

Spotlight

Thought leadership and policy

Regional Development: The devolution dilemma

Alex Norris MP

Dehenna Davison MP

Andy Street



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The council cash crisis

Trailblazer devolution deals are among the successes the government likes to tout. Writing in this supplement, the levelling up minister Dehenna Davison describes these agreements with the Greater Manchester and the West Midlands combined authorities as a “new frontier” of levelling up (see pages 4-5).

Indeed, these deals, first mooted in last year’s Levelling Up White Paper, and officially announced by Jeremy Hunt in his 15 March Budget, give greater powers to the two mayoral bodies led by Andy Burnham and Andy Street, as well as reforming the way they are funded. They represent, Davison writes, a move away from “short-term pots of central government funding towards long-term settlements for all mayoral areas, with the space and levers to effect real change”.

Under the agreements, Greater Manchester and the West Midlands, whose deal is worth £1.5bn, will have greater power over reaching net zero, transport, skills, housing, and retrofitting

buildings. They will get one funding settlement, rather than applying for various pots of cash – a “begging bowl culture”, as Street has described it. The authorities will also be able to retain 100 per cent of business rates for another decade (a scheme first piloted in 2016), but they won’t have additional revenue-raising powers.

There’s a consensus across both government and the opposition that deeper devolution is vital to levelling up. Labour leader Keir Starmer has vowed to let communities “take back control”. But the agenda does not address a major sticking point: between 2010 and 2020, local councils’ core funding was slashed by £15bn in real terms. This, combined with rising prices, means that bankruptcy looms for some councils. According to the Local Government Association, English councils faced a collective £2.4bn shortfall in 2022. This could rise to £3.4bn in 2023-24 and £4.5bn in 2024-25.

Indeed, ahead of the 4 May local elections, our exclusive survey of English councillors found that only 8 per cent said their local authority receives adequate funding from central government, and 22 per cent said it’s unlikely or very unlikely that they’ll be able to set a balanced budget and maintain statutory services this year (see pages 14-17). Alongside deeper devolution, levelling up discourse can no longer ignore the existential funding crisis in local government. ●

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The View from Government



Dehenna Davison MP
Minister for levelling up

“We have instigated the greatest transfer of power in living memory”

When Michael Gove, the Secretary of State for Levelling Up, Housing and Communities, stood at the despatch box just over a year ago and presented the government’s vision for a fairer, more prosperous, more united country, we had no doubt about the scale of the task before us.

For all the gains that had been made since 2010 in business growth, innovation and technology, at the end of the last decade the UK stood more socially and economically divided than East and West Germany at the fall of the Berlin Wall.

This acute disparity hasn’t just acted as an anchor on growth. It also means that, as global inflation and the effects of the war in Ukraine saw energy bills spiking, the rising cost of living has been more keenly felt by communities most in need of levelling up.

The effective inflation rate in northern cities such as Burnley, Blackburn and Blackpool is up to 30 per cent higher than in southern cities like London, Reading and Cambridge.

This underscores the urgency of the Levelling Up white paper’s principal ambition – to tackle these economic disparities head on and close the yawning regional gaps in wages, productivity, transport, research and development, health and crime.

Since the white paper was published in February 2022, we’ve gone much further and faster than many believed possible.

Britain is better connected, with gigabit-capable broadband covering 73 per cent of the UK. Almost 80 per cent of premises have access to 5G.

Our streets are safer with a sustained reduction in violent crime. And, through the rollout of Violence Reduction Units, a tough new Anti-Social Behaviour Action Plan, and more than 100 different projects to tackle violence against women and girls, we’re cutting crime in hot-spot areas too. From June 2018 to September 2022, neighbourhood crime was reduced by 39 per cent in the worst-affected areas across England and Wales.

The government is also on track to halve the number of poor-quality homes by the end of the decade. Through our landmark Social Housing Regulation Bill and Fairer Private Rented Sector white paper, we are resetting the tenant/landlord relationship and driving up housing standards.

We’re backing businesses to level up too. Eight new freeports in England are set to create roughly 80,000 well-paid jobs, with four more to follow across Wales and Scotland. The tax relief, local retention of business rates, and simplified customs these freeports bring are driving investment and growth in the places where they’re most needed.

Let’s take the East Midlands freeport, which went operational in March. This will make it much easier for big regional players such as Toyota, Rolls Royce and Airbus to expand their manufacturing bases in the UK so that more of their Midlands-made products can be exported to global markets.

Combined with investment in a new low-carbon energy hub at the Ratcliffe-on-Soar Power Station and the rapid expansion of the East Midlands Airport, this freeport alone is going to provide more than 29,000 high-skilled, high-wage jobs, and add more than £8bn to the regional economy. Through programmes like the government’s £4.8bn levelling up fund, we are changing the economic fortunes of communities that have historically been rich in talent but poor in opportunity.

Places like Morecambe, north-west England are benefiting from £50m in levelling up funding to create a world-class tourism destination, that will

attract 740,000 new visitors every year. Eden Project North, which is being built in the area, is a win for the whole tourism economy of the north-west.

Meanwhile, Portsmouth is using levelling up funding to extend its international ferry terminal to host 250,000 extra passengers a year. The city is also creating the longest urban linear park in the country, with dedicated cycling and walking routes.

In March, I visited Portrush in Northern Ireland where levelling up funding has turned a tired, old park into a beautifully designed pavilion, bowling green, children's play area and urban plaza.

This is the kind of transformative change that epitomises levelling up – tangible improvements to infrastructure, transport and the local economy, which people can see taking place around them.

But this isn't just about spreading capital investment more evenly. The long-term success of levelling up ultimately rests on the shoulders of local, accountable leaders – those who know their areas far better than any civil servant in Whitehall could.

That's one of the reasons why the levelling up department has instigated the greatest transfer of power from SW1 to local leaders in living memory.

Six devolution deals have been agreed in the past year alone, conferring unprecedented powers on leaders in Norfolk, Suffolk, Yorkshire, the East Midlands and the north-east. More than 50 per cent of England will soon be covered by a devolution deal, and we're on course to offer it to every area that wants one by 2030.

In recent weeks, we've fulfilled our promise to deliver new trailblazing devolution deals with the West Midlands and Greater Manchester. These deals hand strong, effective metro mayors like Andy Street and Andy Burnham the tools and funding they need to level up in skills, transport and regeneration, and to push the boundaries of what local government can achieve in driving sustainable growth.

This is the new frontier of our levelling up agenda – moving away from short-term pots of central government funding towards long-term settlements for all mayoral areas, with the space and levers to effect real change.

Our ambition to level up means transforming the nature of government itself and the way we support our people and places. And, like any programme of genuine reform, this kind of change takes time.

We're not naive about the hurdles still to come in completing our levelling up missions by 2030. But to have come this far after just one year is testament to what we can achieve when central government, local government and business pull together.

When historians look back, I'm confident they will judge the publication of our Levelling Up white paper as a watershed moment: when we began to bridge the divides that were holding the UK back and gave its people the opportunity to go as far in life as their talent and ambition could take them. ●

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Three leadership pivots for rapidly changing times

Inflation is affecting local government delivery everywhere

By Zach Wilcox

In association with

ARUP

Those of us shaping and leading our towns and cities are no stranger to change and uncertainty, but the combined impact of unprecedented political and social events has created a particularly volatile period. We have had three prime ministers in the past 12 months, are learning to operate in a post-Brexit world, and are recovering from a global pandemic.

On top of this, we have been fighting the impacts of inflation for over a year. According to the Building Costs Information Service, materials inflation was almost 20 per cent last year, with labour inflation at over 12 per cent. Research conducted by Arup and the Institute for Economic Development found that in some places upwards of 40 per cent of local government capital expenditure had been put on hold or cancelled in 2022 due to inflation and supply chain disruption. Inflation has hit across the country and had acute impacts on those places which need investment the most.

Despite these challenges, civic, business and third-sector leaders are delivering meaningful projects through dynamic leadership. We have to handle these major changes and risks but keep a focus on delivery. We are all looking to manage our risks either through building better partnerships, finding new ways to deliver, or learning from places which have navigated similar issues. The leaders who will succeed in delivering through uncertainty will pull those three aspects together – innovation, relationships, and learning.

Finding new ways to do things

Just because we have fewer resources to achieve the same outputs does not necessarily mean we face a negative sum game. There may be legitimate reasons to de-scope a project, but necessity is also the mother of invention. Local government and businesses have found this in the past; being resource-constrained gets us thinking and working in new ways. During the Covid-19 pandemic, we had the creative licence to try new services and infrastructure.

The challenges we face can give us new perspectives and creative freedom to re-evaluate our projects. A common example of this is around affordability. Arup regularly works with regeneration partners to find ways to reduce costs without impacting on capacity or quality.

And we find new ways to pay for projects – capturing value that results from investment to help recoup the costs.

It is about changing the value proposition of our projects, and not being limited by our traditional ways of working or our old business cases. The world will continue to change – so our approach must remain flexible.

Keeping stakeholders on-side

During periods of change and challenge, our trusted relationships get us through.

Since local government feels smaller due to inflation, we must be bigger in influence. With fewer resources, local government may need to crowd in investment. Public-private relationships are built on a delicate balance of risk sharing, finding common objectives, and being clear where priorities differ.

To keep these relationships productive, we need to communicate clearly: how have our risk appetites changed? What are the new “red line” issues on each side, such as protecting social value and net zero? Where are you willing to adapt in order to deliver? These conversations are essential to functional working relationships.

Building on our history of public-private working, the private sector could find new opportunities to shape more sustainable and inclusive communities, even when resources are constrained.

Local relationships are also incredibly important. Engagement and co-design on projects bring more value to our communities. The pandemic created the need for local leaders to build new, positive relationships – despite the terrible circumstances. Stronger relationships between local leaders and diverse communities create more inclusive and sustainable places. We need leadership that can drive engagement throughout every stage of development, including collaboratively adapting projects when circumstances change.

Using your resources

Most of us do not have the institutional knowledge and capacity to manage change at this scale and pace. We have not seen inflation like this for 40 years. Add on navigating Brexit and delivering net zero, and the pace and variety of change becomes more than any of us can handle on our own.

We have intelligent and experienced leaders, but even the cleverest need to



Materials and labour inflation are driving up costs in construction

lean on trusted partners. In local government, we don't learn enough from each other's experiences. We need to look for people facing similar problems to share best practice, our triumphs and mistakes. Success does not begin and end within our political boundaries; we must work with our neighbours to solve the problems we all face.

And in business, we need to learn each other's pinch points and see where we can find common ground. Business has more capacity to digest the changing markets at pace, so what can we share with local government partners to their mutual benefit?

Those leaders who use their networks of trusted advisers, who open up about what they know and do not know to navigate uncertainty – they will grow the most from this period.

From surviving to thriving

We are all trying to deliver meaningful

work that makes a difference to communities and places. We have to learn in order to deliver that transformation in this rapidly changing context. Leaders need to take colleagues, delivery partners and communities along the journey, so that we end up with lasting adaptation to how we collaborate to improve our towns and cities.

It will take bold leaders to find new ways to do things, to broker honest conversations with stakeholders, and to call on their resources – while showing some vulnerability, too. Leaders will need to grant themselves permission and get broader buy-in to try things, even if they might fail. The bravest leaders, who take this head-on, will be the ones who make the biggest difference. They will be the ones who change things for the better. ●

Zach Wilcox is associate director, integrated city planning at Arup

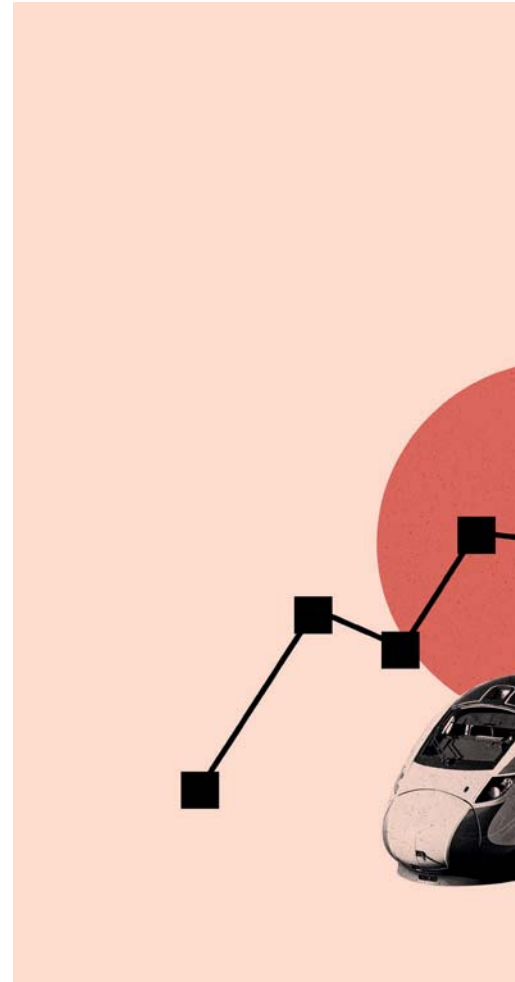
“Levelling up is in our DNA”

Shadow minister Alex Norris on Labour’s plans for rebalancing the economy

By Jonny Ball

In 2008, Labour contested the Crewe and Nantwich by-election as the repercussions from the sub-prime mortgage and banking crises were only starting to emerge. Against an incumbent party reeling from global economic collapse stood nine other candidates, including a man who had legally changed his name to “The Flying Brick” (for the Monster Raving Looney Party), and a former Miss Great Britain, Gemma Garrett, standing for the “Beauties for Britain” party.

Into this surreal contest stepped a 24-year-old Labour activist, Alex Norris, complete with walking cane, top hat and coat-tails. Norris posed for the cameras in front of a billboard featuring the Conservative candidate, Edward Timpson. His mission was to hammer home a message to the party’s core voters: forget the “hug a hoodie” Conservative rebrand of David Cameron, our opponent in Crewe is out of touch – a classic “Tory toff”.





“Small beauty parades of funding won’t deal with decades-old problems”

The stunt backfired. It was derided in the press as harking back to class war – “patronising” and “divisive”, even in the view of the usually supportive *Guardian*. Norris was accused in the *Daily Mail* of the utmost hypocrisy, having attended a fee-paying school himself. The Conservatives went on to win the by-election, inflicting an 18 per cent swing against Labour. The result was to portend Labour’s disastrous election performance two years later, which ushered in a decade of austerity.

Today, Norris has ditched the coat-tails and is the shadow minister for levelling up and the MP for Nottingham North. Now 39, he’s talking over Zoom, nominally about his shadow ministerial brief, amid a mood of optimism within his party and Labour riding high in the polls.

But Norris also has a unique personal story to tell. “At age 11 I passed an exam to get into one of the best schools in the country,” he tells *Spotlight*. This is the

privileged education at Manchester Grammar School, an institution founded during the reign of Henry VIII, which came back to haunt him in Crewe and Nantwich. “It was on a free place,” he hastens to add, keen to emphasise that he’s no toff, after all. “My story is a social mobility story.”

Norris retains a soft south Manchester accent, the kind that would probably be seen as “authentic” in Westminster, but “posh” in Hulme. There’s a slightly laddish quality about him. A former colleague tells me he “likes a pint”, and his personal website says he’s a keen Manchester City fan. “I wouldn’t change a thing [about my schooling],” he insists. “But there’s an injustice in the sense that the opportunity was there for me, while there are a lot of children, both then and today, with similar socio-economic challenges, who should be getting those opportunities as well but they don’t.” That is one of his “motivating factors” politically, he says.

The shadow minister’s background is highly unusual. Norris was one of the “first test tube babies”, as he calls it, born through IVF to two Mancunian publicans. His father died when he was two years old, leaving his mother to raise him alone. “All of us, in our country, have a love affair with the NHS and we all have a story,” he says. “Mine is that my dad had cancer on and off, to different degrees, for six years. And without the incredible care of the NHS, obviously I wouldn’t be here at all.”

His journey into politics began at university in Nottingham, where he studied politics. Norris was “more interested in politics on the street and knocking on people’s doors though” – an expected pastime for anyone aspiring to elected office. Norris was duly chosen to represent Basford ward on Nottingham City Council in 2011. He served for six years while working as a Unison organiser, before entering parliament in 2017.

Time in local government gave Norris a familiarity with many of the issues at stake in his current remit. In the 2020 Labour leadership election, Norris backed Lisa Nandy, now his boss in the shadow cabinet. Earlier this year, the shadow levelling up secretary made a speech promising a Take Back Control Act, “to flip the presumption of power from Whitehall to the town hall”. The law, according to Labour, would stimulate a kind of devo-max arms race for the English regions, allowing local leaders to “request anything that has already been devolved to another area of a similar scale”.

“The concept at the root of levelling up is right,” Norris says. Both the main parties, at least on a rhetorical level, are committed to it. But he thinks Labour has a stronger claim to being the true heir of aspirant regional equity than the Conservative government. “Sometimes, we talk about it as if they’ve invented it in the last three years, but actually, it’s in our DNA.” That doesn’t mean he can commit to keeping the levelling up departmental name, however – “the key thing for me is not the name on the headed notepaper”, he says. We may yet have a new regional policy buzzword from an incoming Labour government.

“The problem with levelling up is in the execution,” he continues. “Small beauty parades of funding won’t cut it when you’re trying to deal with



Alex Norris is the Labour Party's shadow minister for levelling up

◀ decades-old problems – post-industrial challenges, globalisation challenges – with just a small pot of money that needs to be spent within 18 months. That's not meaningful policy. It's trying to create the illusion of action rather than action itself."

So what would Labour do differently? The party has gone big on its devolution promises. But if Jeremy Corbyn's offer to Britain's regions was about doling out more money, Keir Starmer's has focused on distributing more powers. "We're not in a position at this point to be making huge spending commitments," Norris tells me (he will repeat this on several occasions in our interview) – I'll have to "wait until the manifesto".

As a former councillor himself, all too aware of the budgetary constraints faced by local authorities, would Norris and Labour commit to restoring council funding to pre-austerity levels? "We're not going to be making those financial commitments yet," he says, again, "we have to see where the books are."

The opposition has made some very large spending commitments, however, despite the noises about a lack of policy. HS2 will be "fully" delivered, and Northern Powerhouse Rail will be built, connecting Liverpool to Hull via Manchester and Leeds with high-speed track. New rail lines are often talked about as a centre-piece of levelling up, but these investment plans run into the

hundreds of billions of pounds and have been downgraded by the government. The eastern leg of HS2, once intended to run to Leeds, was scrapped.

"We keep putting off major decisions like HS2 that would transform capacity," Norris says. The Take Back Control Act will start to devolve more power over transport services to local and regional bodies, he explains. That process has already begun under the Conservatives, with the Bus Services Act allowing local transport authorities to establish their own publicly controlled franchising operations. But most places lack the cash to establish Transport for London-style institutions and networks, even if they theoretically have the powers to do so.

On top of the big-money transport commitments, the shadow chancellor, Rachel Reeves, has also said £28bn will be spent annually on the climate crisis. What's more, business rates are set to be abolished entirely, so what will they be replaced with, and will these new taxes be locally retained? "I'm afraid you're going to have to wait for the manifesto on that," Norris replies yet again.

Implementing these programmes alone, without major borrowing or commitments on tax rises, will be a stretch. And this is before we even begin to consider further waves of investment in the regions, to rescue councils from the brink of insolvency, for example, or to

bring regional subsidies per-head for transport or the arts to London levels. "That's not the view we've taken," he responds. "What you'll get from us is a fully costed manifesto."

Gordon Brown's *Report of the Commission on the UK's Future*, published late last year, was embraced by the Labour leadership, and promised decentralising powers out to local and combined authorities. "Those are the kind of structural inputs that are hugely important," says Norris.

And yet this is an agenda also being trumpeted on the Conservative benches, and it's of little comfort to be given more powers if you're not in a financial position to exercise them. It was the former chancellor George Osborne who created the metro mayors, and Levelling Up Secretary Michael Gove has accepted the need for more fiscal and policy powers to be devolved. The last Budget announced "trailblazer" deals for Greater Manchester and the West Midlands, providing for more control over skills and other policy areas, as well as longer-term funding settlements that will obviate the need for competitive bidding processes on dozens of separate funding pots.

The difference with Labour's approach, then, is not one of principle but of degree: "We think we should go much further," says Norris. "We want that for everybody."

Our latest poll (see page 12 in this issue), shows that 78 per cent of councillors think the government is guilty of a Whitehall-knows-best mindset. But would the opposite – a culture of devolution-by-default – automatically result in better outcomes? Labour-run Liverpool City Council is currently being supervised by government-appointed commissioners after its mayor was arrested for alleged conspiracy to commit bribery and witness intimidation. Labour-run Croydon declared bankruptcy in 2020 after a string of property investments turned sour. "If areas don't feel they're ready yet to take more powers on, then that is a point of judgement for them," Norris says.

Towards the end of our talk, I've pushed a little too much, trying to coax out spending commitments that Norris isn't in a position to make. "Be gentle with me," he jokes. But ultimately, it's voters in seats like Crewe and Nantwich who will decide his and Labour's fate. ●

The View from the Regions



Andy Street
Mayor of the West Midlands

“Our devolution deal is the beginning of the end of the begging bowl”

In the world of politics, it can sometimes be rather too easy to become despondent or cynical. But every now and then, a truly landmark moment lifts spirits and restores our collective faith in the political process. The deeper devolution deal we've recently agreed with the government is one such moment.

Alongside an investment commitment of £1.5bn, we now have more spending control than ever before and more power over matters such as transport, skills and housing. While this new deal is not perfect, it is a major step forward. Some readers may have heard me speak out previously over the government's “begging bowl culture”, where regional leaders bid into Whitehall and don't have

the freedom, power or resources to shape their futures themselves. This new deal marks the beginning of the end of the begging bowl.

For the first time, we've meaningfully dipped our toe into the warm waters of fiscal devolution, retaining a portion of tax revenue locally to allocate as we see fit. It has finally been acknowledged that local leaders are better able to make decisions about the places that they represent, and consequently that power must shift from Whitehall to the regions. For the first time ever, a combined authority will have similar autonomy to a government department when it comes to spending, and we will receive a single pot of funding rather than be reliant on piecemeal one-off bids for cash.

Fiscal devolution allows regional leaders to plan over a longer-term horizon and think for themselves about how different policy interventions can add up to be more impactful than the sum of their parts.

Our work on housing has been recognised nationally in the deal. We're on track to meet our housebuilding ambitions and our average portion of affordable housing provision leads the UK at 27 per cent, using local people's wages rather than house prices to define “affordable”. This devolution deal will help us make further progress by regenerating brownfield sites and speeding up the construction of affordable homes. From the next spending review, our region will also take control of “retrofit” funding, helping us bring our existing housing stock up to modern energy standards and meet our net zero commitments.

On transport infrastructure, a commitment to the second round of the City Region Sustainable Transport Settlements will support major projects such as expanding the West Midlands Metro network, building new railway stations, and creating more dedicated bus and cycle lanes.

The news that the West Midlands will host up to six Levelling Up Zones, with a range of tax and planning breaks to attract investors, is also very welcome. This will allow us to retain additional business rate revenue generated for 25 years, worth an estimated £45m a year to the West Midlands Combined Authority and local authorities.

Underlying all this progress is trust. We've steadily earned the government's trust since the formation of the combined authority, and I hope they now feel comfortable granting us greater responsibility – alongside the requisite accountability – to deliver even more.

I want to pay tribute to my fellow political leaders from across the spectrum for seeking compromise. We did not allow perfect to be the enemy of good and we pressed ahead. On the journey that is devolution, this deal represents a considerable step forward, and the West Midlands is leading the way. While there is more to do, this was a defining moment for local people, for our region and, in my opinion, for the entire nation. ●

Hardy perennials

Lifelong learning and regional growth are vital for levelling up

By Claire Warnes

In association with



Efforts to reduce regional inequalities in the UK have challenged policymakers for over a century. In parallel, our ambitions for readying a globally competitive workforce to drive forward new and developing industries will always be a strategic priority; such is the future of work.

A more aligned focus on these perennials – skills and regional growth – will allow us to dig a richer compost into our regions, feeding productive potential and vigorous growth, based on local economic strengths.

The new economy

We face headwinds driven by automation, the advent of AI, cost-of-living challenges and geopolitical tensions. There are also workforce issues that the UK has been harbouring for too long, compounded by Brexit and the challenges presented by the pandemic.

Our view at KPMG is that the regions and nations of the UK are uniquely placed to maximise the opportunities of the new economy. This is where many of our natural advantages lie, and where our industries of the future are located.

The Humber's net zero hub, the compound semiconductor industry in south-east Wales, and graphene research collaborations in Manchester are beacons of our emerging strengths.

There are also opportunities to reduce regional inequalities by supporting further investment in skills. Targeted development in the health and care workforce would have direct benefits to health outcomes locally, and free up senior and managerial professionals.

Pipelines of specialist talent are needed to support these regional clusters and national strengths, with government, the education sector and business working in partnership to develop and entrench them.

Prioritising people and places

KPMG's 2022 report with Demos, *Movers and Stayers*, set out the challenges for retaining talent, focusing on ex-industrial Mansfield and coastal Blyth.

Simply put, people move when their mobility is enhanced by the quality or level of their education or training, and they are more likely to leave behind the place they are from. Many people, however, may not be as mobile, making



KPMG's Movers and Stayers report focused on ex-industrial Mansfield and the challenges of retaining talent

their prospects in the place they call home more important.

The Office for National Statistics estimates that the proportion of jobs at risk from automation varies from 7.4 per cent to 35 per cent, and the regions of the UK and many of our coastal areas are the most vulnerable to these shifts.

People too can be left behind. A focus from government, education providers and business on lifelong learning, upskilling and reskilling to support new industries is critical, and must incorporate a geographic lens.

Direction of policy

There is a consensus across the political spectrum that the UK has a productivity challenge, with long-standing regional variations that must be tackled.

Strong and localised provision of education and skills is the thread that runs through the UK government's Levelling Up white paper, the Welsh government's Innovation Strategy and the Scottish government's National Strategy for Economic Transformation.

Skills provision is at the centre of developments in England's devolution agenda and new investment zones. These provide test beds for new approaches, and innovation. The

UK government's focus on technical education and commitments on lifelong learning signal further recognition of the new horizons for work, as well as the need to keep on learning throughout our working lives. A national strategy with a combined focus on the skills required for the jobs of the 2030s and 2040s, the gaps and shortages that currently (and will) exist in the workforce, and the local and regional opportunity areas of the UK, would be a welcome next step.

Our vantage point

At KPMG, our heritage is in the regions, and our perspective is informed by our 20 locations across the UK. We work with every sector of the economy and our workforce serves the communities and local economies in which they live.

We have helped combined authorities meet their ambitions, supported energy clusters in net zero transitions, and unlocked regeneration and growth with local leaders. KPMG is also supporting the education sector as it prepares its roadmap towards lifelong learning; this is a real opportunity to rethink how learning provision aligns with the needs of the UK economy and its workforce.

Tackling inequality

Place-based partnerships are at the heart of our approach to regional prosperity. We target areas of greatest need, working with our charity partners, businesses and local governments to address the needs unique to them.

We want a fair and inclusive transition to the new world of work. Our community-focused approach targets social mobility cold spots. With the Talent Foundry, our WorkReady programme educated more than 19,000 students between 2013 and 2022 in digital and green skills. Our partnership with the University of Cambridge focuses on research-backed solutions to support employees' mental well-being.

Variety and vibrancy

As the growing season approaches, our perennials return. They need to be carefully tended to flourish and will require support. Our priority must be unlocking and developing talent to support our regional strengths; this will bring vibrancy and vigour to our local economies, and ultimately secure sustainable growth. ●

Claire Warnes is Partner – Education, Skills and Productivity at KPMG UK

“No tangible benefits”: What councillors think about levelling up

By Jonny Ball

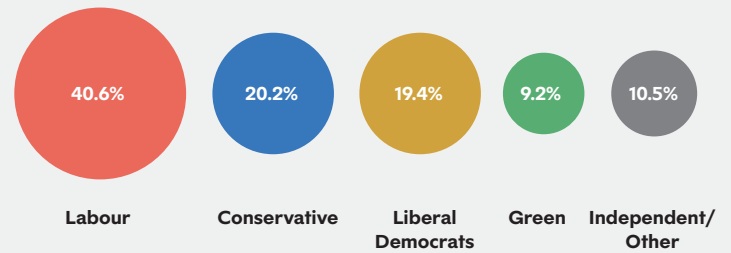
In Boris Johnson's first speech after the 2019 election, the victorious prime minister delivered a message to the first-time Conservative voters who had just helped him deliver the largest Tory majority since the 1980s. “You may only have lent us your vote, you may not see yourself as a natural Tory,” he told a crowd of supporters, leaning over a lectern emblazoned with “the people's government”. But “I am humbled that you have put your trust in me... I will make it my mission to work night and day, to work flat-out to prove you right in voting for me.”

Such was the size of the Conservative majority that Labour's chances of changing public opinion in one parliamentary term looked slim. Eighteen months later, in 2021, even after Covid-19 lockdowns and trips to Barnard Castle, an exclusive *Spotlight* poll of local councillors found that 71 per cent still believed the Conservatives would win the next election. Only around a quarter of councillors thought Labour would lead the next government.

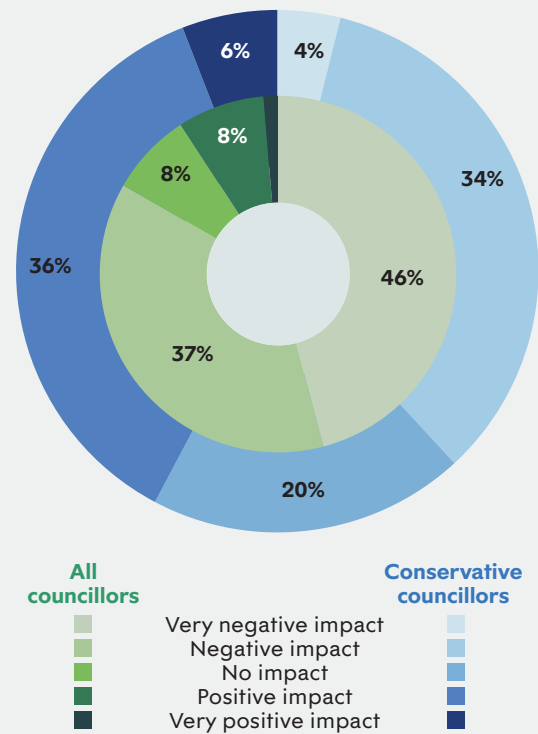
Today those numbers have been inverted. Last month *Spotlight* conducted another nationwide survey of English local government ahead of 4 May elections. We contacted thousands of councillors from more than 300 local authorities, and received 671 responses. Today, 42 per cent of Labour councillors report that the support they perceive for their party in their area has increased a lot since 2019, and 44 per cent say it has increased a little. This is a mixed picture, but compared to the Conservatives (4 per cent say a lot, 9 per cent say a little), the mood among the opposition is positive. Similarly, 84 per cent of all councillors predict that Labour will lead the next government, with only 9 per cent making the same judgement of the Conservatives.

Our 671 respondents by party*

*rounding percentages has resulted in some totals not adding up to exactly 100%

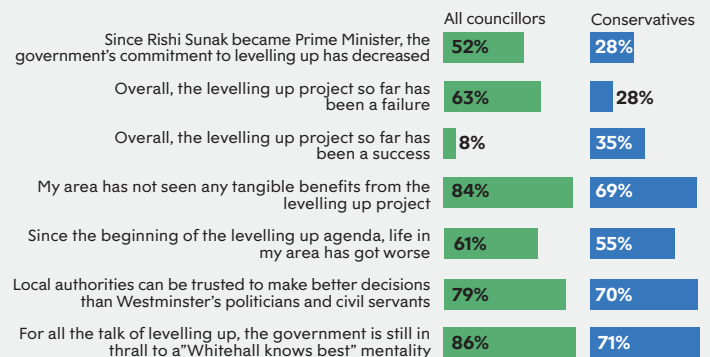


More than three-quarters of councillors say government policies have negatively impacted their area, including 38 per cent of Tories
How have government policies since 2019 impacted your local area?

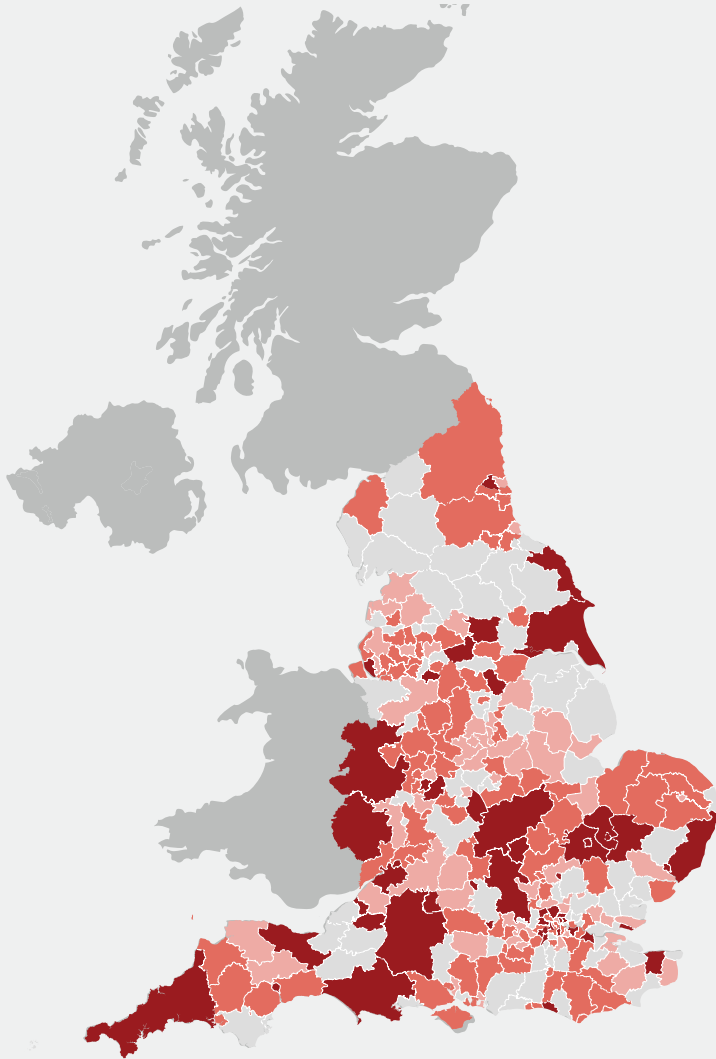


The verdict on levelling up

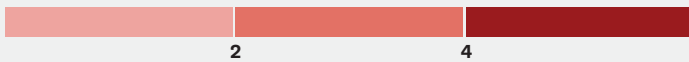
Percentage of councillors that agree with each statement



Areas our survey respondents represent

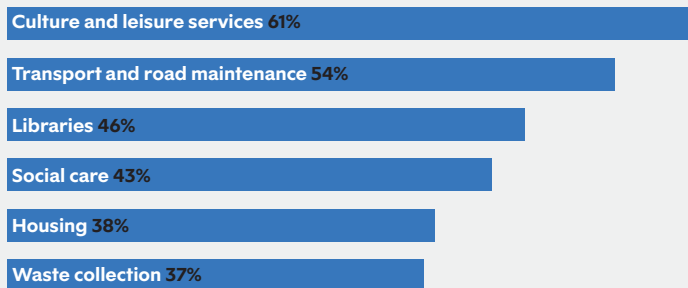


Number of councillors surveyed



60 per cent of councillors say they've had to cut leisure and culture services in the past three years

Percentage of councillors who say their council has had to make cuts in these areas since 2019



Sources: NS Spotlight
Local Government Survey

It's little wonder that confidence in the governing party is waning. Just over three years after the election, we're on our third prime minister, the second without an electoral mandate. And after partygate, the Chris Pincher scandal, the "disaster" of Liz Truss's tenure (as described by 40 per cent of Tory councillors, according to our poll), an unprecedented squeeze on living standards and faltering public services, nerves are bound to be frayed among Conservatives.

But our polling has also revealed a widespread lack of belief in Westminster's policy programme among both the Tory grassroots and local government representatives in general. Fifty-eight per cent of Conservative councillors say government policies are having no impact, a negative impact, or a very negative impact on their locales. Across all respondents, that figure was 91 per cent.

Smashing the Red Wall was supposed to usher in the beginnings of a new Conservative Party. In his victory speech, Johnson claimed it would be the party "for everyone from Woking to Workington, from Kensington to Clwyd South, from Surrey Heath to Sedgfield, from Wimbledon to Wolverhampton". It was to be a new, cross-class alliance of the old, affluent Tory shires and the post-industrial towns. For the first time, the sociological category of "C2DEs" – manual workers, or the old working class – broke the habit of generations and voted predominantly for the Conservative Party.

The levelling up project was key to consolidating this realignment. Gone were the days of austerity. Instead, there would be "colossal new investments in infrastructure", said Johnson, and a reversal of cuts to the police, schools and NHS budgets (although there was no word on restoring local councils' spending power). Geographical disparities in wealth, productivity, health, and public and private investment would be reduced.

Yet today, more than half (52 per cent) of councillors say commitment to levelling up has decreased since Rishi Sunak entered 10 Downing Street. Sixty-nine per cent of Tory councillors say their area has seen "no tangible benefits" from what was once billed as the government's flagship agenda on regional equality, while only 35 per cent described the project as "a success". Across all parties, 84 per cent of councillors said levelling up had brought nothing to their area, while 92 per cent said their authority did not receive adequate funding from central government, including almost two thirds (63 per cent) of Conservatives.

"It is sadly no surprise that councillors on both sides of the political spectrum are losing confidence in the limited progress on the government's promise to level up the country," says Zoë Billingham, director of the IPPR North think tank. While welcoming progress on the devolution of some policy levers to metro mayors, true levelling up, ▶

Exclusive Polling

◀ she says, would require “fundamental shifts in how wealth, power and opportunity are shared across the country”.

Instead, Treasury orthodoxy, Whitehall’s stubborn, centralising tendencies and the Conservative Party’s persistent ideological hang-ups have proved too great a set of obstacles to overcome. Rather than wholesale structural change, we’ve seen half-baked, rehashed solutions, already-announced initiatives relaunched, and endless funding pots repackaged into white papers and reports.

The Department for Levelling Up, Housing and Communities (DLUHC) seems to recognise the problems, but lacks the tools to solve them. “Not only has levelling up failed to deliver,” says Sarah Longlands, chief executive of the Centre for Local Economic Strategies, “but in many cases it has actually cost local authorities in terms of time and money preparing unsuccessful bids for funding.” DLUHC accepts the drawbacks of the centralised bidding model but progress remedying them is slow.

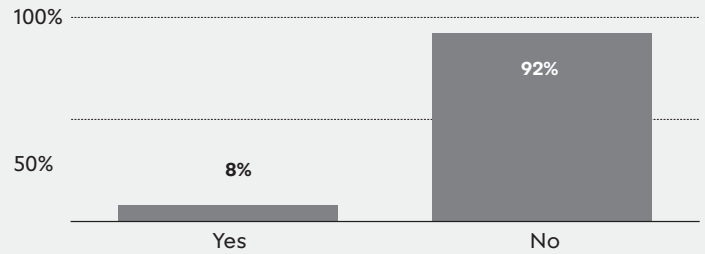
“Levelling up was never going to happen overnight,” says Adam Hawksbee, deputy director of the think tank Onward. “The important thing for the government to do now is redouble its focus on the agenda.” Tackling antisocial behaviour should be part of the project, he says, as well as new infrastructure and the renewal of high streets.

But the stagflationary period we’re entering has ended any talk of new investment, and following Johnson’s exit the Tories returned to their fiscally conservative comfort zone. As average real take-home pay shrinks and local services near collapse, the notion of a coming regional renaissance will seem like a cruel joke. Local authorities are being battered by inflation: 22 per cent of polled councillors say it’s unlikely or very unlikely they’ll be able to set a balanced budget and maintain statutory services this year. For many, bankruptcy looms.

There may not be universal enthusiasm for Labour, but the conclusion on both sides of the political aisle is clear: the post-2019 Conservative bloc is under strain.

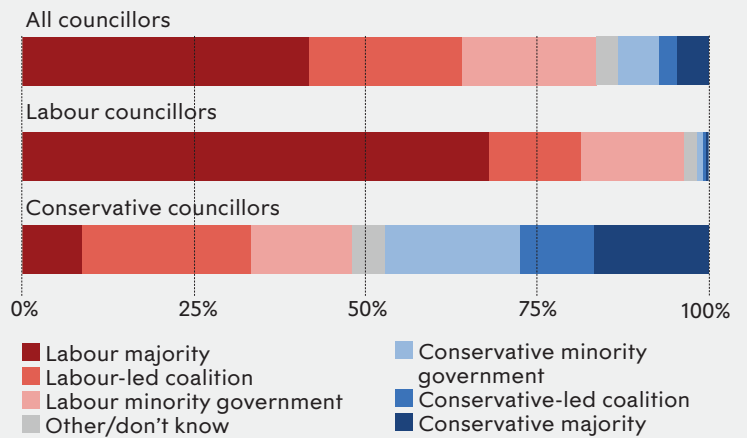
Local elections are often seen as an indication of which way the political winds are blowing. As *Spotlight* went to press, the 4 May polls for more than 8,000 council seats were yet to take place. Some of our respondents will be celebrating their victories, while others will not retain their seats. The Conservatives’ broken levelling up pledges won’t do the party’s councillors any favours at the ballot box. ●

Do you feel your local authority area receives adequate funding from central government?



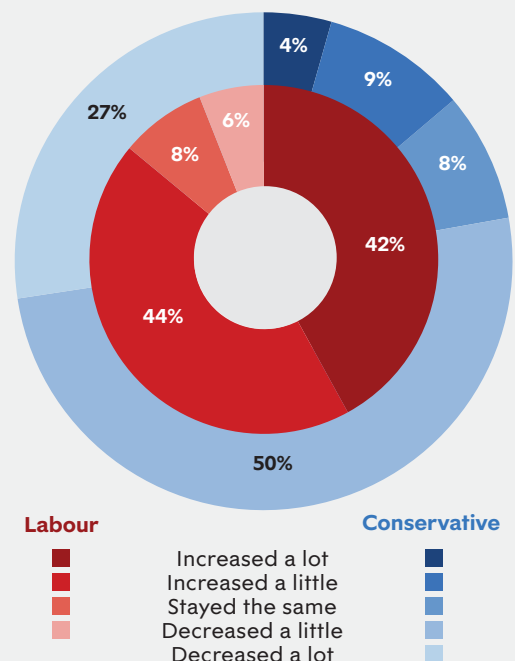
Eight in ten councillors are forecasting a Labour government after the next election

Predicted outcome of the next general election among councillors

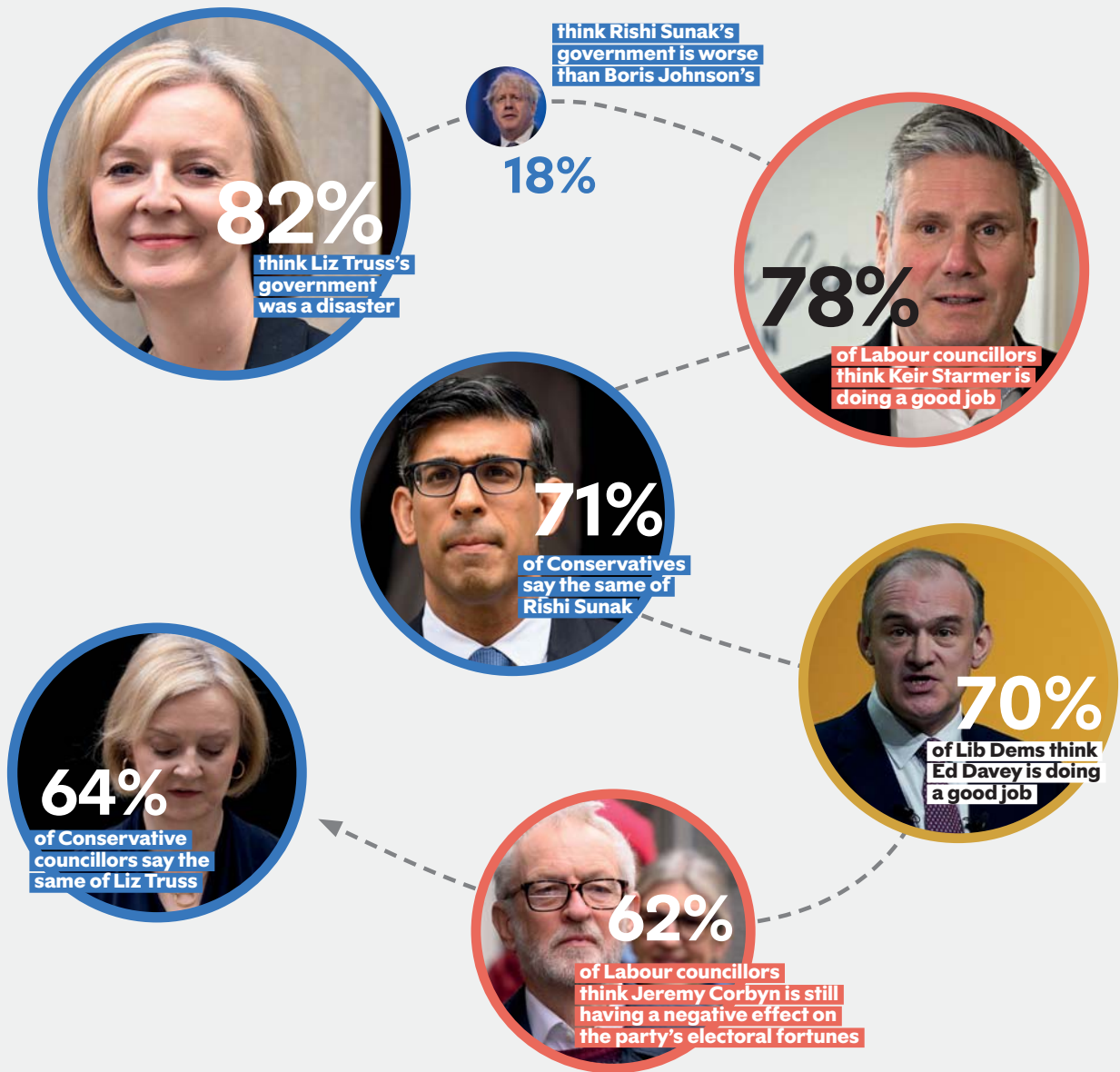


Almost 90 per cent of Labour councillors say support for their party has increased since 2019

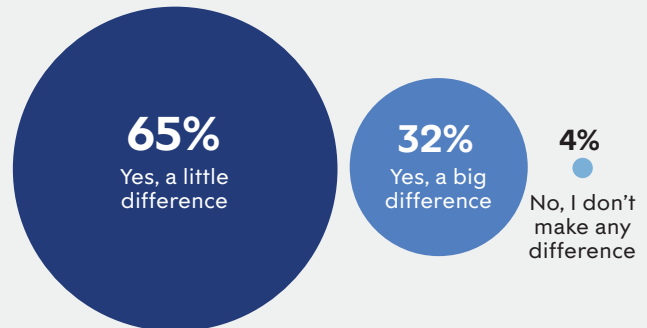
How do you think support among local people in your ward for your political party has changed since the last election?



How councillors view current and former key Westminster players



96 per cent of councillors think they make a difference
As a councillor, do you feel you're able to "make a difference" to the lives of residents in your ward and the wider council area?



Less than a third of councillors say their electorate understands what they do
Do you think most residents have a good understanding of who their local councillors are and what they do?



GETTY IMAGES

Sources: NS Spotlight Local Government Survey - some totals slightly exceed or do not meet 100% due to rounding

Bursting the bubble

How regulating short-term lets could reshape the housing market

By Harry Clarke-Ezzidio

Following ever-intensifying debate, changes could finally be coming to how England regulates short-term lets and holiday homes commonly advertised on platforms like Airbnb.

Amid severe housing shortages, locals in rural and coastal towns that are popular with tourists and densely populated with short-term lets are dealing with sky-high rental and property prices – but that may soon change. The government is considering giving significant powers to councils: allowing them to refuse short-term lets if it's deemed that the properties are taking too much capacity away from the local housing market.

Last month, the government announced two consultations on such regulation in England, due to be completed by the summer. The first, led by the Department for Levelling Up, Housing and Communities (DLUHC), proposes requiring hosts to get planning permission from their local councils in order to use a home for a short-term let. The second, led by the Department for Culture, Media and Sport (DCMS), proposes creating a register of all such properties in the country.

Outlining its objectives for the consultation, the government said it wants to “give communities greater control over short-term lets in tourist hot spots”, while also “strengthening the tourism sector”. But is it possible to please everyone?

Industry representatives, such as Andy Fenner, the chief executive of the UK Short Term Accommodation Association (STAA), believe that short-term lets are “one of the few successful rural business [models] and drivers of investment into rural communities”. Others, like Chris Bailey, the national campaign manager at Action on Empty Homes, which argues in favour of councils having the powers to refuse short-term lets, believes that they inflate prices for buyers and renters. Bailey says they make “housing that would have been available to people on a long-term basis cease to exist”.

Last autumn, the Welsh government announced changes to its planning system, which included a new special categorisation for short-term lets, which it said will allow councils to “control” the number of such properties “in an area”. The most consequential

legal changes in the UK have come in Scotland, however.

Since October 2022, the Scottish government has required all prospective hosts to apply for a special licence before accepting bookings. No national system was put in place for collating or processing this change; only guidance was issued. Each one of Scotland's 32 local authorities has had to decide for itself how to implement the new law.

The result has been fluctuating fees, varying levels of detail needed in applications and the creation of different, sometimes peculiar, rules to get approval. Some councils, for example, mandated hosts to carpet secondary lets, or ensure "a similar floor covering". Those who failed to comply could face fines of up to £2,500. In December, however, the Scottish government extended the registration deadline by six months to October 2023, citing the impact of the cost-of-living crisis.

The DLUHC consultation on a planning-permission system for England mimics that of Scotland's licensing system. "If we do the same thing in England, the same thing will happen," said Fenner. "It's the wrong legislation. We don't need additional burdens of planning [permissions]. The planning system cannot keep pace with house-building [targets], let alone having further things thrown on it."

In 2019, the Scottish government published a report into "the impact of short-term lets on communities across Scotland". According to the research, Scotland had 31,884 active Airbnb listings as of May 2019, which represented "three-fold growth" from April 2016. Data the company published in 2018 claimed that each listing in Scotland generated 52 visitors to the country, bringing in a total of 1.6 million extra guests. The 2019 Scottish government report concluded that those extra visitors contributed to "increased spend [and] increased availability of jobs, often all year round".

But there were problems, too. Following surveys and interviews with residents, hosts and local businesses, the research identified that properties were often changing from "long-term private lets and owner-occupation into STLs", contributing to a "shortage of housing supply and affordability". Those issues resulted in a shortage in "availability of labour supply" in the rural areas of



The short-term lettings sector warns regulation could damage local economies

Fort William and Skye (two of five case-study areas) as people were priced out of the buyer and rental market.

The short-term lets sector argues that overbearing regulation will damage national tourism and hinder economic growth. "The holiday lets that we're talking about are small businesses in areas of the country where there is no other investment," said Fenner. "We have to respect the fact that tourism is a vital driver [of income] and brings well-earning jobs into our communities."

Giving councils powers to regulate the sector may go some way to closing housing gaps in rural and coastal communities. But it cannot compensate for successive governments failing to build enough affordable housing stock.

"I wouldn't have been able to buy a house in the rural village I grew up in 25 years ago, before Airbnb, because house prices were too high then, and they're too high now," said Fenner. "Not one new house has been built since I was born there – and that's over 40 years ago."

Bailey added: "If we had [a bigger] supply of housing that was affordable and available to people on a long-term basis in secure tenancies – ie social and

council housing – then we wouldn't necessarily be having this debate, because the [short-term lets] market would be separate." Housing shortages in coastal towns, he continued, mean places like Cornwall "have a shortage of people who can afford to live in the area to do the jobs required to keep its tourist industry alive".

The government has retreated from its 2019 manifesto pledge to build 300,000 homes a year. Overall, there's a balancing act: housing shortages are driving up rent and property prices, and while the amount of property used for short-term lets is small in comparison to what is needed to satisfy overall demand, it is nonetheless contributing to the problem. But if regulation reduces the short-term lets available in coastal and rural towns, their tourism industry will likely suffer.

"National landlord bodies have quietened the narrative about landlords being driven out of the market by new legislation, because the private [letting and second home] sector is actually still growing," said Bailey. "But even if that was the case, would it be a bad thing? It would only be a bad thing if they were providing genuinely affordable housing on a mass scale – and they're not." ●

How to build trust in the public sector

Confidence in our public institutions has declined, but the young remain more hopeful

In association with



In the past three years there has been momentous upheaval in British society, from the Covid-19 pandemic to Brexit to the ongoing cost-of-living crisis. These major challenges have pushed the public sector to breaking point, and as people struggle to pay their energy bills or book a GP appointment, they are increasingly losing faith in the institutions that are supposed to help them.

The professional services firm PwC conducted research in February to explore what is driving levels of trust in public institutions, surveying 4,060 people and undertaking multiple focus groups. It found that nearly two thirds (63 per cent) of people did not trust public institutions to spend money wisely or to represent their interests, and 47 per cent did not trust them with making plans for the future. The majority of respondents also said that their trust in government and the police had declined over the past five years.

However, the research found that young people are generally more trusting than older generations; while less than half (46 per cent) of people trust public-sector institutions to deliver reliable and consistent services, this increases to nearly two thirds (63 per cent) of 16- to 17-year-olds.

At the *New Statesman's* Future Generations conference in March, PwC's government and health industries leader, Rachel Taylor, took part in a panel discussion on how faith can be restored in the public sector. The other panellists were Andy Haldane, chief executive of the Royal Society of Arts (RSA), and Ademola Adeyeba, founder of the social enterprise 1,000 Black Boys, which aims to inspire black boys and men aged ten to 25 to fulfil their potential.

When asked by the panel's chair, Alona Ferber, editor of *Spotlight*, what "trust" constitutes, Taylor defined it as an organisation having "credibility and reliability" and people having confidence that it will "act honestly and effectively" to consistently do the job it is meant to do. Such trust is crucial, PwC's research lays out, to maintain civic participation, reduce polarisation among communities, and tackle critical issues such as climate change and public health crises.

Collaboration between the private and public sectors was a pertinent theme throughout the discussion. "The challenges we face locally, nationally and globally are not straightforward," said

Taylor. “Trust isn’t something we solve individually but as a collective.” The role that private businesses play in rebuilding trust is two-fold, she said: delivering services and providing funding.

She highlighted the £50m Innovation Investment Fund from Cardiff Capital Region (a group of ten local authorities in Wales), which aims to create local jobs and boost skills by investing in businesses across the creative industries, fintech, medtech and cybersecurity. PwC has been appointed to run the programme over five years, and funding will include a mix of private and public investment.

“The private sector plays a role because it’s part of the delivery chain, and therefore needs to be trusted, but also because [private money is necessary] to deal with some of the challenges we’ve talked about,” said Taylor.

Haldane agreed that public-private alliances are crucial to success, highlighting the UK’s successful Covid-19 vaccine rollout as a model. “This state vs market bifurcation makes absolutely no sense,” he said. “Every example I’ve seen of progress – economically, societally, environmentally – has come from that partnership way of working.”

Transparency and honesty are vital to building trust, the panellists agreed. Organisations need to demystify what they do, particularly for those from disadvantaged backgrounds, by using

accessible language and making data publicly available. PwC’s research revealed a consistent call from the public for the government to be more transparent, resolve issues faster and involve local communities more in decision-making. “We don’t just face a deficit of trust [in public institutions] but a deficit of understanding,” said Haldane. “[Government data] needs to be opened up and made sense of to restore and rebuild trust.”

But such data needs to be communicated coherently, he said, by making it tangible and relevant to people’s lives. For example, banks should talk about finances in a way that is useful, such as the benefits of savings, what interest rates mean and how to budget efficiently.

“Data doesn’t just mean numbers, it also means stories,” he said. “Grounding it in the reality of everyday decision-making is absolutely crucial. We need to do a much better job of this right across the government and the public sector.”

Being truthful and authentic was highlighted by Adeyeba as “the foundation for building trust”, especially for marginalised groups, who he said are often left out of economic and policy-making conversations and are wary of institutions. Indeed, PwC’s research highlights that wealthier respondents tend to be more trusting of public organisations. “For so many young

people, public institutions are not even on their radar,” he said. “[But] when... they see how it impacts their day-to-day lives, it grabs their attention.”

The panellists agreed that listening to people’s views is important for effective engagement, with Haldane highlighting how the banking industry organises citizens panels across the UK, which are used as a “listen-fest, not a talk-fest” to understand people’s lived experiences of economics. Taylor added that PwC representatives regularly visit schools and community groups to learn more about their understanding of economics and policymaking. PwC is also improving social mobility through its recruitment, including by removing the 2:1 degree classification requirement for its graduate roles, and by publishing its socio-economic background pay and bonus gaps.

Workforce diversity was highlighted as vital to building trust among the general population, especially having “relatable leaders”. Taylor said it was “fundamental” that people felt represented within leadership teams. “People don’t trust organisations that don’t look and feel like them,” she said. “How can you create policy if you don’t have a range of skills and experience to draw on?” Adeyeba said that businesses and organisations had a “social contract” to deliver to the communities they operate in and having someone from the community in charge is a good way to facilitate that.

Engaging on a local rather than national level was also highlighted as another way to deliver services personally and authentically. “The same people who don’t trust politicians often trust their local MPs,” said Haldane. “The same people who don’t trust the banking system would trust their high-street bank manager.”

PwC’s research shows that while there are challenges in building trust in public-sector institutions, there are also opportunities to increase trust and engagement among young people. To ensure the next generation of adults does not become demoralised, policymakers and businesses need to work together to deliver empathetic services, prioritise diversity, and instil transparency and honesty into their communications. ●

The Future Generations conference took place on 14 March 2023 in London



THE PHOTO TEAM

Panellists discuss the challenges facing public sector institutions

Henri Murison: “Shrink central government and transfer civil servants to the regions”



The chief executive of the Northern Powerhouse Partnership on devolution, HS2 and dealing with the Treasury’s red tape

How do you start your working day?

A morning school run, and then off to wherever I’m going – usually on a train.

What has been your career high?

When we secured the right result in 2020, on the independent review, led by Doug Oakervee, which decided to save HS2 in the face of huge political pressure to cancel the project. For months we led the case alongside civic and business leaders for why HS2 was – and remains – so vital to productivity and prosperity. The outcome could have been a disaster, but effective campaigning can work.

What has been the most challenging moment of your career?

When I worked in local government in Newcastle, I had to make the case for

building more homes. Many of the communities affected opposed them, but the city needed them for those trying to get on and live in their city.

If you could give your younger self career advice, what would it be?

Don’t forget that even in the tough times, it does always work out in the end.

Which political figure inspires you?

The former mayor of New York City, Michael Bloomberg, for proving what local leaders can achieve if they’re properly empowered. Under his leadership, culture and tourism boomed, crime dropped and schools improved – all of which delivered a hefty return for public finances.

What policy or fund is the UK government getting right?

It’s good to see the devolution agenda getting back on track under the Secretary for Levelling Up, Housing and Communities, Michael Gove, after what could, at best, be described as a patchy few years. Following Gordon Brown’s Commission on the UK’s Future, carried

out for the Labour Party at the end of last year, it now feels like there is genuine momentum behind mayors and local leaders. This is the thread that ties the whole Northern Powerhouse project – education, skills, transport – together.

What policy should the UK government scrap?

This goes deeper than one single policy but the Treasury’s spending rules are a huge drag on the economy, focusing narrowly on meeting an arbitrary debt-to-GDP ratio target rather than a proper long-term vision for growth. Those big, ambitious, economically transformative infrastructure projects, such as HS2 and Northern Powerhouse Rail, end up getting watered down to cut costs in the short run, meaning we lose out big-time in the long run. Separating out investment from day-to-day spending could be a game changer.

What upcoming UK policy or law are you most looking forward to?

I’m looking forward to seeing how Greater Manchester and the West Midlands use the powers they have secured in their trailblazer devolution deals – and making sure other areas across the north ultimately benefit from similar powers too.

What piece of international government policy could the UK learn from?

It’s niche but I’m a big fan of France’s municipal transport tax – I am half-French after all. *Versement mobilité*, the “mobility payment”, is a ring-fenced payroll tax on employers that pays for regional public transport. More generally, we could learn a lot from other countries when it comes to high-speed rail. The UK is the birthplace of the railways but we’ve fallen behind in recent years, which hasn’t been helped by the endless chopping and changing on HS2.

If you could pass one law this year, what would it be?

We should send civil servants from across government on secondment to places which secure devolution – and not replace them. Ultimately, we need to be shrinking central government and transferring the talent from our civil service to the regions. ●

Health equity is the key to prosperity

We need intervention to close widening regional divides

By Hannah Davies

Health equity is fundamental to a strong Britain. Yet the past decade has seen frightening increases in deprivation and child poverty across the country, with a catastrophic effect on health.

Health Equity North (HEN) was launched because not only does the north suffer from poorer health outcomes across a huge number of measures, but its world-leading researchers are producing exceptional work on the challenges in the region.

And those challenges are many. Our Health Equity North 2023 report shows people born in the region live one year less than the English average and three years less than the best-performing regions of London and the south-east.

The north has higher rates of bad or very bad health and the highest rates of disability in England. We have higher rates of economic inactivity due to ill health or disability, compared to the English average, and more people providing unpaid care. And across the region, there are four deaths per 1,000 live births compared to three deaths per 1,000 in London and the south-east – an extra 144 infant deaths in 2021.

The cost-of-living crisis, Covid-19, and

decades of underinvestment in public health and in the infrastructure that determines good health – good jobs, good homes, good education, clean air, access to green spaces and to transport, and the ability to eat good food – have led the north to this position.

But it doesn't need to be this way. Policy decisions have been made that have exacerbated the problem. Cuts to local government budgets have hit hard. Our *Covid-19 and the Northern Powerhouse* report showed that in Blackpool, welfare funding since 2008 has fallen by £720 per person per annum. People in Cambridge, one of the healthiest regions of the UK, lost £190.

Before the pandemic child health, a key predictor of life-long health and economic productivity, was poor and deteriorating. Since Covid-19, we've seen adverse trends in poverty, education, employment and mental health for children and young people.

Our analysis showed that reductions in the core spending power of local authorities in the north of £1 per head costs £3.17 per head in lost productivity. That's equivalent to around a £2bn loss in GDP per year. Our *Health for Wealth* report found that bringing the health of the region up to that of the rest of the country would put an extra £13.2bn back into the economy.

The levelling up mission on improving health life expectancy was a welcome start, but the failure to put in place a health inequalities strategy, and cuts to the safety nets which stop families falling into deprivation, have meant it is currently simply a pipe dream.

To build our health in the region we need to take a place-based approach to tackle the social determinants of ill health. We need to build health resilience and we need to start young with the children in our region.

That's why Health Equity North will have three main focus areas: the economic impact of ill health; building a fairer future for children in the region to allow them the same opportunities as those elsewhere in the country; and health resilience, to explore the impacts on the population and economy, and to find policy solutions to build that resilience across the north. ●

Hannah Davies is executive director of Health Equity North. For more information visit: www.healthequitynorth.co.uk

In association with



NSRegDev

Regional Development Conference: The Age of Levelling Up

9:00am | 11 May 2023
Hilton Birmingham Metropole



The New Statesman's Regional Development Conference is a day of fascinating insights and discussions centred around the most pressing questions for the future of the levelling up strategy and local growth.

Join us on Thursday 11th May to hear about:

- How can we create jobs and regional growth to end the North-South divide?
- How can housebuilders and developers contribute to the levelling up agenda?
- How can we level up transport across the UK?

Scan QR code to register for free



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