers, the local community and broader economy.

Earlier this year, Universities UK, together with the National Centre for Entrepreneurship in Education (NCEE), produced a new report that predicted that over the next five years northern universities would be involved in regional regeneration projects with partners worth almost £400m and support the formation of 4,267 new businesses and charities. Over the same period, those same institutions will provide over £500m of support and





Newcastle University is a member of the N8 Research Partnership

Collectively, we can tackle today's biggest challenges

services to small enterprises, businesses and not-for-profit organisations.

The N8 Research Partnership – the strategic collaboration of the eight research-intensive universities in the north of England (Durham, Lancaster, Leeds, Liverpool, Manchester, Newcastle, Sheffield and York) – is living proof of what we can achieve when we focus our collective effort on tackling some of the biggest challenges facing society today.

While stringent restrictions have impacted on universities, their staff

and their students in so many difficult ways, I'm proud that these limitations did not hinder our ability to collaborate or innovate.

Throughout the pandemic, our eight universities have been hard at work developing Net Zero North (NzN), an initiative that will drive a green recovery that connects the Northern Powerhouse's science and research capabilities and skills providers to unlock new business opportunities and create and secure much-needed new employment opportunities and pathways to long-term careers.

Three parallel, pan-northern projects within NzN (Grow Smarter, Sustainable Hydrogen Economy, and Skills and Productivity) will accelerate economic growth by creating new job opportunities, promoting upskilling of the northern workforce and supporting firms to innovate and adopt low-carbon business models.

These will in turn create a sustainable and resource-efficient society – particularly in economically challenging towns, cities and rural and coastal locations – to help with the establishment of skills hubs in Teesside (Sustainable Hydrogen Economy) and Eden Project North (Grow Smarter), among numerous other projects.

NzN aligns closely with the government's dual aims of levelling up and creating a high-skilled green economy to enable us to "Build Back Better" from the pandemic. The project has been praised in the House of Commons, yet funding has so far not been forthcoming.

That's why last month's Hydrogen Strategy was a welcome, positive milestone in the government's response to the climate crisis, providing confirmation it is willing to take the steps required to develop a low-carbon hydrogen economy that will create thousands of green jobs.

While it may not necessarily seem so initially, the next important announcement in the government's response to the reports that have confronted us with the reality of

climate catastrophe this year – from the *Dasgupta Review* to the UN's Intergovernmental Panel Report on Climate Change – is the *Levelling Up* White Paper in the autumn.

Put simply, the north of England – its universities working with cities, towns, coastal and rural communities, combining natural resources and industrial strengths – is the government's best bet to forge an ambitious climate-conscious recovery from Covid-19. I sincerely hope this White Paper – and the coming spending review – recognises this and continues what the Hydrogen Strategy has begun.

That can be done by backing the green recovery programmes – such as NzN – that will enable the UK to level up while simultaneously creating a sustainable model of economic growth that also supports the health and well-being of the whole of the UK for many generations to come.

What is clear is that our universities are ready – through innovation, training and knowledge exchange – to help drive productivity and boost competitiveness. By producing skilled graduates and delivering local regeneration projects, universities will work to level up the UK and improve lives.

Covid-19 has hit communities hard and without commitment or funding from UK government and businesses, the north of England will struggle to take advantage of the social reset triggered by the pandemic.

That's why northern universities have put so much time and effort into developing a programme that will ensure this does not happen.

Instead, as we look to rebuild the economy and address long-standing structural issues facing our society while seeking to mitigate the worst effects of climate change, we look forward to working with the government and our partners in the private sector, and to cementing the northern economy as a leader in the charge towards a zero-carbon future, resulting in a fairer, more sustainable society for all. ●

How Sellafield levels up West Cumbria through its social impact work

Gary McKeating, head of community and development at Sellafield, discusses why companies should commit to projects that help society



IN ASSOCIATION WITH



What is Sellafield's mission and purpose?

Sellafield is a former nuclear power-generating site in West Cumbria, owned by the Nuclear Decommissioning Authority [NDA] – a public sector body that owns 17 nuclear sites across the UK and is responsible for cleaning them up safely and cost-effectively. Our primary purpose now is to clean up the 6km² area in which Sellafield is based. Our work has shifted towards waste management and environmental remediation, including retrieving and treating nuclear waste from old facilities and storing it safely. We do this in collaboration with our supply chain partners and stakeholders. Together, we are creating a clean and safe environment for future generations.

Why does Sellafield invest in the local community?

Sellafield has always had a strong social purpose. We've got roughly £10m a year to spend on social impact, and our early evaluation shows that for every £1 invested, we get back approximately £5 in added value. We're a large employer in the West Cumbrian community, and we try to use this to make positive change. Sellafield's Social Impact Strategy objectives commit us to making a positive impact on the region, delivering new economic opportunities, working collaboratively with the community and protecting the environment. The company also has a manifesto containing nine behaviours

that we expect to see from everyone working on our mission, including a commitment to care for our community and environment.

How is your community investment different to other companies' work?

The key thing is that our support is co-created with local communities. We move away from typical corporate social responsibility and sticking-plaster initiatives and try to address things for the long term, so that the result is sustainable. We might do this by reviving a disused building, delivering great community programmes around skills, or offering business support for entrepreneurs. We try to be part of the solution, rather than enforce our own view of the world, so we work very closely with our communities and the local authorities where Sellafield is based.

What is the SiX campaign?

SiX stands for "social impact multiplied", and it's our social impact strategy. We relaunched it in June 2020 during the pandemic, after originally setting it up four years ago. Our strategy is based on the UN's Sustainable Development Goals, and includes reducing inequalities and poverty, improving access to decent work and creating sustainable communities. It also aligns closely with the government's Social Value Model on areas such as Covid recovery, equal opportunities, tackling climate change and levelling up.



Sellafield recently redeveloped a derelict bus station in Whitehaven

The multiplication element, the “X” of SiX, is around working with our supply chain on these projects. We create social impact toolkits that help our partners get involved and play to their strengths, whether that be skills and education, project management or economic development. Our supply chain is large and international, so if it can get behind the work we’re doing, we can make a far bigger impact. It also helps their own supply chain – often smaller enterprises – get involved. The aim is to align everyone rather than have them all doing their own thing.

What are some examples of Sellafield’s work?

Over the past couple of years, we’ve offered a mix of crisis and long-term, sustainable support, while also trying to reduce West Cumbria’s reliance on the nuclear industry. One example is WELL [Western Excellence in Learning and Leadership], an education project we’ve developed with Cumbria County Council and the NDA. We have invested £5.7m over five years to help young people from challenging backgrounds across West Cumbria. The project has been going about 18 months and we’re starting to see strong results where the attainment gap is narrowing.

In terms of Covid, we provided volunteers and distributed personal protective equipment [PPE] and 500 laptops to those who were digitally excluded. Our most recent major project has been redeveloping a bus station in Whitehaven, which was derelict for 20 years; we’ve put in offices, a restaurant and a Barclays Eagle Lab for start-ups.

What are the returns for the company and community?

For the community, we help prevent people being left behind and, where possible, we fund projects that help upskill them so they can access decent work. We invest in physical regeneration projects to help diversify the economy, and in key community projects and institutions. For the company, investing in the community’s skills can only be good for business, in terms of securing a future talent pipeline. Also, many people looking for a job today analyse companies – their ethos, what they stand for and their stance on sustainability. If we want to attract the brightest and best, we need to have a good offering.

What are the challenges of your work?

Many of our stakeholders are short on resources, and the big social impact

projects can be difficult and lengthy to take from concept to delivery. With Covid, we also had to pivot very quickly to crisis support. We’re getting back to planning with partners for the longer term now.

There can be a mixed appetite for social impact because it’s not everyone’s day job. It can be tricky to ensure we get good bid commitments out of companies when we’re procuring goods and services. Our job is to make sure the supply chain understands our aims.

Why do you think it is important that Sellafield does community work?

We want to provide value for the UK taxpayer. People increasingly expect a wider definition of value, which includes how we work from an economic, social and environmental viewpoint. It makes sense for the company in terms of recruitment – investing in our future generations to gain the skills we need to deliver our mission – and how we’re seen in the regions in which we operate. Most companies today are looking at social value, and as we progress down the sustainability agenda that will only get stronger. Our communities can only benefit from this. Doing good is good business. ●

The “Houchenist” manifesto

The Mayor of Tees Valley is implementing a new kind of Tory agenda that mirrors global economic shifts.
By **Jonny Ball**

In 1980 – less than a year into Margaret Thatcher’s time in No 10 – 17,000 Teesside steelworkers went on strike for 13 weeks. British Steel, then a publicly owned corporation, had made a pay offer of 6 per cent. It was an increase that the trade union, the Iron and Steel Trades Confederation, found derisory – the rate of inflation that year hovered around 18 per cent. After three months on picket lines, workers returned to their stations having been placated with a 15.5 per cent increase. But that same year, 3,000 steelworkers were made redundant – British Steel had lost millions during the strike, and eight years later the company would be privatised.

It was a small episode in the history of British industrial relations that encapsulated the decline of the UK’s traditional industries. At the time, local MP James Tinn was a former coking plant worker, branch secretary of the National Union of Blastfurnacemen, and a fierce defender of strike action. While nearby market towns like Darlington had switched between Conservative and Labour MPs, Redcar, one of the centres

of the British steel industry and home to several large chemical plants, was solidly Labour. To the north, Hartlepool had once flourished as County Durham’s coal port and been a shipbuilding town. It could also be relied upon to return Labour MPs to Westminster. Middlesbrough, the largest conurbation on Teesside, was similarly red, having once been represented by Ellen Wilkinson, a former revolutionary communist and one of the leaders of the Jarrow March of unemployed workers in the 1930s.

In the north-east, the institutions and political cultures of the organised working class held significant sway. These were the bricks that made up what has come to be known as the “red wall”.

But in 2017, at the nadir of Jeremy Corbyn’s popularity and before the Labour surge of that year, Ben Houchen, the Conservative candidate for mayor of the Tees Valley Combined Authority, narrowly won a surprise victory to become the metropolitan area’s first executive mayor. This year, he was re-elected by a landslide 73 per cent of the vote – a higher proportion than Andy



The redevelopment of Middlesbrough railway station is one of Ben Houchen's projects

Out with austerity, in with public investment

Burnham in the Labour stronghold of Greater Manchester. On the same day, a Conservative candidate was elected in the Hartlepool by-election for the first time since the seat was established. In 2019's general election, Conservative candidate Jacob Young, a process operator at a local chemical factory, beat Anna Turley, the privately and Oxbridge-educated Labour incumbent, to take Redcar.

These shifting political allegiances in the Tees Valley have been accompanied by shifts in the old rhetorical and ideological terrains of the Conservative Party, perhaps best illustrated by the case of

Mayor Houchen and his curious policy programme. James Meadway, director of the Progressive Economy Forum and former economic adviser to the former shadow chancellor John McDonnell, has christened this "Houchenism".

"You'd call it a kind of red-green Toryism," Meadway tells *Spotlight*. "At least rhetorically."

In 2018, Houchen nationalised Tees Valley airport. The move was opposed by a local Labour MP, who described the plan as "fanciful". (That MP – Phil Wilson – has now also been replaced by a Conservative, with his seat of Sedgfield turning blue for the first time since the Great Depression.) The Mayor has explicitly distanced himself from the austerity pursued by David Cameron and George Osborne, criticising the "Notting Hill set's 2010 vintage" as well as their "slavish devotion to the Green Book" (the rules that limit government spending that are often blamed for the Treasury's notorious parsimony). Houchen is unapologetic about supporting public investment in green industries, using

the power and fiscal might of the state to create skilled working-class jobs in high-value manufacturing and the burgeoning renewables and green tech sector.

It is, Meadway says, "really a bit out of kilter with how the Conservative Party has conducted itself for at least the last ten years, and probably a lot longer".

The Teesside mayor himself was not available for an interview before this issue of *Spotlight* went to print, but much of the basis for Houchen's local agenda and political philosophy can be gleaned from a 2020 article penned for Conservative Home. This is no dyed-in-the-wool, Thatcherite throwback. He is an enthusiastic backer of free ports – low-tax, zero-customs and duty-free areas set up to encourage trade and private sector activity – but his vision for the north-east's new special trade zone is of a manufacturing and engineering hub, including a "clean steel making plant", rather than a financialised tax haven or a glass-and-steel Singapore-on-Tees. This will, he says, lead to the "reshoring of some of our long-lost manufacturing

Spending is at its highest since the 1970s



The Conservatives won Redcar in 2019

► activities”. Houchen advises the Prime Minister to “double down on levelling up” and commit wholeheartedly to a “Green Industrial Revolution” – a policy mirroring Labour’s. His environmentalism is inseparable from his desire to create a boom in the kind of well-paid, high-productivity jobs that have steadily leaked away from areas like Teesside since the 1970s. It is a world away from the “bizarre publicity stunts” of Extinction Rebellion or the “hug a husky” stunts of the Camerons.

As part of “a general shift of the UK’s centre of economic gravity in a more northerly direction”, the Mayor gives enthusiastic backing to plans to move parts of the civil service north (this was proposed by John McDonnell in 2019), including Rishi Sunak’s pledge to move Treasury staff from Whitehall to Houchen’s Darlington. The idea of transferring powers and spending to big cities “like Manchester” is out of the question – it’s the smaller cities and towns of Houchen’s domain that are now in vogue.

For Meadway, Houchen’s new Tory interventionism is Teesside’s local manifestation of a global trend. The international economic centre of gravity is shifting away from the laissez-faire, small-state, low-tax, free-market approach of the past four decades, one defined by increasing globalisation and a policy agenda in which the centre-left and centre-right shared a consensus of the benefits of deregulation, privatisation

and cyclical bouts of austerity. “Look at the wider international shifts,” explains Meadway, who is credited with helping to build much of the Corbynite policy programme during the veteran left-winger’s time as the leader of the opposition. “There’s now a US administration whacking up corporation tax for the first time seriously in 40 years or so – they’re talking about \$3.6trn and upwards of infrastructure spending, they’re talking about increasing trade union rights. In the EU there are plans to reform state aid so that governments can intervene more easily in their economies. All of this is centred around competition with China. So globally it’s shifting and the Conservative Party is part of that.”

Houchen would be viewed as an outlier set against the annals of recent Toryism, but he’s not implausible as a poster boy of the contemporary national party. After its election in 2019, in which it swept up seats that had not returned Conservative candidates in generations, the government introduced a Budget that increased capital spending to levels not seen since the 1970s. When Covid-19 hit, the spending splurge increased even further. The government recently voted to raise corporation tax against opposition from Labour, which at the last election had the pledge as a key revenue-raising policy in its manifesto. The Department for Transport has announced the creation of a new public body, Great British Rail, which will increase the state’s role in rail delivery more than any time since

privatisation. Sheffield Forgemasters has been nationalised. Treasury spending is being reformed to incentivise investment beyond London and the south-east (yet another 2019 Labour pledge), and cuts to the NHS, schools and policing budgets made since 2010 have been reversed.

“There’s much more economic nationalism, much more interventionism, much more willingness to say that government can change the outcomes of an economy in a way that for 30 to 40 years in Britain we just haven’t seen,” says Meadway. That this statist turn is being taken by the Conservative Party “isn’t unusual in the whole Conservative history”, he adds – think of the post-war paternalism of Harold Macmillan or the crusades against free trade by Joseph Chamberlain – “but it is quite striking relative to the last few decades”.

As the party attempts to shore up its hold over new “blue wall” constituencies, “Houchenist” rhetoric is sure to remain part of its public relations. But if the reality is to match the expectations, then nothing short of a new industrial revolution will be required – one that transforms areas like Teesside and rebuilds a broken labour market and economy built around low pay, low productivity and low investment. The days of post-war industrialism, state-owned and coal-fired heavy industry, and the associated mass trade unionism that went with it, are over. Whether a new industrial era can be forged on Teesside remains to be seen. ●

It's time to roll out powers through devolution

The government is levelling up the country by supporting local leadership and tackling regional imbalances, says **Luke Hall**, Minister for Regional Growth



If we are to unite and level up the UK, our economic recovery from Covid-19 must see investment targeted more fairly and opportunity spread more evenly so that everyone is afforded the chance to realise their full potential.

That starts with recognising that many parts of the country – especially former industrial towns and rural communities – have been consistently overlooked and underserved by successive governments.

We are tackling these regional imbalances head-on with a record, UK-wide wave of investment in skills, jobs and infrastructure.

This is what underpins the Levelling Up Fund, available throughout the four nations. It will invest over £4.8bn into building the next generation of roads, bridges, railway stations and 5G networks to connect communities and businesses faster than ever before.

We are also providing nearly £250m through the Community Renewal Fund to help local areas support communities most in need by piloting new approaches to investment in skills, local businesses and employment.

This builds on the work that is already well under way to re-invigorate the places that have been economically hard hit during the pandemic.

Through the Getting Building Fund we are creating the green, high-skilled jobs of tomorrow. In Cornwall, the fund is being used to pilot lithium extraction from geothermal waters so that the metals used in batteries powering our

electric devices can be produced right here in the UK with a zero-carbon footprint – a real showcase of British innovation ahead of COP26.

In Barrow, where almost one in four adults holds no qualifications, £25m from my department's Towns Fund is being invested in a Learning Quarter, which will completely transform the local educational offer with a new university campus and skills hub.

In Worcester, support from the Future High Streets Fund is renovating the Scala Theatre and Corn Exchange, bringing these beautiful buildings back into public use to increase footfall.

We want to encourage strong local leadership to truly deliver. We have seen the success of metro mayors like Ben Houchen in the Tees Valley, regenerating the former Redcar steelworks site and creating 18,000 jobs with a new free port acting as an international gateway for trade and commerce in the north-east.

He and other metro mayors show what's possible when regions have passionate champions banging the drum for them. It's time to roll out these powers to the rest of the country, using county deals and a more flexible approach to devolution.

This is the new frontier for our levelling-up agenda – empowering local communities to shape the future of their area. A levelling-up White Paper will be published later this year, setting out our ambitions for this regional renaissance.

By devolving money and powers to local leaders, investing in skills, addressing educational blackspots and driving regeneration, we are permanently addressing the regional imbalances that have held our country back.

We are ensuring that no one ever has to feel that leaving their home town is the only way to get on in life. Instead, the opportunities they need to flourish will be right on their doorstep. That is what levelling up is all about – giving communities in every corner of the UK the confidence that our brightest days lie ahead. ●



WEST YORKSHIRE COMBINED AUTHORITY



Tracy Brabin, the first-ever metro mayor of West Yorkshire, on cultural capital, transport, and rebuilding Labour's image in the north. By Rohan Banerjee

How the mayor came home

Tracy Brabin says she feels “like a minister”. She sounds the part, too. Speaking from her airy office over a Microsoft Teams call she exudes the confidence that she can affect real change. At the time of our conversation, the former *Coronation Street* actor and West Yorkshire native, elected as the region's first-ever metro mayor, and the first-ever female metro mayor in the UK, is taking stock of her first 100 days in the role. She stepped down as the MP for Batley and Spen earlier this year, the constituency she took over from her close friend, the late Jo Cox, and says she is relishing the prospect of being “very much a full-time mayor... I'm giving it my all.”

Brabin won the West Yorkshire mayoralty by 310,923 votes – a majority of nearly 60 per cent after second preference ballots were counted. She has powers over transport, crime, adult

education and housing across a region that includes the cities of Bradford, Leeds and Wakefield.

With the Labour Party attempting to rebuild its image in the north after losing control of many of its traditional “red wall” constituencies in the 2019 General Election, Brabin is hopeful that her home-grown status can stand her in good stead. “I want to make palpable changes for the people I care about in West Yorkshire,” she says. “Suddenly, we have seen, haven't we, the power of the mayors [since the inception of the regional offices four years ago], and three of five residents in the north are represented by them. We have an understanding about our community that I don't think others in Westminster and Whitehall do.”

Brabin, 60, was born in Batley itself, grew up in Birstall, and was educated ►

“It is critical Channel 4 remains in Leeds”



Channel 4 is due to move to The Majestic, a former Leeds nightclub, later this year

► at Heckmondwike Grammar School. The first of her family to go to university, she studied drama at Loughborough before gaining a master’s degree in screenwriting from the London College of Communication in 2001.

Her pre-political career as an actor – ducking and diving within the freelance economy – she suggests, has afforded her a greater sense of empathy. “I could say to the public, you know, I’ve been where you are. I’ve worried about paying my bills, particularly as a freelancer for three decades. You know, I really understand that sense of fear about not having a job, about going shopping and not being able to afford things.”

Brabin’s happy childhood hinged, she says, on having access to a free education, affordable and secure social housing, and well looked-after public libraries. As West Yorkshire’s metro mayor she remains committed to these causes and intends to build on them.

A “strong cultural offering”, Brabin argues, is “as important” to someone’s decision to live or continue living in an area as any other factor. She points to the public health benefits, specifically those pertaining to mental health, from funding local theatres or running art or

dance classes. Against the backdrop of the coronavirus pandemic, which has taken its toll on public morale, she says that “feeling part of a community” has never been so important.

And Brabin doesn’t simply view art and culture as quaint add-ons that are nice to have. They are at the core of her vision for “regeneration, skills and employment”. In August, she announced the creation of a new specialist West Yorkshire Culture, Arts and Creative Industries Committee, which will oversee delivery of a “Creative New Deal”. Funding worth £500,000 has been ring-fenced to support development of the scheme, including £190,000 for the continuation of the Beyond Brontës film and TV training programme, which has been developed in conjunction with Screen Yorkshire, offering mentoring to local aspiring actors aged 18 to 24.

Brabin is “deeply concerned” by reports that central government is considering privatising Channel 4. The broadcaster, which established a temporary national office in Leeds two years ago in the city’s West Gate development, is currently owned by the state but receives its funding from

advertisers. It could be sold off, though, with a consultation on privatisation set to conclude on 14 September. Government ministers have claimed its consultation aims to ensure Channel 4 “thrives for another four decades”, by allowing it access to greater private funding sources amid concerns about its ability to keep pace with streaming services such as Netflix or Amazon Prime.

Brabin, however, says any such decision would be short-sighted and risks Channel 4 being taken over by an overseas corporation and getting pulled out of Yorkshire altogether. Brabin says it is “critical” that Channel 4 retains its presence in Leeds and completes its permanent move to The Majestic, a larger building in the city centre, as planned later this year. Brabin wants the broadcaster to continue to “integrate with local partners”, making the most of the “great universities in the area”. Keeping Channel 4 in Leeds is essential, Brabin adds, to giving West Yorkshire’s regional development an “internationalist edge”.

As well as protecting and investing in cultural capital, transport policy has been one of the key concerns of Brabin’s mayoralty so far. The mayor has moved



Brabin is the first-ever woman to be elected as a metro mayor in the UK

forward with her plans to deliver greater public control of bus services. The West Yorkshire Combined Authority, she explains, has access to a share of the £3bn fund central government has made available to support buses during the Covid-19 recovery.

As a frequent bus commuter herself, Brabin says she understands the importance of making buses “fair, green, easy and reliable”. Her plans, Brabin claims, will deliver deals on fares to encourage more bus travel, better integration of customer travel information, new bus stops, and a guarantee of more consistent standards for hygiene and energy efficiency across different operators.

On rail, Brabin is continuing to lobby central government to deliver on its promises about HS2 – the seemingly

forever under-construction high-speed rail network intended to link London, Birmingham, Manchester and Leeds. The project “absolutely must” be completed, Brabin says. “We’ve already got the land allocated. It’s not just about connectivity to London, it’s about connecting our cities [in the north]. It’s about capacity building. It’s about a faster service to Sheffield. I mean, [at the moment] the journey from Leeds or Wakefield to Sheffield is [around] 45 minutes. It needs to be 20.” Inter-city connectivity, Brabin says, is vital for a thriving West Yorkshire economy. “It will offer up more opportunities for people in how they live and work. We also need these good transport links in order to attract new businesses to the region.”

After her first 100 days as West Yorkshire’s metro mayor, Brabin is

“optimistic” about what happens next. She is “extraordinarily grateful” to represent the area that she is from. And she notes that, when it comes to improving Labour’s image in the north, that actions will speak louder than words. Tangible success at regional level, she hopes, will inspire a national confidence that a Labour government could do things differently, and better. “I want Labour values to be part of the Yorkshire identity,” she says. “I do think people are seeing during the pandemic that Labour councils can deliver... They’re absolutely running the show. They’ve been delivering on [Covid] testing, on laptop roll-outs for kids who are out of school. That is brand Labour and it’s evidence of what Labour in power can do.” ●

Delivering net zero and a responsible recovery

Sustainable businesses are essential to the UK's post-pandemic economy, says **Michael Eakins**, chief investment officer at Phoenix Group

As we emerge from the shadow of the Covid-19 pandemic, people are rightly challenging government and businesses to deliver the economic recovery in a way that is equitable for communities and regions across the UK. This challenge is at the front of mind for Phoenix as we seek to play our part in delivering on two key national priorities: supporting the post-Covid recovery and levelling up the UK, and contributing to the UK's "journey to net zero".

At Phoenix, we see addressing these challenges as both a societal and a business imperative. We've always taken the view that companies who act responsibly perform better. They provide better services to customers. They deliver better shareholder returns. They are more sustainable businesses.

Equally, we know that we have the scale to make a genuine difference to society. With more than £300bn of assets under administration, we have a duty to take a responsible and sustainable approach to investing the savings that our 14 million customers entrust with us, whether that is in infrastructure, green technology or social housing stock. Or, to use current political terminology, "levelling up" the UK.

We know this is what our customers want and expect of us. A 2020 survey conducted by our Standard Life business found that 65 per cent of our workplace pensions customers believe it is important to invest in a way that drives positive change. And the more we can do so in a regionally diversified manner, the better – not only does it enable us to reach a broader range of stakeholders, but also to diversify the risks associated with the investments we make.

That is why we are working to invest in assets and sectors that can provide stable, long-term returns, while contributing to the recovery of the UK economy and addressing climate change. We take our environmental responsibilities very seriously. We are the largest asset-owner signatory to the UN Principles for Responsible Investment in the UK, committing us to integrating sustainability into our investment practices.

Our commitment to acting in a responsible and sustainable way is perhaps best illustrated by the investments that we make. We have invested £460m into a community-based housing association in the East Midlands, providing affordable housing to more than 3,000 people, and £170m in a renewable energy portfolio targeted at onshore wind, hydro and solar power initiatives, covering all four nations of the UK.

And earlier this year, we made our first sustainability-linked commercial real estate investment. This comprises a £50m portfolio of regional offices in the north-west and Midlands, where the borrower is incentivised to put in place environmental initiatives to reduce interest costs.

We want to do more. We want to invest up to £20bn in environmental and social initiatives over the next five years in a regionally diversified manner. But this investment comes primarily from our annuities-related business; existing regulations

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governing the rest of Phoenix's multibillion-pound portfolio make it difficult for us to provide long-term capital to support economic growth, including investment in infrastructure, venture capital and growth equity, and other long-term productive assets. There is a potentially significant opportunity to unlock further investment if these regulatory barriers can be removed.

Specifically, reforms to Solvency II could provide a foundation for

Clean energy and affordable housing are essential

insurance firms like Phoenix to provide more long-term capital to the UK economy. The current rules make it difficult for insurers to fully support the government's investment priorities. In particular, applying a more flexible, principles-based approach to the Matching Adjustment (MA) would bring a broader range of investments into scope, many of which are the types of long-term illiquid infrastructure and social investments that are needed to support the "Build Back Better" agenda.

The Prime Minister and the Chancellor were right to issue a "challenge letter" recently, calling for UK institutional investors to do more to support the country's economic and infrastructure ambitions. But, crucially, they were also correct to acknowledge the important role for the government in helping to remove any regulatory impediments to investment. The Treasury's ongoing

review of Solvency II offers the prospect of delivering tangible, positive changes that will facilitate greater investment, and we hope that ministers are prepared to pursue these reforms.

It is vital that we bring together local government representatives, community groups, investors and other stakeholders to exchange ideas and tackle shared challenges on the subject of regional investment. Only through collaboration can we achieve our collective goals, whether they be levelling up the UK, driving the country towards net zero or recovering from Covid.

I am delighted that Phoenix is sponsoring the *New Statesman's* Regional Development Conference on 9 September, where we look forward to discussing and debating these issues and, ultimately, to playing our part in driving regional economic growth to the benefit of the UK as a whole. ●

The return of pork barrel politics

The government has been accused of undermining levelling up by using its spending power to steer votes – but what do the numbers say?
By **Samir Jeraj** and **Ben Walker**

In the run-up to this year's metro mayor election in the West Midlands, a statement by a local MP, Gary Sambrook, supporting the incumbent Conservative Andy Street, drew the outrage of Labour activists. Sambrook was quoted on a leaflet saying that "there's not a cat in hell's chance of a Labour mayor getting a meeting with the Prime Minister in their first 100 days in office". Street had been lauded for his ability to bring money into the region, and the implication drawn was that another candidate would have less access to central government money – that it's about party loyalties, not the actual case made for a community's needs. Outrage or not, a day later Street was returned to office with an increased majority of over 40,000 votes. It was one of a series of electoral victories for Conservatives across historically Labour-held local governments that had elected Conservative MPs at the 2019 election.

Using the public purse to try and swing public opinion – otherwise known as pork barrel politics – is nothing new. The Humber Bridge was promised by Labour ministers in the run-up to a crucial Hull North by-election in 1966, but it is still controversial and critics say the lack of transparency coming from government in how it is spending billions of pounds of money to "level up" will create more problems.

One of the main targets of criticism has been the Towns Fund, a £3.6bn government scheme to invest in towns as part of the levelling-up agenda. In

the first round of funding, announced in March this year, 39 of the 45 areas to get funding were represented by Conservative MPs – 12 of the seats had majorities of 10 per cent or lower.

Erica Roscoe, a research fellow at think tank IPPR North, feels there was a "lack of transparency and a lack of clarity" in how these decisions were made. She says there has been "little evidence" or detail as to why certain areas were chosen over others so far in the funding announcements. "We're in real danger of 'levelling up' being reduced to an exercise in electoral politics," Roscoe adds.

An analysis by *Spotlight* shows the picture is more complex: Towns Fund areas are historically more likely than England as a whole to vote Labour. But they are also areas moving in the direction of the Conservatives at breakneck speed.

At a parliamentary level, Towns Fund areas are disproportionately Conservative, a number of which were gains at the last general election. At a local level, they are disproportionately Labour, but less so year-on-year, particularly in 2021.

Chris Hanretty, a professor of politics at Royal Holloway, examined how the Towns Fund monies were allocated through the two-stage process of towns being invited to bid, and then the awarding of funds. He argues that the selection of 101 towns that were invited to bid for the fund was "rotten", with his analysis showing that towns in a Conservative-held parliamentary seat were 45 percentage points more likely to have been selected from a longlist of 541 towns.

The later allocation of money by the Treasury, he says, was still very problematic but an improvement on the first stage and more in line with a pattern of altering "the criteria to anticipate ministers' preferences". While government did later publish the formula it used, Hanretty found it impossible to replicate because some of the data was not available. What he found surprising was that measures usually used by government, such as the

The electoral impact of spending is limited



People cast their vote in the Hartlepool by-election on 6 May 2021

Index of Multiple Deprivation (which measures relative deprivation in income, employment, education, health, crime, housing and the environment), were not used as part of that decision. “It sounds a lot like you’re cherry-picking,” he says. That would be in direct conflict with the “Nolan principle” – set out by Michael Nolan in 1995 in the first report of the Committee on Standards in Public Life, which Nolan chaired – to make decisions “impartially, fairly and on merit, using the best evidence and without discrimination or bias”.

However, Hanretty believes the political impact of the government throwing money at these areas will be limited. “Politicians make spending decisions in the mistaken belief that people are paying attention,” he says. In order for them to have a direct impact it means that a significant number

of undecided voters would have to hear about them and make a decision to change their vote as a result. As a “ballpark” estimate, Hanretty believes it would amount to around 150 to 200 voters per constituency based on previous work he has done on what influences voters at a constituency level. It may have greater indirect impact in that people revise their overall beliefs about the party of government if it is spending money on the types of areas they live in, for example.

IPPR North’s research also casts doubt on whether the types of projects being funded – mainly focused on infrastructure – will actually deliver levelling up. According to Roscoe, the way the funding is being distributed is bypassing a lot of local knowledge about needs and does not encourage collaboration between local governments, nor is it the long-term funding required

to build up the services people need, such as social care and support for children and families, both of which are under pressure across local governments.

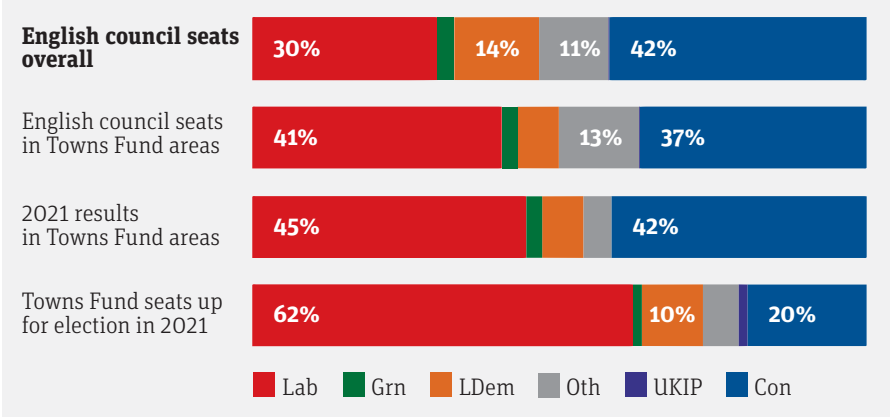
“We are coming from more than a decade of austerity, so local government has been paying a very high price,” says Arianna Giovannini, associate professor in local politics and public policy at De Montfort University. This has left several local authorities at risk of collapse as a direct result of cuts. While central government has been talking up the idea of devolution, she explains, the decisions around funding and spending stay in Westminster. Channelling money on the basis of electoral support may help some areas in need, but not others. “It’s a risky game to play,” she adds. “In the longer term it means we are doing the opposite of what ‘levelling up’ should be doing.”

There are also concerns from Conservative politicians in the north as to whether the government can deliver. In the south, local government is seeing less cash but is being kept on board by the promise of “County Deals” to devolve more powers to county councils. Coincidentally, these moves also come off the back of local election losses in the south for the Conservatives, along with the stunning loss of the Chesham and Amersham parliamentary by-election to the Liberal Democrats.

Roscoe believes the long-term effects will fall short as long as funding decisions are made in a “piecemeal way for piecemeal projects with the government continuing to hold the purse strings”. She concludes: “We really need to have a fair and transparent settlement between places and the government.” ●

GRAPH

Council seats by political party in 2021



The great rebalancing act

Local growth must form the basis for a strong and sustainable national economy, says **David Oldfield**, group director and CEO at Lloyds Bank Commercial Banking

As the UK comes out of lockdown and begins to restart its economy, it must do so with a holistic approach. While London indisputably remains a key hub for business and trade, it is important that the country's grand re-opening is not viewed solely through the lens of the capital. Rather, it should be better understood as the great rebalancing act that aims to bring other parts of the country closer to London's level in terms of investment, skills and connectivity. Equally, within the context of the UK's exit from the European Union, local growth is vital for self-direction. If Brexit is to be a success then the UK needs to ensure that the economy and opportunities available at home are as strong as they can possibly be.

Collaboration should underpin everything the UK does. Finance, business, industry, government, housing, healthcare, transport and education all rely on each other. Lloyds Bank Commercial Banking supports businesses of all sizes and has a presence in nearly every community, making us well placed to act as a facilitator between all these sectors. We see our role not just as a source and strategic distributor of investment, but as active contributors to identifying local solutions. We want to make the UK more productive and prosperous and know that we don't have all the answers. While we have numerous initiatives in place, including digital skills workshops and specialist and dedicated lending schemes, we know that engagement with local and national policymakers will be key to identifying the solutions required at a national and local level.

So, what does regional development look like? Firstly, there's the creation of higher-skilled jobs and a positive environment for business that encourages investment and innovation. Secondly, it's a steady and reliable supply of local housing infrastructure as well as community and cultural assets, good transport and telecommunications links. And, finally, it includes environmental sustainability. All these matter, and all of them support each other to create great places. We want to engage with local communities, because who better understands their needs than the people in these places themselves? For too long, too many regions and nations across the UK have been overlooked and underdeveloped. Through our national team of over 1,100 business specialists we are committed to both convening with local partners to develop these responses and financing the plans to meet them.

For many years we have helped businesses, large and small, to thrive by supporting start-ups and providing finance for growing businesses. But thinking more deeply, we can prioritise the projects that are going to have a broader impact on the areas

Too many parts of the UK have been overlooked

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in which they are based. Financing large-scale infrastructure projects like Dogger Bank – the world’s largest offshore wind farm currently under construction in the North Sea – and digital connectivity programmes can become a catalyst of regeneration. Similarly, in relation to housing stock, we are supporting the construction of more energy-efficient projects, like housing schemes powered entirely by renewable energy.

Support for more environmentally friendly behaviour has long-term benefits stretching far beyond the bottom line: it makes for a healthier and greener community. And in relation to affordable housing supply and combatting homelessness, as a group, we have committed to providing £1.5bn of new funding, including £500m in environmental, social and governance-linked funding, in support of the social housing sector.

Our customers don’t just turn to us for financial support; we also help businesses to upskill their employees and adapt to an ongoing technological shift. Our own research of 1,200 businesses, carried out in July 2021, found that nearly half were forced to innovate as a result of the pandemic. A side effect of this shift has been a growing consumer expectation for businesses to be tech-savvy by default. We offer a range of courses through the Lloyds Bank Academy and we are well placed to help companies improve their digital offerings – this includes training staff, and modernising to meet the changing needs and wants of their customer bases.

Since 2016, we have been helping companies transition from local to global businesses with our International Trade Portal – an online tool that collates market research across different countries, currency exchange rates, and other useful information about taking a product or service abroad. Indeed, regional development should not be understood as a term limited to one region or nation. The bank is committed to helping businesses expand their

market reach and the portal removes the fear of the “unknown”, with user-friendly advice on how to trade internationally. The portal also lists global sources of trade opportunities – so it’s not just a source of information, but a tangible business prospect in its own right.

The UK’s post-pandemic recovery and any future success of the country’s economy ultimately depends on an understanding of intersectionality and appreciation of regional diversity. A sustainable environment is essential. While we don’t profess to have all the answers to all the challenges the UK is facing, we want to be at the vanguard of any response. Banks are as much social institutions as they are financial ones, and we feel we have a responsibility to participate in the right conversations

taking place locally. We want to help the UK become equipped with the necessary skills to succeed in the future of work. By tailoring plans across our regions and nations, we will help the UK to not just recover, but to “Build Back Better” and more responsibly. A rebalanced economy will not just benefit individual regions, it will benefit us all because it will make the UK a fairer, stronger and more prosperous nation. ●

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Lloyds Bank is committed to investing in regional growth, clean energy and sustainable development

Bridging the digital divide

The rapid shift of essential services online means that those without tech skills or access are falling behind, posing a major challenge to levelling up.

By **Sarah Dawood**

Whether it's the ability to fill out a job application, to study from home or to stay in touch with loved ones, being online is an integral part of participating in society. Despite this, digital exclusion is still rife, and as the digitisation of public services speeds up millions of people are getting left in the slow lane.

Research from WorldSkills UK's *Disconnected* report shows that nine in ten businesses now expect employees to have basic digital skills – but a staggering 4.3 million people in the UK have no digital skills whatsoever, down to the ability to turn on a device and connect to the internet. Access to broadband is also an issue – while the pandemic accelerated uptake, Ofcom reports that there are still 1.5 million homes across the UK without internet.

The link between digital exclusion and social disadvantage is clear. Those more likely to be digitally excluded are also more likely to be over 65, lower-skilled, on a low income and to have a disability, according to digital inclusion charity the Good Things Foundation. Poverty is often reported to be the biggest correlating factor – a Lloyds Banking Group 2021 report showed that 55 per

cent of those earning less than £20,000 per year said they had not used the internet in the past three months.

Alongside improving life prospects, digital inclusion benefits society and contributes to levelling up the UK. Increased employability, higher earnings and more productive businesses and public services all impact the economy positively. Every £1 spent on digital inclusion gives a £15 return, with a £22bn return expected by 2028 if everyone in the UK is given basic digital skills.

Government's gigabit broadband push

The government has invested billions into digital infrastructure projects to improve connectivity for those living in remote and rural areas. The Department for Digital, Culture, Media and Sport's (DCMS) £5bn Project Gigabit scheme will go towards contracts for providers to install gigabit broadband – the fastest available internet – across the UK, giving millions of homes access. The Gigabit Broadband Voucher Scheme – which provides up to £3,500 towards the cost of broadband installation for people in rural areas – was also relaunched in April with a funding injection of £210m.



£130m would halve the digital divide over the next four years

When announcing Project Gigabit details in August, Digital Secretary Oliver Dowden said the investment will “create jobs, power up businesses and allow everyone to access vital services at lightning-fast speed”, helping rural regions to level up. But while ambitions are high, they are already being downsized – the Prime Minister initially promised 100 per cent of the UK would be covered by gigabit-capable broadband by 2025, but this has now been scaled back to 85 per cent, a move described by one industry source as a “kick in the teeth” for rural areas. It was also announced at last year’s Budget that only £1.2bn from the allotted £5bn will be made available until 2024.

Ofcom’s latest connectivity report reveals that only 17 per cent of rural UK currently has access to gigabit, compared to 29 per cent of urban areas. “The countryside has been pushed to the back of the queue for fast broadband,” Jo Stevens, shadow secretary for DCMS, tells *Spotlight*.

Providing infrastructure and subsidised installation also does not solve the issue of internet affordability for those on low incomes – often termed “data poverty”. Helen Dobson, managing director at

digital inclusion charity Citizens Online, argues that more needs to be done to help people with ongoing costs.

“Whilst we welcome any investment into improving internet infrastructure, Project Gigabit doesn’t help people on low incomes to access the internet,” she says. “Vouchers to put in a connection are one thing, but who pays the monthly bills?”

Tackling data poverty through subsidies

This is where social tariffs come in – some broadband companies such as BT and Virgin Media offer more affordable tariffs for low-income households. In partnership with government, BT launched BT Home Essentials in June, offering 4.6 million homes a cheaper package of £15 per month, resulting in savings of £240 per year.

But most companies are yet to follow suit. Ofcom, the regulator for telecoms providers, has even mooted the possibility of introducing mandatory social tariffs if they do not step up. Citizens Advice estimates that 2.5 million people are behind on their broadband bills.

“There have been positive developments and we are seeing a

greater spread of affordable solutions,” says Adam Micklethwaite, director of partnerships and fundraising at the Good Things Foundation. “But there’s a lot more to do, particularly for those on very low incomes, for whom even the more affordable packages are still unaffordable.”

The number of people offline increases in less affluent parts of the UK. In London, 3 per cent of people are completely off-grid compared to 8 per cent in the north-east of England and 13 per cent in Wales. Addressing data poverty is clearly a crucial part of the wider levelling-up agenda to equalise life prospects across the country.

“Digital inclusion has a huge impact on boosting economies, and it impacts much more on rural areas and those that have suffered under-investment over the last decade,” says Stevens. “That’s why [it] is such a big contributor to spreading prosperity across regions.”

For those who cannot afford social tariffs, initiatives offering completely free data packages should also be embedded into communities, says Micklethwaite. The Good Things Foundation is working with merged provider Virgin Media O2 on a



75 per cent of people think there should be community spaces for digital learning

Inspiring people to learn must be prioritised

► National Databank, a depository to collect “donations” for distribution to those most in need – a similar concept to a foodbank. The pilot is expected to connect more than 200,000 people by 2023, and the charity is calling on more providers to sign up.

Device donation schemes have similar benefits. During the pandemic, companies such as BT, Google and Vodafone donated electronics to the Good Things Foundation’s Everyone Connected programme, which the charity then distributed via community partners across the UK.

The digital skills gap

Providing internet access addresses one aspect of digital exclusion – another aspect is teaching people how to use it. More than 11 million people in the UK lack some basic digital skills, while disabled people are four times as likely to be offline.

Although billions have been invested into digital infrastructure, more government attention is needed for the skills gap, says Micklethwaite, where a comparatively humble sum could completely transform people’s digital proficiency. A Good Things Foundation report found that if £130m was invested into skills, it would halve the digital divide in the UK over the next four years.

The government has made steps in this space – the Department for Education’s (DfE) Essential Digital Skills Framework lays out a national standard of basic skills for adults. To help

people meet this, free qualifications are available for anyone aged 19 and over with no or low digital skills, bringing it on par with entitlements for English and maths. The DfE also launched the Skills Toolkit, a repository of free online courses, including in advanced areas such as coding, to help people upskill or change jobs.

But a big barrier remains in terms of motivation – people who are offline tend to be disinterested in using the internet, says Micklethwaite. “The free qualification is a great policy,” he says. “But many of the people who could benefit from that entitlement are already disengaged from learning. They’re not likely to walk up to a college and ask for teaching. We’re going to need more to fix that.”

Work with community partners

To achieve this, there needs to be community spaces that allow people to start their learning journey and build their confidence before transitioning to formal qualifications. Research from the Centre for Ageing Better shows that 87 per cent of 50-70-year-olds do not know where to get help with digital skills, while three-quarters of people overall think there should be somewhere in the local community to learn about tech. “We need a national network of community spaces where people can learn digital skills,” says Micklethwaite. “Investment in social infrastructure is vital.”

One such venture is Future Digital Inclusion, funded by the DfE

and delivered by the Good Things Foundation, which enlists 200 UK-wide community partners to run digital skills programmes using a bespoke platform called Learn My Way, which breaks down topics into 40 digestible modules.

Digital learning could also be embedded into existing services such as homeless shelters and job centres, Micklethwaite adds, to help ease people in more naturally – a way of “hiding the wiring” while helping them reach other positive outcomes, such as finding employment, a home or mental health support.

Dobson agrees that formal learning could be off-putting for beginners and that an empathetic approach is necessary – learning can be tailored to individuals while “digital champions” should be assigned within community services. “We need to give people a reason to get online in the first instance,” she says. “This could be gardening, football, local history, music – all of these interests can be enhanced online.”

Long-term goals for digital inclusion

The Good Things Foundation is calling on government to end data poverty in the UK by 2024. Individual projects will not achieve this alone, so what structural changes can make this happen?

Digital inclusion needs “strategic prioritisation”, says Micklethwaite; it needs to be embedded within all areas of policy, not only those devoted to education or broadband, and within major programmes such as the Kickstart Scheme and Restart Scheme.



The government is investing billions into digital infrastructure projects across the UK

Additionally, digital engagement should be thoroughly woven into communities. A learning course needs more than a teacher, a computer and a physical space – it needs local leaders’ backing, an accessible platform, a team of coordinators and a clear brand identity communicated locally to encourage participation.

Commitment from leaders is key to creating well-integrated programmes. Some have made strides – Andy Burnham, Mayor of Greater Manchester, has committed to helping all over-75s, under-25s and people with disabilities get online during his term. All leaders would do well to commit to similarly bold targets, says Micklethwaite.

Ensuring policies are sustained would also create real change, adds Dobson. The government’s Essential Digital Skills Framework is a tangible benchmark and should be embedded into primary school curriculums, while funding should be

ongoing rather than token gestures. DCMS’s £2.5m Digital Lifeline Fund was launched in February to help people with learning disabilities get online during the pandemic – it was a positive step but did not go far enough, she says.

“The funding was welcome but it was short-term with little consideration for sustainability,” she says. “Helping people to develop digital skills and confidence – especially vulnerable people or those with learning disabilities – takes time and patience.”

Businesses and colleges have a part to play, too. Employers can help by tackling data poverty through their corporate social responsibility (CSR) programmes and providing digital training for employees. Stronger partnerships between educational institutions and community organisations would help to build a pathway from local lessons to formal qualifications.

Most importantly, if the digital divide is ever to be eliminated, there needs to be cross-sector collaboration. “Digital exclusion won’t be fixed by one organisation,” says Micklethwaite. “It needs to be on everybody’s agenda. We need to see a coherent, integrated strategy for eradicating digital exclusion, we need to see investment and we need to see action.”

In the meantime, people should not be left behind – as digitisation progresses, it is vital that we retain traditional forms of access. Nobody should be cut off from filing a tax return, buying groceries or filling out a census. “Making essential services digital by default is anxiety-inducing and unlikely to encourage more digital interaction,” says Dobson. “Not using the internet should be a valid option and catered for. Offline forms of communication, at least via telephone, should be available.” ●

Why we invest in STEM education

Through a £93m annual investment, BAE Systems upskills young people in areas such as engineering and coding to help build their future careers

As a company, BAE Systems is committed to education and supporting young people. We invest £93m in skills annually, which we deliver through our work with schools, colleges and universities across the UK. Through this investment, we take a leading role in securing the future of the UK's engineering sector, by ensuring it has enough people with the right expertise, skills, diversity and mindset to enable it to remain competitive on the world stage and in the post-Brexit environment.

This is particularly important as we enter a new digital age, in what has become known as the "Fourth Industrial Revolution". And it's vital that we continue this investment as the UK seeks to level up and rebuild itself through its post-pandemic economic recovery.

The shortage of young people beginning careers in science, technology, engineering and maths (STEM) subjects has been well-documented for many years. For BAE Systems in particular, the skills that are scarce and we need more of include software and systems engineering, aerospace engineering and project management. That is why we are very supportive of engineering and digital T-levels,

which we see as a pipeline into our apprenticeships.

Prior to the pandemic, we delivered an annual engineering roadshow to 100,000 young people from more than 420 schools, supporting our efforts of encouraging more young people into STEM careers. This year, because we are unfortunately still unable to visit schools, we will deliver a virtual programme called Coding Success in partnership with the RAF and the Royal Navy, which has 600 places secured for non-selective state schools.

BAE Systems is also a founding member of the Movement to Work programme, which provides quality work experience for disadvantaged young people. Working with The Prince's Trust, we have provided roughly 100 work placements for young unemployed people every year since 2014.

Based on 2019 results, this programme has a 78 per cent positive outcome, meaning that the majority of young people went on to work with us, another employer or went into education. Our involvement in Movement to Work and the success of this programme led BAE Systems to commit support to the government's Kickstart Scheme.

Despite the challenges of the pandemic, we continued to recruit record numbers of young people, training 743 apprentices in 2020, of whom 70 per cent were based in the north-west of England. This year we plan to recruit roughly 850 apprentices.

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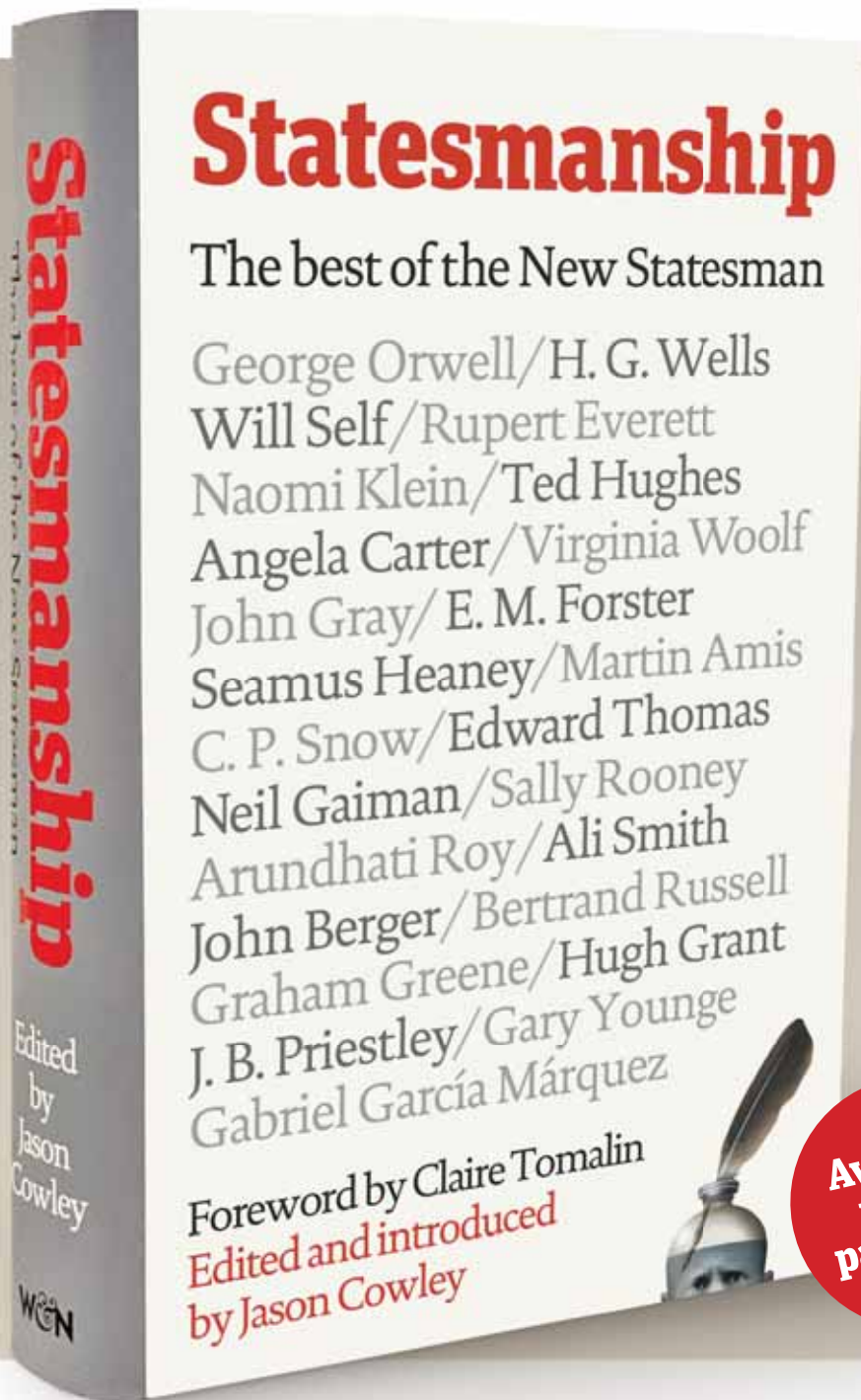
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