



Why Hasn't UK Regional Policy Worked? The views of leading practitioners

Citation

Turner, Dan, Nyasha Weinberg, Esme Elsdon, and Ed Balls. "Why Hasn't UK Regional Policy Worked? The views of leading practitioners." M-RCBG Associate Working Paper Series 2023.216, Harvard University, Cambridge, MA, October 2023.

Published version

<https://www.hks.harvard.edu/centers/mrcbg/publications/awp/awp216>

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WHY HASN'T UK REGIONAL POLICY WORKED? **The views of leading practitioners**

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October 2023

M-RCBG Associate Working Paper Series | No. 216

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The views of leading practitioners

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Abstract

UK domestic policy – especially in England - in recent years has focused on regional inequalities in economic outcomes and public service delivery, which are tied to a political ‘geography of discontent’ that emerged in the 2010s. These inequalities are nothing new; nor are public policy efforts to address them. We conducted interviews with ninety-three top level political and official policymakers across the UK (spanning six decades of experience). This paper summarises practitioners’ views on the lessons we can learn from past efforts to address regional divides. We find broad political consensus on a range of areas: that widening divides are not inevitable; that previous policy regimes have lacked sufficient ambition; that excessive past centralisation has driven policy instability. We find that the Mayoral Combined Authority model, coupled with sustainable local government funding, could form the basis for a cross-party consensus on regional growth. Our interviewees diverge on how future reforms ought to be prioritised, with open questions on: the division of powers across tiers of government; how much institutional pluralism there ought to be in devolved governments; how to devolve power (and whether the current ‘bottom-up’ approach ought to remain); and on the design of fair funding formulae and fiscal devolution.

With thanks and appreciation to Anna Stansbury, co-author of our companion paper, for her comments, support and partnership. We thank Jack Raeder and Huw Spencer of the Harvard Kennedy School for their research assistance. We are grateful to the hundreds of interviewees and their teams who gave voluntarily offered hours of their time to support our research.

This paper was co-produced by the Harvard Kennedy School’s Mossavar-Rahmani Center for Business and Government, and King’s College London’s Department of Political Economy and the Policy Institute.

With thanks to HM Treasury, and in particular Mario Pisani, who provided access to archives to supplement our research.

We are grateful for financial support from the Gatsby Foundation.

The views expressed in this paper are those of the authors alone and should not be attributed to the organisations (and/or their respective executive directors) with which they are affiliated. All errors are our own.

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Executive Summary

Regional inequalities in living standards, employment, and productivity are nothing new in the UK, even though they have risen in political prominence over recent years. Every Government for the past century has pursued some sort of regional growth policy. The most recent incarnations – Boris Johnson’s “levelling up” and Theresa May’s focus on “left behind places” – have one thing in common with other policies since the 1970s: they have failed in their goal to reduce inequalities.

As the UK’s political parties prepare their manifestos for the next parliament, a plan to address regional inequalities is now a cross-party policy imperative. Our recent paper – *Tackling the UK’s regional economic inequality: binding constraints and avenues for policy intervention*¹ – sets out what economic data can tell us about the policy levers government should pursue. This paper asks what history and experience have to teach us.

To inform the current debate, and put it in historical perspective, we have interviewed those who led UK regional policy from 1979 to 2016 – Prime Ministers, Chancellors, ministers, mayors, Local Authority leaders, Civil Servants, and business representatives to set out their experiences and reflections on the record. We supplemented our interviews with archival research with the assistance of HM Treasury. Our interviews present a history of the struggles and successes, failures and ambitions, of those who were there making the policies. We have published transcripts of all ninety-three (at the time of publication) interviews online in full.²

This paper summarises the key findings from those interviews. It puts them in context by documenting the development of regional growth policy over the last 45 years. Our summary is necessarily selective (focusing especially on England, following the devolution of growth policy from the UK to the Scottish and Welsh governments) and reflects our synthesis after many hours of reading and editing; there is no real substitute for reading the interviews in full.

In our interviews we found that:

1. **Widening regional divisions are not inevitable but correcting them is hard:** Most interviewees believe public policy can meaningfully respond to the economic forces behind anaemic regional productivity growth rates and rising regional inequality. Some identified that other countries’ experiences prove this point. All interviewees now agree that the ‘trickle down’ of prosperity from London and the South East to the rest of the country has not worked as some had hoped in the 1980s. Many interviewees described how, in the face of structural economic shifts, we may have to ‘run to stand still’ (relying on policy to prevent places falling behind); and most believe missed opportunities prevented London – Britain’s world city – from benefitting the rest of the UK as it should have.
2. **Past policies to grow the UK’s regional economies were geographically biased and insufficiently ambitious – to the regret of those responsible:** Most interviewees defended their particular policy choices but pointed to a lack of ambition and insufficient spend across the full suite of policy levers (skills, infrastructure, innovation, housing, public service reform or

¹ Stansbury, Anna, Turner, Dan, and Balls, Ed. 2023. *Tackling the UK’s regional economic inequality: binding constraints and avenues for policy intervention*. Contemporary Social Science.

² These interviews are available at sites.harvard.edu/uk-regional-growth/transcripts.

institutional changes like devolution). Interviewees identified a persistent bias of spending – on innovation and infrastructure in particular - towards London and the South East and a failure to reform the planning system as driving geographical differences. Improving skills (especially at the tertiary level) was celebrated by many as a policy success.

3. **The UK government in Whitehall has relied too heavily on centralised approaches to driving up productivity and delivering more balanced regional growth in England:** Most – though not all – interviewees now conclude that the UK’s unusually centralised governance has hampered economic growth across the English regions. Interviewees identified that England needs more decentralisation of decision-making – although no-one advocated radical tax or federal devolution in England. Many argued that historic centralisation was a product of legitimate and defensible objectives: pursuing UK-wide supply-side reforms in the 1980s; or establishing national frameworks and delivery bodies to drive up standards and outcomes quickly in the 1990s and 2000s. Historic distrust in local government was seen as a further impetus for centralisation from the 1980s; and interviewees describe a continuing Whitehall scepticism about local capabilities (especially in Education). Consequences include stifled local initiative and dynamism, and the patchy implementation of national objectives.
4. **Continued policy instability has led to endemic short-termism and damaged policy outcomes:** Most interviewees concluded that too much flux (“*chopping and changing*”) has been disastrous for regional policy. Swings in priorities and institutional upheaval have been particularly pronounced when the party of government changed. Most conclude that this instability has been damaging. Many argue that accountability “up” to ministers and Parliament, reflecting taxes raising and public spending powers, should be balanced with accountability “down” to local communities and politicians. Some argue that previous reforms such as Regional Development Agencies, Government Offices and even Local Enterprise Partnerships worked in some areas; but no one thinks those reforms had time to bed in. Almost none of our interviewees advocated reviving elected Regional Assemblies in England.
5. **Sustained, top-level political will and leadership is necessary to overcome Whitehall’s centralising tendencies and empower local government:** Where policy has been successful (many point to the new powers granted to Combined Authorities and elected mayors in London, Greater Manchester, or the West Midlands), this has come as a result of prioritisation by powerful Cabinet ministers – most typically the Chancellor or Deputy Prime Minister. Even then, Cabinet and departmental opposition to devolution has often hindered further progress. There has never been a sustained period of Prime Ministerial leadership in regional growth policy since the late 1970s. Many interviewees argued that support for regional growth requires strong and united leadership in Westminster and the enthusiastic backing of the Prime Minister – a high bar to clear, which explains why regional policy has struggled to gain traction. While boosting local and sub-regional government capabilities is not sufficient to drive decentralisation, and cannot displace UK parliamentary accountability, it does makes it easier for Whitehall to ‘let go’.
6. **Current cross-party support for the Combined Authority model in England means the institutional basis for regional growth is stronger than it has been for a long time – if we can**

forge a lasting cross-party consensus: Many – including two former Prime Ministers, of different parties – suggest that the ultimate success or failure of regional growth policy depends on building a political consensus. The qualified successes of devolution to Scotland and Wales, and optimism about Mayoral Combined Authorities in England, are cited by many as a possible institutional basis for a new consensus. Building that consensus depends on three factors: the personal commitment of top-level political leaders; the demonstrated success of agencies or authorities in the regions and nations, in building credibility among UK-level officials; and political support for reform that goes beyond the personal relationships of local and national elites – being rooted instead in regional or national identities and given expression in culture and civil society, as well as administration.

7. **There are four contentious issues any future consensus will need to address** where there is no current consensus among our interviewees. These are:

a) ***What are the most important policy levers for growth in the English regions, and what is the right level for decision-making?*** Many interviewees stress the importance of central government's role in an era of 'modern industrial policy' to raise productivity growth and tackle climate change; but most argued that we have relied too heavily on central delivery to meet national productivity and industrial goals. (A substantial minority continue to praise regionally-based but nationally-accountable bodies like Regional Development Agencies). Some argue that transport and planning decision-making should be aligned at the sub-regional level, but others stress political obstacles to such a change. Many regret the bias in public innovation support to the wider South East, while some advocate investing in success. But in some policy areas, there is a clearer consensus that the time is ripe for decentralisation – most clearly in skills.

b) ***Where decentralisation is part of the answer, what model should we adopt?*** Our interviewees generally believe that the Greater Manchester-originated Mayoral Combined Authority model is working to build political coalitions in urban areas (even where that may have been difficult before, as in the West Midlands or West Yorkshire). Some contrast Greater Manchester with the London Mayoralty, stressing difference in powers and collaboration with other public authorities. However, there is a concern among some that this model may not work in less urban areas, or that it may lead to a side-lining of towns and rural areas within city-regions. Some believe the Mayoral Combined Authority model has demonstrated its ability to work everywhere; but others note that we are *de facto* moving away from a single approach in any case, as MCAs sit alongside a growing diversity of county-based bodies in England (as well as the London Mayoralty; Devolved Governments, Parliaments and Assemblies). Others still make the case for "pan-regional" bodies for larger projects, such as inter-regional transport.

c) ***How much should Whitehall drive institutional reform in England to make any map of government comprehensive?*** Most of our interviewees were concerned about the places currently excluded from any intermediate (sub-regional or Combined Authority) tier of government; but they were split on how "*top-down*" the process of devolution should be. Should we follow the current voluntary, step-by-step approach, or is now time to roll-

out/mandate a “*proven*” solution for communities currently “*left out*” of the mayoralities? Most think that it is increasingly urgent for Government to mandate a solution from the centre to prevent widening inequalities, though the shape of that solution remains disputed.

d) *How do we fund a more decentralised government – balancing equity with incentives?*

Most interviewees were sceptical that fiscal devolution could or should play a bigger role in regional policy in the near term. They prefer UK-level redistribution (such as through a return to more generous local and regional government financial settlements), due to either: our starting point of high inequalities and high variation in tax bases; the impact of a decade of austerity on local capacity; or due to the economic geography of our country, where short distances between urban areas mean regional economies are not as self-contained as in other countries. A few interviewees did advocate bolder fiscal devolution – generally building on the Scottish example, with increased local tax retention, ‘single settlement’ flexibilities, and funding stability through a “Barnett formula for the nations and regions”. Of those, there is a split between those who think we ought to prioritise fiscal devolution in the next parliament, and those who see it as a longer-term goal.

In short, our interviewees offer up a coherent diagnosis of the UK’s regional growth policy problem: a failure to develop an ambitious, holistic, long-term and cross-party response. But they go further, talking of their personal regret at not doing enough to help build that consensus – or indeed ignoring the issue altogether. Their prognosis is that, in the face of genuine on-going pressures to centralise, only ambitious and visionary political leadership can break that cycle.

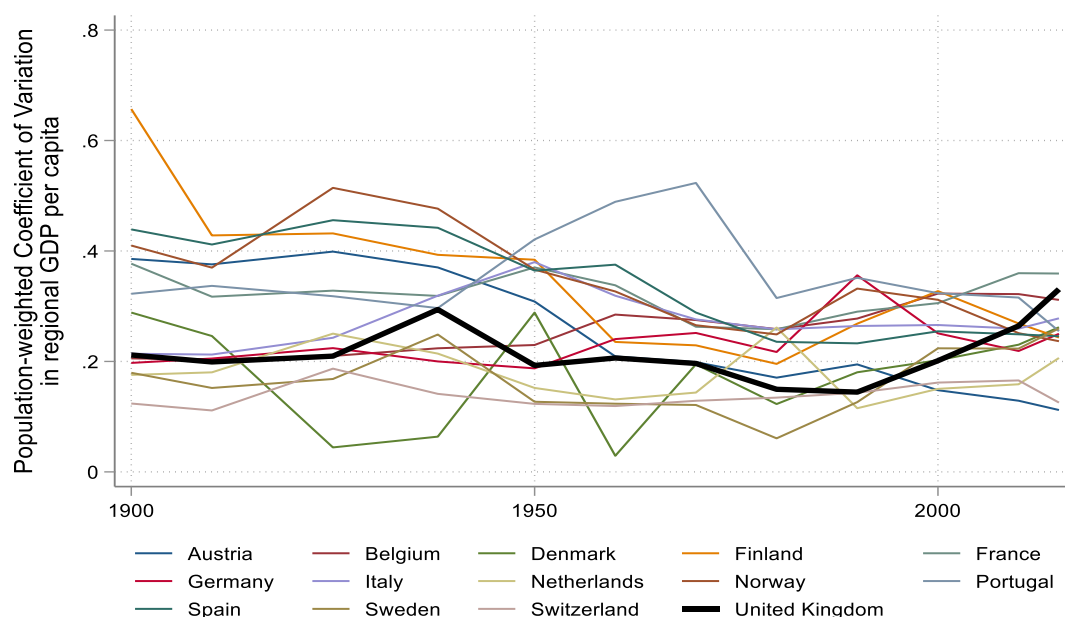
Introduction: Learning the lessons of history

The UK has some of the highest regional inequalities of any advanced country. Today these are larger than those between east and west Germany and north and south Italy. New technologies, global competition, the loss of old industries - and the failure to support new ones - have all driven that divide. London produces 22% of the UK's gross value-added, with just 13% of the UK's population.

These economic inequalities contribute to a wider set of inequities in the UK's nations and regions, and to dysfunctions in the UK's politics, such as rising gaps in life expectancy and educational attainment;³ political instability and a 'geography of discontent';⁴ and low *national* productivity growth.

While the broad contours of our regional inequalities are increasingly well understood, there is less recognition that Britain's path has been different from comparator countries as demonstrated by Figure 1. The UK stands out from other countries in two ways: first, because of the scale at which entire regions have fallen behind since the 1980s; and second, because of the long underperformance of the UK's urban areas outside of the South.

Figure 1: Regional inequality in GDP per capita across Europe, 1900-2015



Source: Authors' calculations from Rosés and Wolf 2018.⁵

³ Farquharson, Christine, Sandra McNally, and Imran Tahir. 2022. 'Education Inequalities'. 2022. <https://ifs.org.uk/inequality/education-inequalities/>; Marmot, Michael. 2020. 'Health Equity in England: The Marmot Review 10 Years On'. BMJ, February, m693. <https://doi.org/10.1136/bmj.m693>.

⁴ McCann, Philip, and Ortega-Argilés, Raquel. 2021. The UK 'geography of discontent': narratives, Brexit and inter-regional 'levelling up'. Cambridge Journal of Regions, Economy and Society.

⁵ Rosés, Joan Ramón, and Nikolaus Wolf. 2018. The Economic Development of Europe's Regions: A Quantitative History since 1900. Routledge.

The UK saw the most rapid rates of deindustrialisation (in terms of employment share) in Western Europe from the late 1970s to the 2000s, comparable only to the experience of the post-Communist transition in Eastern Europe. The long-term scars of this British “shock therapy”, coupled with a long-standing strength in the South East in knowledge-intensive activity, explains much of our regional divergence.

All UK Governments have sought to respond to regional inequality, since at least the 1920s. A decisive break in policy occurred in the late 1970s, followed by a period of a strong focus on ‘national’ reform in the early 1980s. Since the late 1980s, successive national governments – drawn from across the political spectrum – have sought to address the UK’s “regional problem”. Some of the causes are structural: shaped by political structures over centuries and economic dislocation that predates World War One. Other causes are more recent. Many of our interviewees drew attention to the economic and political dislocation of the early 1980s.

Our governance structures are also relevant to rising regional differences, as they matter for economic growth⁶ and for the balance of growth across the country. All countries must strike a balance between the powers held at a local level, which can respond more effectively to local knowledge, needs and preferences;⁷ and central delivery that allows for economies of scale. The quality of leadership and personnel also matters: powers devolved to lower levels may attract talent and improve local delivery; whereas central delivery may mitigate patchy local government and “postcode lotteries”.⁸

Since the mid-1980s, the UK has become more centralised – with powers, tax collection and spending increasingly driven by Whitehall rather than local governments. This is the opposite trend of most countries in response to deindustrialisation.⁹ Devolution to Scotland and Wales, and the restoration of devolved government to Northern Ireland, in the late 1990s has proved a partial check in the non-English nations – but not enough to offset overall policy centralisation.

To manage and control regional inequalities all UK Governments for the past few decades have pursued policies with some common features, seeking to:

- develop new, dedicated institutions responsible for driving local and regional growth. These have ranged from Urban Development Corporations, to Government Offices, to Regional Development Agencies (“RDAs”) and Combined Authorities – alongside devolution to the non-English nations;
- strategically promote local autonomy following the centralising reforms of the 1980s for example through capacity building, devolution of functions and decision making. However, efforts have demonstrated radically different political attitudes to the desirability of decentralisation; local capability; and the freedom for local leaders to deviate from national goals;

⁶ See e.g. Rodríguez-Pose, A. and Ganau, R. (2022). ‘Institutions and the productivity challenge for European regions’. *Journal of Economic Geography* 22:1.

⁷ See e.g. Oates, Wallace E. 1972. *Fiscal Federalism*. Books. Edward Elgar Publishing.
<https://ideas.repec.org/b/elg/eebook/14708.html>

⁸ See e.g. Pike, A., Coombes, M., Kempton, L., MacKinnon, D. and O’Brien, P. (2020), ‘Decentralising governance in England’, *Town and Country Planning* 89.

⁹ Hooghe, Liesbet, Gary Marks, Arjan Schakel, Sandra Chapman Osterkatz, Sara Niedzwiecki, and Sarah Shair-Rosenfield. 2016. *Measuring Regional Authority: A Postfunctionalist Theory of Governance*, Volume I. *Transformations in Governance*. Oxford, New York: Oxford University Press.

- develop UK government-led ‘local growth’ or ‘regional growth’ tailored programmes targeting local market failures. For the timeframe we investigate, UK government local growth programmes ran alongside European Commission-led European Regional Development Funding in some regions; and
- reshape the UK’s economy geography, more-or-less deliberately, through the use of public spending and taxation. This includes reshaping places through localised tax breaks (in the form of, for instance, Enterprise Zones) alongside the redistributive impact of centrally directed spending on schools, health, transport or innovation.

Despite these broad continuities, what marks out regional policy in the UK is continuous “policy reinvention”. Regional government – alongside industrial strategy and further education – has been one of the three areas most vulnerable to policy change since the 1980s¹⁰. Such flux continues, with recent years seeing the domestication of European Regional Development programmes and the rise of a focus on “Levelling Up” in policy discourse.

Our contribution

In this paper, we seek to understand why UK regional policy has failed to address rising inequalities, and why it has proven so unstable compared to other policy areas. We do this by synthesising the findings of a rich set of practitioner interviews.

We identify successes – in addressing regional employment inequalities; in decontaminating and re-establishing post-industrial city centres; and in enabling the growth of London (and, relatively, Greater Manchester, Oxford, Cambridge and Scotland) – as well as shared frustrations. There is a remarkable amount of consensus on the issues that have plagued policy in the past and why they came about; but the way forward is not totally clear.

This paper inevitably misses many of the insights and richness of nearly half a million words of dialogue. We are particularly conscious that our analysis focuses on England, despite our efforts to include Scottish and Welsh voices. We can provide only a sketch of views, and inevitably the authors’ own views shape how we analyse the transcripts. There is no substitute for reading the interviews yourself, which we hope others will build on and expand.

¹⁰ Norris, E. and Adam, R. (2017), *All Change: why Britain is so prone to policy reinvention and what can be done about it*, Institute for Government.

Methodology: Interviewing two generations of practitioners

Over the past two years we have conducted more than ninety on-the-record interviews with those who led regional policy between 1979 and 2015 – Prime Ministers, Chancellors, ministers, mayors, Local Authority leaders, Civil Servants, and others.

We asked interviewees questions to find out what went well, what went wrong, and to identify the main lessons for policymakers aiming to drive regional growth. This took the form of an hour long, semi-structured interview, where we allowed each interview to follow its natural narrative arc while aiming to ask each interviewee:

- What is your overall assessment of policy over the past 40 years? What were the key successes and what are your outstanding frustrations?
- Did Whitehall speak with one voice? Which parts of government were most or least supportive, and why? Did this change over time?
- What is your assessment of local government capability? How did this vary over time and the country?
- How effective was scrutiny and accountability at a regional level? What could have been done differently?
- How did you develop your views on “what worked” and were there specific examples that inspired you?
- Has the success of London helped or hindered the rest of the country? How could we have managed London’s rise differently?
- How can we ensure regional economies don’t get lost in a focus on core cities? What has worked before/elsewhere?
- The focus of regional policy reform in England has been on “economic” levers, especially skills, transport and business support. Should we look at other policy levers?
- What are the most important lessons for us to take away?

We recorded each of our interviews with the permission of interviewees. We then obtained a written transcript of that recording which we edited for readability and concision (e.g. removing words indicating hesitations, false starts or filler words). We shared that edited transcripts with each of our interviewees to ensure their fidelity to the original interviews and to allow interviewees to make clarifications and amendments to reflect the original discussion.

In this summary paper we quote from the final interviews as published. Some quotations are abridged for the sake of brevity. We have made all efforts to maintain the original wording where possible. The full version of any quoted text is available in the published transcripts.

We supplemented our interviews with a review of HM Treasury's archives, with the permission of the relevant ministers. We were able to review papers relating to: the setting up of RDAs in 1997 and 1998; and the process of agreeing their budgets through the Spending Reviews of 2000 and 2004.

Throughout our analysis, we refer to "many", "most", "some", or "few" interviewees expressing a view. Unless otherwise stated, this refers to the set of interviewees who did express a view on the topic at hand.

The nomenclature of 'regions' evolves over time and is contested. In this paper we use the term 'regional' as a catch-all term, except where we are referencing tiers of government. There, we follow the practice of referring to 'regional' (or 'devolved national') as tiers of government that align with the Office for National Statistics' regional classification (e.g. South East, North West, Scotland); 'sub-regional' government as the tier of government below regional level but above local authority level (such as Greater Manchester or South Yorkshire); and 'city-region' as the sub-set of metropolitan sub-regions.

Figure 2 presents a summary of those that we interviewed - grouped by type, according to the most relevant role they held in regional policy over the period in question. With rare exceptions, all of the policymakers we approached agreed to be interviewed and for their transcript to be published. Alongside each published transcript you will find a short biography of each interviewee, setting out their wider careers.

We have sought a diversity of views and experience wherever possible. The high turnover in central government means that we interviewed more departmental ministers than regional leaders. The majority of those that we interviewed were male and white; this does not reflect the diversity of the UK, but does reflect the leadership of regional institutions and policy-making bodies during the period of our research from 1979-2015. Similarly, England's population share within the UK and the retention of England-only competencies in the Westminster Government means our analysis skews strongly towards England and away from Northern Ireland, Scotland and Wales.

Finally, in drafting this paper we have sought to present as neutral an analysis as possible. Our goal is to summarise key commonalities and differences across close to one hundred interviews while duly representing nuance. Although we interviewed leaders in Scotland and Wales as well as England and the UK, our analysis primarily focuses on the experience of reform in England.

This paper is one of three. Our first paper (Stansbury, Turner and Balls 2023) set out a quantitative analysis of the UK's regional economies; this paper sets out a historical analysis of policy-making; and a forthcoming third paper will set out the policy conclusions that we draw as a research team.

Figure 2: A full list of published interviewees

Nations, Regions and local government	Academia and civil society	Civil Service and advisors	Ministers
Howard Bernstein	Kate Barker	John Armitt	Andrew Adonis
Judith Blake	Christina Beatty	Catherine Bell	Douglas Alexander
Andy Burnham	Diane Coyle	Jonathan Black	Ed Balls
Deborah Cadman	John Cridland	Terry Burns	Tony Blair
Mark Drakeford	Tony Danker	Neale Coleman	Hazel Blears
Mike Emmerich	Matthew Fell	Dan Corry	David Blunkett
Nick Forbes	Steve Fothergill	Melanie Dawes	Gordon Brown
Vaughan Gething	Frances O'Grady	Bob Dobbie	Liam Byrne
Helen Golightly	Andy Haldane	Martin Donnelly	Vince Cable
Chris Haskins	Michael Marmot	Mark Gibson	Richard Caborn
Martin Hill	Phil McCann	Stephen Haddrill	Greg Clark
Kate Kennally	Henry Overman	Joe Irvin	Charles Clarke
Richard Leese	John Tomaney	Bob Kerslake	Ken Clarke
Ken Livingstone		John Kingman	Yvette Cooper
Derek Mapp		Nick Macpherson	Alistair Darling
Chris Naylor		Geoffrey Norris	Michael Gove
Tony Reeves		Jonathan Price	Justine Greening
Tom Riordan		Dave Ramsden	John Healey
Pat Ritchie		Dan Rosenfield	Michael Heseltine
Joanne Roney		Paul Rowsell	Patricia Hewitt
Andy Street		Philip Rycroft	Bev Hughes
John Swinney		Paul Tucker	Sajid Javid
		Tom Walker	Alan Johnson
		Sharon White	Ruth Kelly
		Andrew Wilson	Norman Lamont
			John Major
			Peter Mandelson
			Jim O'Neill
			George Osborne
			Eric Pickles
			David Sainsbury
			Kitty Ussher
			Rosie Winterton

Finding One: Widening regional divisions are not inevitable but correcting them is hard.

Despite decades of rising divides, our first finding is that there is broad optimism from our interviewees that improvements in outcomes in the UK's regions is possible. This optimism is not born of naivety or unanchored hope, but rather from interviewees' reflections on their experiences whilst in office; a history of some successes; and lessons from other countries.

Regional differences are longstanding, but global challenges accelerated divergence in regional trajectories.

Everyone we interviewed thought that regional inequalities mattered. Secular economic change has favoured some industries to the detriment of others, and in turn some places – such as city centres – over others – such as former manufacturing areas.¹¹ This transition over the past few decades means that, to be successful, regional policy would have needed to help entire local economies to restructure. As Andy Haldane, former Chief Economist at the Bank of England and Levelling Up Taskforce head, told us: *“regional policy would have had to have run fast just for regional equality to stand still”*.

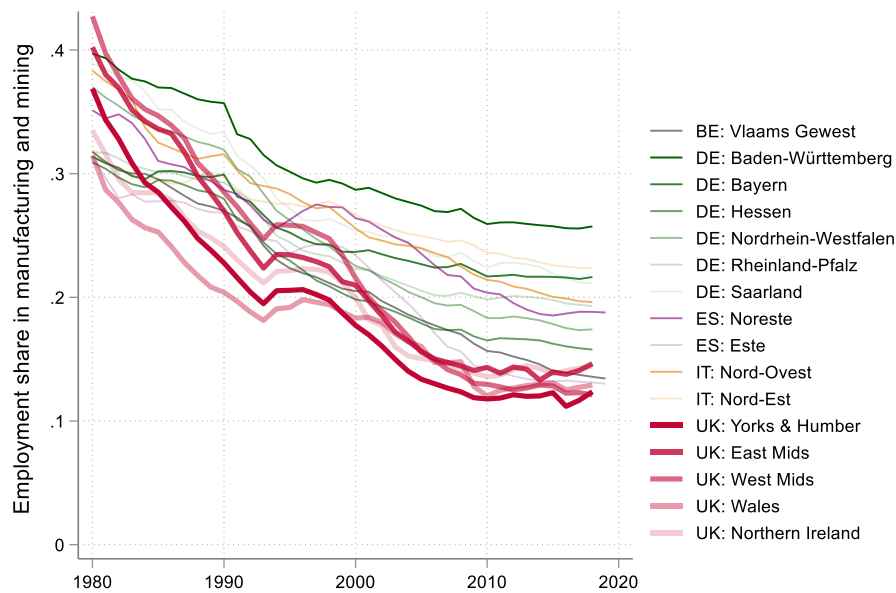
This in turn has created a dilemma for a generation of policymakers. As regional growth expert Mike Emmerich puts it, *“one of the real problems underneath [our regional growth quandary] is that the economics are pointing in one direction and the politics are pointing in a completely different direction”*. Policymakers have perceived a trade-off between supporting those places which need to restructure their local economies and supporting the ‘winners’ of economic change to maximise overall growth.

Several of those we interviewed pointed out that international experience suggests more could have been done by government intervening to support those regions that were on the ‘losing side’ of structural change. Regional policy expert Philip McCann contrasted the UK with *“the arc between the Low Countries and North Rhine-Westphalia in Germany”*. He described the *“huge turnaround cities like Dortmund, Duisburg, Wuppertal [which have] got specialist cities like Dusseldorf, Cologne and so on. That’s what we want to look like. Towns are prosperous in all those places because the cities are prosperous. They’ve turned their cities around; they’ve got fantastic infrastructure. [...] They think in a very holistic manner about the environment, transportation, mobility, housing. [...] The private sector can also plan and invest. We have almost none of those features.”*

We explored some of the reasons for the UK's position in our previous paper: [*Tackling the UK's regional economic inequality: Binding constraints and avenues for policy intervention*](#). In that paper we found that the UK has faced the common pressures of a rising return to knowledge intensive business industries (that have always been concentrated in London and the South East), and the decline of employment in manufacturing. These general trends hit the UK harder than comparable countries as shown in Figure 3. The rate of deindustrialisation (as measured by the fall in manufacturing employment) in the UK's regions exceeded anywhere else in Western Europe. It is comparable to the experience of the post-Communist transition in Eastern Europe.

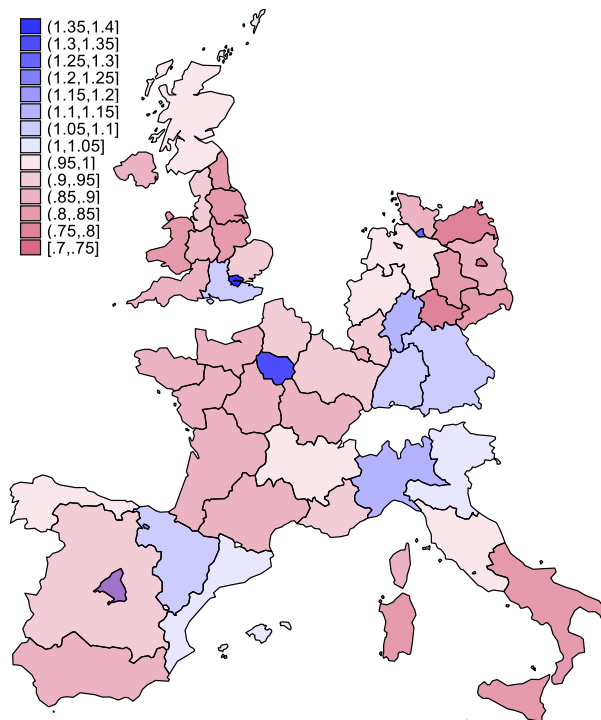
¹¹ See e.g. Ehrlich, Maximilian v, and Henry G Overman. 2020. ‘Place-Based Policies and Spatial Disparities across European Cities’. *Journal of Economic Perspectives* 34 (3): 12849.

Figure 3: Employment share in manufacturing and mining in Western Europe's most industrial regions, 1980-2019



Therefore, while the UK has always had a regional inequality between North and South (that never closed even as it narrowed to the 1970s), the recent surge of inequality is real, large and unprecedented since the country's initial industrialisation. Moreover, nothing since the 1980s has stopped regional inequality rising, even if it has grown more slowly at some points. As a result, UK regional inequalities are now as large as those of East/West Germany or North/South Italy as demonstrated by Figure 4.

Figure 4: GVA Per Worker Relative to National Average 2019



Source: ARDECO; authors' calculations.

Those leading policy responses in the 1980s now believe that the “trickle down” of growth and opportunity across regions didn’t work.

It was not always obvious that this divergence across the UK’s regions would happen. In his interview, former Prime Minister Sir John Major reflects on the general belief in the Government that market forces at the macro level would deliver for the regions: *“there was a strong belief beginning in the 1980s in what I used to call ‘trickle down’ policy ... in retrospect, it didn’t happen.”* This perspective was echoed by other figures from the Thatcher era, including the former Chancellors we interviewed (Ken Clarke and Norman Lamont), and former Business Secretary and Deputy Prime Minister Michael Heseltine.

Catherine Bell, a Department of Trade and Industry senior official and former Permanent Secretary, characterises the policy of the 1980s as focused on *“backing the market”* to deliver. Norman Lamont, who was responsible for regional policy in the early 1980s, stressed the move from automatic support for struggling regions to ‘selective assistance’ to add value to specific projects. This led to incidental support for regions, such as Nissan’s investment in Sunderland, but (as Catherine Bell told us) in that case the company was given *“free rein”* on the decision on where to locate its factories.

Terry Burns, former Permanent Secretary to HM Treasury, explained to us how perspectives evolved over the 1980s. The Thatcher Government initially focused on national frameworks and standards in the 1980s – including taking powers from local authorities (see Finding Three); but *“[a]s time went on ... the emphasis began to shift towards distribution, and the extent to which parts of the country had struggled more than others”*.

While regional policy resurged in policy debates during the 1990s after a brief hiatus in the 1980s, it remained, for many, an ancillary objective rather than a primary concern. The focus was on ensuring the UK’s competitiveness as a whole. Catherine Bell offered insights into this perspective: *“my sense was that there was still a strong view that we needed to keep strengthening the City [of London] ... regional policy was probably secondary to that”*. Similarly, Ken Livingstone recounted how the predominant focus in the 1990s and 2000s was firmly on London’s success: *“HM Treasury, Blair and Brown knew London had to be successful, or it would drag down the whole British economy.”*

Although there is a debate among our interviewees about whether the New Labour Governments from 1997 were genuinely committed to rebalancing regional economies, figures involved in the Governments from 1997-2010 are clear that they rejected the idea of *“trickle down”*. Their view was always that more investment and bespoke reform would be necessary across the regions to drive growth. Most of our interviewees from the period recognise the role of former Deputy Prime Minister John Prescott and Chancellor Gordon Brown in moving towards a more active regional policy from 1997. Former Chancellor Alistair Darling explained the commonsense view of the incoming into Government in 1997: *“don’t assume that if the macroeconomic climate is okay, it’ll trickle down [to all places], because the chances are it won’t.”*

Civil Servants tend to argue that any shift in the culture of regional policy after 1997 was subtle. As Melanie Dawes - a senior Civil Servant across HM Treasury, the Cabinet Office, and the Department for Communities and Local Government - explained: *“The 1980s model was extremely un-interventionist... under Labour this continued, for example, with regulation generally being seen as a cost rather than something that could increase growth by managing collective risks properly.”*

Some regional interventions were successful – and interviewees think London was the main beneficiary of policy support as well as economic forces.

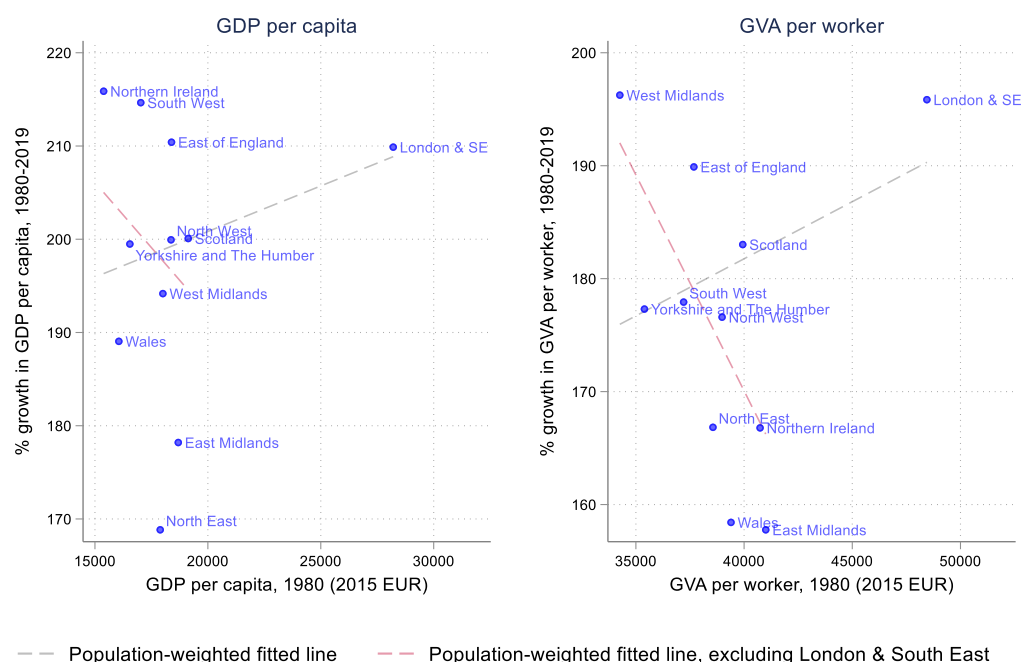
Despite an overall rise in regional inequalities, it would be wrong to present policy since the 1980s as an unqualified failure, despite widening regional inequalities over the time period we look at. Indeed, most of our interviewees praise specific policy initiatives they were involved with (see Finding Two).

Some – such as long serving Civil Servant Paul Rowsell or former Communities and Business Secretary Greg Clark – tell the story of the period as a gradual expansion of the experiments in approaches to promoting regional growth undertaken by Michael Heseltine in the early 1980s. Others critique this nationally-led approach, with former Manchester City Council CEO Howard Bernstein noting that *“Michael was very, very passionate about regeneration, but always on his terms”*. The transcript of Michael Heseltine’s [interview](#) sets out his narrative on how policy evolved.

In our own quantitative research, we find that the UK’s regional growth performance over the four decades from 1980 is a tale of two economies: London and the South East surging ahead of the rest of the country (creating the upward-sloping trend line in Figure 5, below, where overall the richer regions in 1980 have grown the fastest); but a convergence of the other regions with each other over time (hence the downward-sloping curve when we exclude London and the South East, highlighting how poorer regions have caught up with the non-South East UK).

This gives evidence for two conclusions that emerge from our interviews: first, that some regional policies must be considered a success in helping Scotland, Wales, and cities in the North and Midlands modernise; second, that London’s rise was enabled by public support, as well as economic change; and third, that we did not do as much as we could have done to replicate London’s success throughout the UK, creating the “two track” economy we can observe in the data.

Figure 5: Starting income and growth 1980-2019, by UK region



Source: ARDECO; authors’ calculations.

All regions have grown and modernised since the late 1970s, enabled by policy support...

Some regional policy interventions, where they were made, boasted significant and enduring effects. Our interviewees frequently cited the transformation of the East End of London and in particular the education system; Liverpool's docks; the transformation of Greater Manchester and other northern cities; and post-devolution Scotland as being the direct successes of regional policy initiatives. Even as headline productivity figures disappointed, our interviewees were keen to stress how far most cities and regions had come since the late 1970s.

Many - including Ken Clarke, David Sainsbury, Tom Riordan and Yvette Cooper – draw attention to how far urban decay had set in by the 1970s, and the success of public and private investment in turning that around over the past four decades. Yvette Cooper expressed this position most strongly: *"If you look at central Manchester, the centre of Leeds, the centre of Liverpool, we had phenomenal changes under the last Labour government that were very successful"*.

...But London stands out as the UK's 'Global City'.

There is near universal agreement that London is an asset to the UK, generating tax revenue and serving as a global city in proximity to other regions, and that – managed properly – London could be a motor for national regeneration. As Tom Riordan, Chief Executive of Leeds City Council and former CEO of the Yorkshire Forward RDA, put it, *"London's our greatest strength and our greatest weakness. Having the world financial capital two hours away from your city is something that a lot of cities across the world would kill for.... However, the over-dominance of London - if you over obsess about it and put too much of the relative infrastructure investment into it - causes a big problem"*.

Some of our interviewees – such as Business Adviser to the Blair Government Geoffrey Norris – urge scepticism that much else could have been done in the sort of sectors in which London excelled in the late 1990s. He asks, rhetorically, *"if you [...] attempted to control office development in Canary Wharf and the City of London, would Morgan Stanley, would Goldman Sachs have headed off to Manchester? Or would they have headed off to Amsterdam, Paris or Frankfurt?"*

While most interviewees didn't go as far as Geoffrey Norris, many argued that more could have been done to help other regions benefit from London's growth. As support was not put in place London became a drain on the resources, in particular skilled labour, of other parts of the country even as its taxes subsidised public services elsewhere. Andrew Wilson, former Civil Servant, argued that the UK created a model where: *"London and the South East do all of the growth, they act as a centripetal pull, a magnetic pull on activity from the rest of the UK"*. Economist Henry Overman made a similar point: *"narrowing the [regional] gap is about attracting people that would have gone to London to stay in Manchester. You're stopping someone from moving from a place which has a 30% productivity gap."*

Some point to London as the exemplary case of successful regional policy.

It was by no means obvious in the late 1970s that London would become the economic powerhouse it is today; nor that it would take such a lead over other British regions. Our interviewees point to the various forms of policy support London has received since the 1970s: support for Docklands regeneration and the financial sector; early devolution, with the creation of the mayoralty; dedicated investment in education through the London Challenge; and investment in physical infrastructure

from the mid-1990s onwards, including High Speed 1 and 2, Crossrail, the Jubilee line extension, and the 2012 Olympics.

Former Head of the Number 10 Policy Unit and Transport Secretary Andrew Adonis argued that *"London is generally regarded as a world class city, and that is - without any doubt - in part the result of really sustained regional investments and also regional political leadership."* In Adonis' view, the Government ought to have expanded devolution to the other metropolitan regions – though he adds Number 10 *"never even considered it at the time"*.

The leading protagonist of the Docklands regeneration, Michael Heseltine, told us that strategic thinking on *"the UK"* around the Thatcher Cabinet was *"actually much more a judgement about, 'What can we do to improve the position in London?'"*.

With trickle down rejected, most now accept the need for intervention.

Our interviewees conclude that the diagnosis of at least some involved in the Thatcher Government – that markets would adjust to correct for regional inequalities – has now been rejected. The notion of 'trickle down' prosperity, with growth in London and the South East radiating out to the rest of the country, has failed to deliver. As Sir John Major told us:

"It trickled down to investors. It trickled down to the leaders in industry and commerce. It trickled down to innovators. [...] But it did not trickle down sufficiently to those at the bottom of the heap."

This has now been clear, and part of our policy debate, for decades – as has the understanding of the need to invest. As former Business Secretary Vince Cable told us, *"things just didn't happen spontaneously. They needed kickstarting in all kinds of ways."* Next, we turn to understand how practitioners' diagnosis of what was holding back the regions developed from the mid- to late-1990s, based on experimentation in raising growth in the regions – including London itself.

Finding Two: Past policies to grow the UK's regional economies were geographically biased and insufficiently ambitious – to the regret of those responsible.

If it is possible to mitigate the economic forces driving regional inequality, and if we can point to some local successes – in London, but also parts of the South West and Scotland, or Cheshire – then why have we not identified a toolkit to support regional economies? Our interviews suggest that there has never been sustained policy focus and therefore it has never been as comprehensive, ambitious or geographically balanced as was needed. On the other hand, there is hope that a new consensus is forming on the right policies for regeneration after decades of experimentation.

A common reflection of interviewees today is that they should have done more, sooner, when in office.

We heard from many (such as Patricia Hewitt, George Osborne, Sharon White, David Blunkett) that they wish they had done more to prioritise regional growth policy when in office. Some argue that regional policy was not a high priority; others that the Government always missed pieces of the puzzle when they did intervene, most notably on matching skills supply to regional labour markets; and some believe the policy bundle was right but wasn't pursued at the right scale to realise its benefits.

For instance, Yvette Cooper told us that in her view, the UK *"needed a much bigger, coordinated push. We should have been driving transport links between Manchester and Leeds so that you could build a much bigger labour market. We should have been setting up an MIT for the north in Manchester or in Leeds."*

There is no "silver bullet"; successful regional growth requires multiple, coordinated interventions.

There is a great degree of consensus on the underlying drivers of growth. Interviewees largely agree on what successful places look like: high levels of employment, innovative firms and skilled work, with high quality and reliable transport and thriving and attractive town centres and high streets where people want to live. Our interviewees would often point to international examples to illustrate how it was possible to turn places around. Andy Burnham, for instance, spoke of the Ruhr region in Germany as an example for Greater Manchester. (Others were sceptical that we could learn much from such cases; John Kingman argued that, when you interrogate oft-cited cases like Pittsburgh, much of the success comes down to serendipity.)

While some criticise a lack of ambition, or insufficient emphasis on one issue or another, our interviewees overwhelmingly agree that we "need it all" to turn a regional economy around. As Kate Barker told us *"to improve a place, you have to do it all: good governance, good skills, good social infrastructure, good physical infrastructure, a competent local authority."* Many will stress that the UK has struggled to develop a policy response across a wide range of levers. As Henry Overman put it:

"we've become so specialised in services. To be competitive in finance, insurance, real estate – and a whole bunch of things that we do – requires big cities.... We've underinvested in

infrastructure. We've underinvested in research and development. We have short-termism: our companies don't invest properly in training. Our planning system is not fit for purpose and causes all kinds of problems."

Regional growth policy is, in this sense, the sum of policies around skills, transport, health, welfare and redistribution, the constitution and governance – all playing out within a given geography. That requires a deeper understanding of how places vary and how any given lever may need to flex to local conditions. Jim O'Neill is typical in treating governance as a historically neglected factor: he emphasized the need for *"local, adaptable ambition"* and effective local private sector engagement.

By the same token, interviewees recognise that some places in the UK face a particularly difficult starting point when assembling the building blocks of a successful economy. This could be for geographic reasons (such as Cornwall's peripherality), or it could be due to more recent historic factors – such as the shocks of deindustrialisation and the loss of know-how or confidence in the late 1970s in Northern and Midland city-regions. Academic John Tomaney told us that *"the deindustrialisation shock is huge [...] I think we're nowhere near finding adequate solutions to it"*.

The role of universities in local economies has become more pronounced over time.

While there is no 'silver bullet', some interventions can simultaneously help improve skills, the business base, and local institutional capacity. One example that was widely cited by our interviewees was the importance of universities in local and regional economies. Sir John Armitt, Chair of the National Infrastructure Commission – pointed to the examples of Oxford and Cambridge Universities as obvious growth engines for their local economies. Justine Greening stressed their role elsewhere, giving the example of Staffordshire University: *"fifteen years ago, they were doing gaming degrees. Had the Daily Mail known about it, they would have said they were utter 'Mickey Mouse' computer game degrees. They're now supplying a third of the programming talent to the e-gaming industry and the e-sports industry, which is one of our massive growth sectors. Had politicians been in charge of those decisions, we never would have had that"*.

Several former politicians and national officials we spoke to expressed regret for not doing more to encourage universities to serve as anchors for local economies while they were in office. Sir Tony Blair told us, *"We didn't really, until the end, start to understand the absolutely crucial relationship that was starting to develop between universities and economic development, which I think today is absolutely central."* Some, such as Sir Martin Donnelly, tied this rising role for universities to the idiosyncrasies of their (rising) funding at a time when other public bodies saw their funding cut – so the universities have been stepping into a vacuum created by the withdrawal of other bodies.

Even now, many stress that universities are under-valued in addressing regional growth – in part due to the skew of national funding in research and development towards the South East. There is an optimistic case based on universities over-performing relative to their regional economies, particularly in the non-London cities. As Lord O'Neill puts it: *"We're four per cent of global GDP but we're 16 to 18 per cent of the best universities. Eight of those are in the north of England; all in low productivity areas. Why not try to create value added businesses in the vicinity of those universities?"*

Similarly, Paul Tucker, former Deputy Governor of the Bank of England, argued – based on his experience of university towns in the US – that *"a regional policy that somehow tries to make more of the advantages of strong universities in the North would be tremendous. If I had one policy that policymakers, politicians could stick at over 50 years, it would be to invest in the development of world-class university in the North."*

Views on big inter-city transport links remain mixed; but all agree more should be done to improve intra-city public transport.

A wide range of interviewees championed doing more to improve bus networks across the country, especially in urban areas. Kate Barker suggested that we underestimate the role of *“the boring things”* like buses in supporting both the economy and inclusion, as a cheaper alternative to major infrastructure projects (she is discussing the Cambridgeshire area).

Officials from local government (Joanne Roney) and central government (Dan Rosenfield) both argue for doing more on intra-city public transport; with Dan Rosenfield arguing that central government gets it wrong by focusing too much on major projects. The prioritisation of bus networks by metro mayors suggests their importance to non-London cities. We hear separately from Richard Leese, Howard Bernstein, George Osborne and Andy Burnham about how pivotal bus reform has been in Greater Manchester’s devolution process: they were Richard Leese’s price for accepting a *Mayoral* Combined Authority model for the region.

Conversely, we heard scepticism about road building programmes as a local growth policy. Ken Clarke argued that *“putting roads in was the easy thing to do”* as *“it’s physical. You can show it”*. Despite the policy’s resulting political popularity, Clarke doubted that *“[roadbuilding] has any direct effect on stimulating the local economy”*. Liam Byrne put it more generally: there is a political bias towards physically impressive, engineer-led projects, rather than smaller scale alternatives that may offer better value for money or meet other goals (such as reducing congestion).

Byrne’s view echoes the finding of the 2006 Eddington Transport Study, which was frequently cited by our interviewees. Ruth Kelly, reflecting on her time as Transport Secretary from 2007-08, immediately before HS2 was developed as a policy, argued that *“there wasn’t much appetite at the time for high speed rail, which Rod Eddington specifically said he was very sceptical of. [...] if you build a road or a transport link to a left behind town, they’re more likely to leave [the town], than for economic prosperity to be gained by that town.”*

There was clear controversy over the High Speed 2 (HS2) project. Revealingly, most of our interviewees did not explicitly mention HS2, but amongst those who did there was a split between those who argue HS2 is so large that it brings an opportunity cost (including one of investing more in intra-region public transport or inter-city connections across the Pennines); and those who believe that view is unfair and downplays HS2’s significant benefits. The former camp includes former ministers Yvette Cooper, Alistair Darling, Peter Mandelson and Jim O’Neill; the latter Douglas Alexander, George Osborne, Neale Coleman and Andrew Adonis.

The pro-HS2 group welcomed a return to more ambitious infrastructure investment after a decade-long focus on incremental projects, while also welcoming the clout central government sponsorship brings in crowding-in private funding. The benefits to Birmingham and the region explain why Andy Street considers himself an *“ardent supporter”* of the programme. By contrast, Lord O’Neill argued that *“it wasn’t entirely clear to me that HS2 was necessary for delivering growth in the north of England”*.

In sum, many decried the poor quality of rail infrastructure in non-London cities; and stressed the importance for regional prosperity of good internal transport networks. That echoes a findings of our first paper: that the US invests heavily in roads to connect its cities; Europe in public transport networks; and the UK underinvests in both.

Many consider the planning system a major barrier to regional growth but disagree radically on how it ought to change.

Some interviewees pointed out that we had failed to deliver integrated regional plans (to coordinate commercial and residential construction; energy networks; water infrastructure; and regional transport spending). Kate Barker cites this as a barrier to realising the potential of the economy of Cambridgeshire; Philip McCann contrasts the UK unfavourably with the Netherlands. David Sainsbury argued that spatial and transport planning must “*obviously*” be done in the same place given the important interactions between housing and transport, although our current system leaves spatial planning at the local level and transport planning at the regional or national level. This was part of a broader recognition of the importance of strategic planning being shared between multiple local authorities.

Support for regional planning was not universal: Eric Pickles talks about his (and Oliver Letwin’s) desire for further decentralisation of planning down to the ‘neighbourhood’ level. This was part of the localism agenda, reacting against RDA-led regional planning. Even defenders and advocates of regional planning urge caution. John Healey cites the “*overloading*” of RDAs, making them responsible for both economic and spatial planning, as a contributor to their political downfall.

As well as debate over ‘what’ planning should happen where, there is a debate among interviewees on ‘who’ ought to do it. Tom Riordan claims that Leeds’ regeneration has benefitted from stability and confidence in the local planning system; while Sajid Javid, Neale Coleman and Michael Heseltine all imply that local authorities can be a blocker of development. They all advocate reforms to make it easier to “call in” (escalate upwards from local authorities) decisions to mayors – as in London – or ministerially-accountable development corporations.

Howard Bernstein offered the view that “*place leadership*” must precede “*place planning*”; explaining that a good planning system is no replacement for a clear, integrated vision for a place that can sustain and coordinate investments over a long period of time.

While there is broad consensus on the need for adult skills to align with regional growth plans, this has proven difficult to shift – held back by Departmental scepticism.

Our interviewees include several former Secretaries of State for Education (Ken Clarke, David Blunkett, Charles Clarke, Ruth Kelly, Alan Johnson, Ed Balls, Michael Gove and Justine Greening). Between them their interviews contain a rich analysis of the development of skills policy in the UK, which we cannot do justice to here.

There was a broad consensus among all our interviewees on the importance of skills policy; on the significant strides in improving access to university education, reducing the share of the labour force without skills (especially in the late 1990s), and improving schools – especially in London. Interviewees were in broad agreement that the Department for Education proved particularly resistant to supporting cross-Whitehall devolution efforts, at least until recently.

As David Blunkett describes it, the Education department he inherited was “*both centralised and hands-off [...] they had no levers to pull, but they were very centralising in their diktats*”. This was a legacy of the centralising reforms of the Thatcher-era as is reflected in our Finding One, but one that proved difficult to shift. Governments did attempt decentralisation – for example through the

creation of local Learning and Skills Councils – but they were not integrated administratively or financially with the RDAs which were established simultaneously, and the Councils struggled to deliver.

Adding to the problem was what Greg Clark describes as a “*general snootiness*” towards “*people who worked in city halls*” in the Department for Education in his time as Coalition minister. He puts this down to “*an institutional memory of skills policy: the whole history of local Learning and Skills Councils and the idea of local authorities running further education was not associated with conspicuous success. There was an ingrained view that giving skills policy back to local authorities [...] was something that we’d done before and doesn’t end well.*”

Alongside the high-level institutional problem of devolving skills and education policy – which we return to in Finding Five and our final chapter – our interviewees stressed the importance of school reform and of vocational education in supporting regional growth, identifying that the regions rely on skilled labour, and preventing brain drain, to meet productivity goals.

On school reform, Charles Clarke told us that the programme he was most proud of was the London Challenge which “*turned the performance of London schools from being the worst performing schools in Britain to the best performing over fifteen years. That was about a whole set of measures for which central government impetus was necessary, but it was essentially locally-led*”. The London Challenge – later rolled out across England as ‘National Challenge’ - received widespread praise from many we interviewed and was cited as evidence that, first, place-based initiatives could work; and, second, London had benefited from the Department for Education’s support in a way other places hadn’t. This view was borne out by our other interviews: Pat Ritchie, former Chief Executive of Newcastle City Council, told us about the Government’s failure to financially back an Education Challenge for the North East in the 2010s.

Vocational education has repeatedly moved between the Education and Business Departments and struggled for traction as a result. It has recently been devolved within England to Mayoral Combined Authorities, but with a significantly reduced budget. While the devolved system is in its early stages, our interviewees reflect on the shortcomings of the national Sector Skills Councils of the New Labour era. David Blunkett argued that they failed to replicate the success of the long-established national councils for engineering and construction skills.

In sum, skills policy has proven resistant to devolution but has been remarkably successful in shifting the skill profile of the country at the top- and bottom-ends. This leaves what former Treasury Permanent Secretary Nick Macpherson refers to as the “*40th to 75th per centile*” who “*don’t get a good deal*” on skills policy given the significant needs for improvement in life-long learning and vocational training. This was a view shared by Philip Rycroft, who told us that the UK has failed to engage “*substantial sections*” of the population as a result of “*failing on early years, primary and secondary education, through to skills policy failing to deliver good, robust vocational training, and failing to hook this all into high quality higher education.*”

A minority criticised conventional regeneration policy for focusing too much on the physical and the economic, over the social and the human.

At the risk of caricature, we identify a divide between those politicians and officials based nationally and working out of Whitehall – who stressed an economic toolkit based on improving skills, infrastructure, and the levels of innovation; and local politicians and officials, as well as academics, who draw on a wider range of inputs to growth.

The latter group advocate a greater emphasis on ‘social infrastructure’ and quality public services as a regeneration tool. Andy Haldane described how social infrastructure was now seen as a core ingredient of for *“having places people might want to live: green spaces, decent high streets, parks, museums, community centres, youth clubs, football clubs, etc”* (a view shared by Diane Coyle in her interview). These are complements, not alternatives, to physical infrastructure. Chris Naylor, former Chief Executive of Barking and Dagenham told us about their efforts to act as an investor in affordable housing: *“whether or not that made a material impact on the well-being of the community as a whole is difficult to say. But you could see over a period of time [maintaining affordable housing] was definitely going to help.”*

Deborah Cadman, Birmingham City Council CEO and former RDA Chief Exec, explained: *“you can’t simply invest in the hard infrastructure stuff without also investing in communities and in people as well”*. Sir Richard Leese, former Leader of Manchester City Council – who wins much praise for his previous focus on attracting inward investment - tell us that *“quality of life is probably now top of the hierarchy”*.

As well as encouraging inward migration from the high skilled, improving social capital is thought to transform opportunities for those in struggling economies. David Blunkett explained the importance of making sure investments helped to transform people’s views of their opportunities, in part through leadership: *“Whilst regional policy did transform some of the worst blights of the 1980s, particularly in the mining communities, it actually didn’t transform people’s view of themselves.”* Diane Coyle explained in her interview the importance of coordination of multiple different fronts *“because if you don’t fix health, then you’re not going to be able to upskill people to get into the jobs, and then you’re not going to fix the labour demand if the labour supplies isn’t there.”*

Practically speaking, increasing funding and prioritisation of public health and early years support was the most cited alternative regeneration tool by our interviewees. In his interview, Prof Sir Michael Marmot stresses the role of early childhood in improving healthy life expectancy; and this was echoed by Tony Reeves (then-CEO of Liverpool City Council), who spoke about the link between *“tackling health inequality and improving education as key elements of building a productive economy”* for Liverpool. Kitty Ussher, formerly a Special Adviser at the Department for Trade and Industry and Treasury Minister, argued that *“the [regional policy] failure is affordable childcare and the ability to be able to commute to where the jobs are, to get part-time promotion [...] all supply side stuff seems to always talk about trains.”* Kitty Ussher suggested that the failure of mainstream growth policy to recognise these factors may reflect the predominance of older men in shaping policy (a view echoed by Hazel Blears) – which is reflected in the demographic balance of those we interviewed.

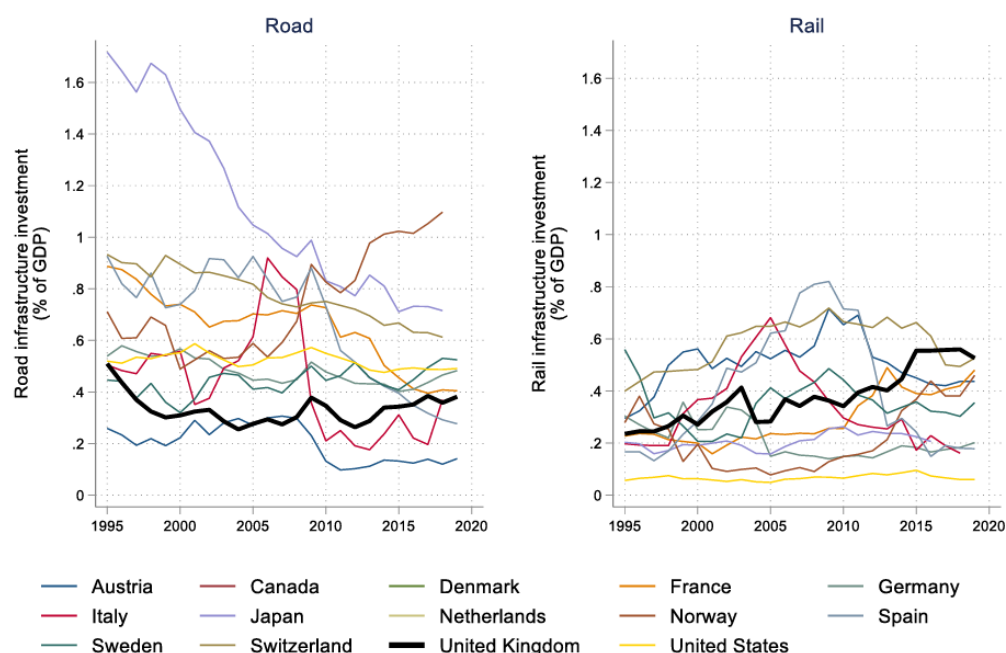
We have not got the balance and scale of public spending right across the UK’s regions.

When we move beyond particular levers, it is clear in both the data and from our interviewees’ reflections that the balance of spending across regions was not right. Our interviewees (especially Labour politicians) argue that we may have got the overall level of spending wrong too: with some arguing that not enough was spent to improve the capital stock of the non-London regions; while others argued that the public sector employment and current spending was too high in other regions (a view argued by some Conservatives, such as Michael Gove).

To illustrate the problem, we find in Stansbury, Turner and Balls 2023 that transport spending has been low by international standards for decades – with the recent exception of rail (Figure 6); and in

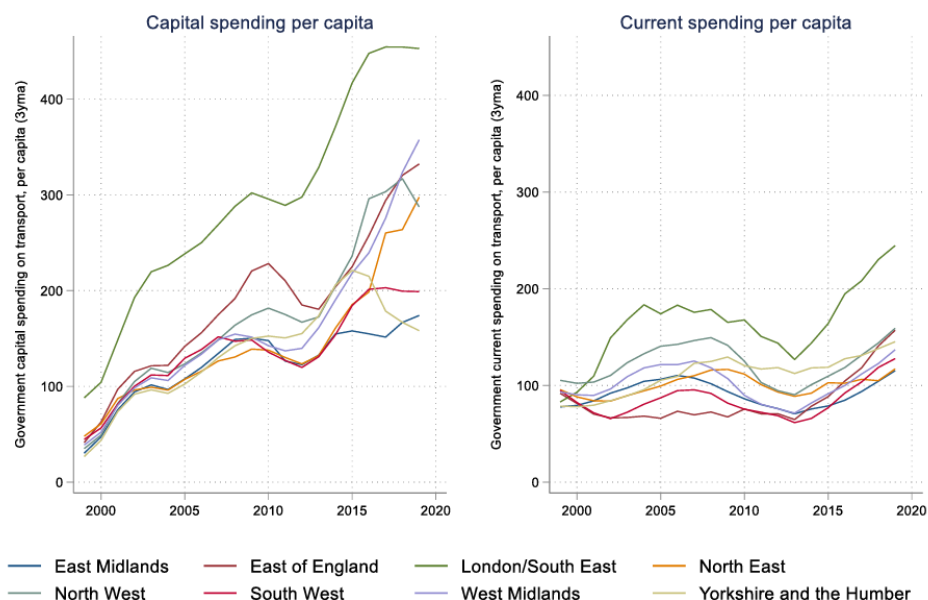
turn that both capital and current spending was skewed disproportionately to London and the South East (Figure 7). The same is true of economic development and R&D spending.

Figure 6: UK spending on road and rail compared to other rich countries



Source: OECD.

Figure 7: The distribution of per head capital and current spending on transport by region.



Source: ONS.

Labour politicians typically credited higher spending on economic development under New Labour with helping address the legacy of urban blight from deindustrialisation and in raising skill levels; but most conclude that those interventions were insufficient to enable a 'catch-up' between those regions and the South East. Nick Macpherson, former Permanent Secretary to HM Treasury offered a

measured view typical of our interviewees: *"it's very difficult to say what the 'right level' of resource is [...] probably more than goes in there at the moment."*

Local government practitioners offer a mixed view on the link between national transfers and local capacity. The late Bob Kerslake – former head of the domestic Civil Service – argued: *"If you overlay the impact of austerity, which knocked the stuffing out of local capacity for a lot of places, you can see why we've ended up where we are"*. By contrast, Howard Bernstein told us that the higher-spending 2000s were marked by a *"marginalising"* of local authorities in driving growth in favour of administering local services. Mike Emmerich argued that both could be true: effective leadership is necessary to transform a local economy, but that task can be made far easier with a *"conducive"* macroeconomic context.

Institutions matter: local and national agencies need to be able to coordinate investments to add full value.

As we develop more fully in Finding Three, most of our interviewees made clear that effective local or regional partners were necessary to help coordinate investments or to use local knowledge and insights to identify investible propositions in the first place.

To preview our arguments, the leadership of Greater Manchester is frequently singled out for its ability to broker a regional position and use that to coordinate investments and lobby Whitehall. Sir Howard Bernstein describes the approach in Greater Manchester as such:

"there's two ways we can go: play the national [z]ero-sum game, and wait for things to be handed to us; or take the initiative ourselves, give ourselves credibility in exercising that place leadership role... galvanise the private sector ... come up with a strong vision about what all of this means... We felt, in a defined economic geography like Greater Manchester, that there was a better model. We already had 10 leaders who, for the most part, shared the same priorities, met every month, and developed a mature approach to decision making."

Others point to the emergence of Mayoral Combined Authorities – inspired by Greater Manchester – to demonstrate the value of local leadership. Liam Byrne, former Chief Secretary to the Treasury and candidate for Mayor of the West Midlands at the time, stated that *"The virtue of the metro mayor model is that it does a better job than Regional Development Agencies at brokering sub-national priorities, and it creates a degree of kinetic energy around those agendas in government."* This viewpoint was reflected in Greg Clark's interview in relation to longstanding investment projects which *"suddenly sprung to life"* when in the Mayoral Combined Authorities' hands.

Future regional growth policy needs to give each region the right level of resources; proper institutions; and should draw on a wide range of tools according to local need.

Some of those we interviewed draw the conclusion – which we observe and share – that there is in fact an emerging cross-party consensus on what a successful regional growth policy ought to prioritise.

Mike Emmerich, who led the New Economy think-tank in Greater Manchester, argued that this consensus position is reflected well in the analytical sections of the Government's 2022 *Levelling Up White Paper* (even if some of the policy, such as a reliance on small centrally-held pots of funding,

leave much to be desired); and that the analytical consensus wouldn't have been possible without the two or three decades of trial-and-error beforehand.

What remains to be seen is whether this new consensus can be successfully put into practice, implying as it does difficult geographic and thematic reallocations of public spending and the building-up of new delivery vehicles across the country.

IDENTIFYING THREE ERAS IN POLICY

Over the course of our interviews and in background research, we identified **three stylised regional growth policy regimes**, broadly mapping onto specific Governments. These inform our interviewees' analysis of change over time but need to be pieced together across our interviewees. To make that process easier, we summarise the different regimes here, spanning: the **Conservative Governments** (1979-1997), **New Labour** (1997-2010) and **the Coalition** (2010-2015).

We stress that these are stylised accounts: they inevitably give the appearance of greater coherence than was the case at the time. The policies that emerged were the product of intra-government political struggles, expediency, or serendipity as much as a clear political philosophy. We set out the main characteristics of these 'eras' below.

The Conservative Governments (1979-1997)

Under Margaret Thatcher (1979-1990)

The early Thatcher Governments saw a philosophical shift towards a place-blind or place-neutral focus on "national" competitiveness and efficiency focus, underpinned by an assumption that markets would balance out regional variation relatively quickly.

In macro-economic terms, this meant a significant reduction in public spending, including the dismantling of the post-war regional spending programmes (initiated under the Callaghan Government as part of the International Monetary Fund bailout negotiations). Regional redistribution would continue through the welfare system as an automatic stabiliser, given high localised levels of unemployment; but our interviewees criticise that as a move from to compensate the 'losers' of economic change rather than to fund regeneration directly.

In microeconomic policy, this meant a shift away from an explicit concern with narrowing regional inequality and towards a focus on the return to public spending – backing "excellence" (in, for instance, university grant allocations) independent of how this reshaped the distribution of public spending. The automatic Regional Development Grant was abolished in favour of Regional Selective Assistance, which judged prospective investments on a case-by-case basis.

The Thatcher Governments oversaw a significant tightening of UK government control over the finances and policies of local governments through the abolition of tiers of local government (Metropolitan Counties, including the Greater London Council) in 1986. This included "rate-capping" and other initiatives to remove local authority financial discretion, culminating in 1990 (1989 in Scotland) with the Community Charge ("Poll Tax"). This move to reduce the financial and policy autonomy of local authorities in Thatcher's second term was, according to our interviewees, a political choice; and one that contributed towards financial and political centralisation in the UK through the 1980s.

There were initiatives in place under Thatcher that sought to address specific regional challenges. There was a dedicated skills programme (the Manpower Services Commission, set up in 1973 and renamed the Training Agency in 1987), but this is criticised by interviewees as being underpowered and overly focused on unemployment and job matching rather than skills. Other regional programmes focused on attracting inward investment, through tax policy (Enterprise Zones) or by creating discretionary pots that could be used to support particular inward investments (such as the Nissan plant in Sunderland).

A notable exception to this overall picture – and which was to become more prominent under the Conservatives in the 1990s – was the use of Urban Development Corporations under Michael Heseltine as Secretary of State from the early 1980s, most notably in Liverpool and the London Docklands. This model took power from (perceived dysfunctional) local authorities and provided subsidies and regulatory support for private investment to fund regeneration. There were also distinct approaches outside of England, such as with the Scottish Development Agency.

Under John Major (1990-1997)

It became clear over the 1980s that market mechanisms alone were unlikely to rebalance the UK's regional economies; from the early 1990s, changes in political leadership (including the return to prominence of Michael Heseltine after his 1986 resignation) led to a growth in area-based initiatives.

The Training and Enterprise Councils were set up in 1992, which administered public funds to training and education programmes for young people, still with the view to improve employment rather than productivity. Other regeneration funds were created based on competitive bids into central government pots with a view to demonstrating value for money and crowding in match funding from the private sector.

Over time, there were efforts to reduce wasteful bidding processes and create a consolidated Single Regeneration Budget, passed to local governments in return for demonstrating progress against outcomes. This reflects the ongoing national wariness of affording too much discretion to local authorities, given the 'Loony Left' reputation of urban areas in particular that had developed in the eyes of some Conservatives in the 1980s. The 1990s area-based initiatives still implied a pre-eminent role for central government acting as a guard or a tutor to local authorities.

In parallel, the 1990s saw the emergence of a new regional structure of government following the agreement of the Maastricht Treaty (1993). The Treaty established European Regional Development Funds and a new Commission-led policy designed to drive convergence across regional economies. In the UK, this included the definition of new regional borders and the establishment of Government Offices for the Regions in 1996 to help coordinate central civil servants acting in different regions and nations of the UK.

New Labour (1997-2010)

The incoming New Labour Government had constitutional commitments to devolution to Scotland and Wales, as well as establishing a new London Mayoralty and restoring government in Stormont as part of the Northern Irish peace process. The devolution commitment was a legacy of the reform movement built after the 1979 referenda on devolution under the Callaghan Government.

New Labour also established Regional Development Agencies, building on the European Commission's work on supporting regional economies and UK precedents such as the Scottish Development Agency. Over time, the RDAs gained increased funding, flexibility over that funding through a "single pot" settlement, and an ability to shape both European Commission- and UK Government-funded programmes. Ambitions for constitutional reform in England, based on Regional Assemblies, faltered following the failure of the 2004 North East Regional Assembly referendum.

Local governments were able to expand their programming as public spending rose through the 2000s, alongside wider capital investment (such as school and hospital rebuilding programmes). The structure of these programmes did not radically vary from the 1990s approach, where local delivery was subject to strong central government scrutiny, with some scope for “earned autonomy” where local authorities could demonstrate success in delivering central government’s preferred outcomes. Critics stressed the rise of “targets and league tables” – ‘Best Value’ and then the Comprehensive Performance Assessment - alongside other mechanisms such as Local Area Agreements, as part of the Blair Governments’ commitments to public service reform as a counterpart to increased funding.

In other policy areas, the centrally-driven New Deal led to rapid progress in closing regional employment gaps. This raised the salience of on regional *productivity* gaps by the early 2000s; and informed national programmes - such as Sure Start, the Educational Maintenance Allowance, or the expansion of further education – which tackled the long-term drivers on regional inequalities.

From around 2006/07, accelerating during the Global Financial Crisis, there was a gradual return to an active industrial policy (such as the creation of the Technology Strategy Board, now Innovate UK). Our interviewees describe this as a response to specific challenges (such as those facing the auto industry in the West Midlands), or from policy learning across Europe.

Several major programmes were explicitly place-based (e.g., the London Challenge for Schools), or otherwise targeted on poor areas (such as the New Deal for Communities). In other areas, however, there was a continued focus on excellence-led funding or UK-wide value for money. This meant that in innovation and transport spending in particular, there was a strong skew in spending towards London and the South East.

The Coalition Government (2010-2015)

The incoming Coalition Government emphasised cutting public spending – including a major reduction in local government grants - as part of the austerity programme; while also eliminating national agencies and encouraging local initiatives to replace them (the “bonfire of the QUANGOs” and the “localism” or Big Society agendas). This led to the abolition of the Regional Development Agencies and the Audit Commission and the removal of many policy and financial constraints on local authorities (albeit with a return to rate-capping and a broader financial pressure that led to substantial employment reductions in local government).

Over time, central government began to re-engage local government – initially in a light-touch way through engagement with newly created Local Enterprise Partnerships, but with more engagement over time through various “Deal Making” processes. This approach was encouraged by Michael Heseltine in his 2012 report for the Government, *No Stone Unturned*. A major component was the creation of Combined Authorities, using a piece of legislation passed in the final days of the Brown Government. “Deals” between the Government and local authorities were agreed, building over time to include additional funding for specific regeneration projects; the delegation of certain budgets; and a quid-pro-quo set of local institutional reforms such as adopting Mayoral Combined Authority models.

Finding Three: The UK government in Whitehall has relied too heavily on centralised approaches to driving up productivity and delivering more balanced regional growth in England.

So far we have presented evidence from our interviews that practitioners believe the UK has been insufficiently ambitious in the past in its plans for regional growth; but those decades of partial experimentation offer direction for what a more ambitious reform programme could look like.

In this finding, we turn away from policy and towards administration, presenting our interviewees' analysis of why successive Governments have failed to rise to the challenges recognised by politicians. In Finding Four, we then ask why countervailing institutions failed to establish themselves in the gap left by Whitehall (with a few notable exceptions, such as the Scottish Government).

The UK is in a cycle that is leading to *over*-centralisation, making regional reform harder than it ought to be.

Our interviewees identify two reinforcing trends which have reduced the UK's ability to respond to rising regional inequality: a process of centralisation begun in the 1980s (see Finding One) that make it easier for UK Government ministers to 'pull the levers' nationally; and a corresponding reduction in funding and agency to local government, raising the perceived risk of 'letting go' from Whitehall. The result, as David Blunkett puts it, is *"a two-way street: central government is too centralised and local government is too enfeebled to actually grasp the opportunity"*. The result is that the UK has, as Mark Gibson describes, *"one of the most centralised economies in the world. There was never any really major transfer of power or resources to the regions."*

Our interviewees are also generally agreed that this trend is negative and undermines regional growth efforts. Put simply, it is no good pulling levers in Whitehall – setting strategies and deploying funds – if there are not effective institutions in the regions capable of identifying the right projects and successfully mobilising funding. Peter Mandelson recognises this problem when he says *"you can't regenerate regions or places or towns simply by a top-down manoeuvre or deployment of money. There has to be local institution building, local decision making."* Hazel Blears identified the need for local reform and investment in training and support for local leaders, arguing *"if you haven't got a great leader, you're not going to get economic growth"*.

Whitehall distrust of local leadership is a second political legacy of the 1980s.

In Finding One, we set out how a certain view of the economy – emphasising 'government failure' and market adjustment – drove policy in the 1980s. This led to a focus on national standardisation in product and labour markets; but it also led to a nationalisation of governance that had previously been delivered locally – such as schooling (the National Curriculum) and in taxation (the Community Charge/Poll Tax).

Our interviewees viewed this trend towards centralisation in public services as politically motivated – continuing into the 2000s. Ideological divides in the 1980s, especially between left-wing metropolitan-area leadership (such as the refusal to set a budget in Liverpool or Lambeth) and the national Thatcher

Government, led the latter to reduce the powers of the former. Metropolitan counties were abolished and functions like municipal bus services privatised. As Michael Gove told us: *"Tory attitudes towards local government were influenced by the experience of 'loony left' council in the 1980s. From Derek Hatton's Liverpool to Ken Livingstone's London, the Conservative Party became...not 'anti'-local government, but certainly sceptical or hostile towards empowering local government"*. Ken Livingstone confirmed this view: *"Thatcher abolished [the Greater London Council] in 1986 because she thought it was dangerously lefty. Then for the next 14 years, London had no administration. I don't think there was any other major city in the Western world that didn't have an administration of some kind or other."*

As well as reducing the political power of regional and local governments, these reforms reduced the capacity and capabilities of local institutions. John Cridland is typical in offering the view by the late 1990s that – with local government having been *"taken to pieces"* – it was *"not a career you went into if you wanted to be a big hitter"*.

Centralising tendencies were sustained under New Labour. This was in part political. Dan Corry, Head of the Number 10 Policy Unit under Gordon Brown, notes that *"when we came in there was a suspicion - certainly from Tony Blair and others - that local government was a bit useless. There'd been a loony left, and we had a modernisation policy"*. Geoffrey Norris told us that Blair *"had bought entirely this notion that Labour and local government was nothing but a headache"*. Blair himself told us that he was *"sceptical"* about local government leadership and believes *"we were right to be sceptical"* until the new mayoralities created a cadre of local leaders *"you can give the power [to] and be happy with it"*.

This political consideration was reinforced by an ideological commitment to universalism. Joe Irvin, Special Adviser to John Prescott explained the risk of devolution causing asymmetries in service quality: *"it's not a given that devolution is a good thing, and we have to think about it... one person's devolution can also be another person's postcode lottery."*

Sir Howard Bernstein shared his view of the consequences of New Labour-era distrust of local government: *"only when we got to the Coalition Government was there even a recognition that local government actually had a role in driving economic performance [...] local government was marginalised, in that whole process. As a result, place leadership capability in many parts of the country was significantly eroded."*

Our interviewees regret going too far in deprioritising local authorities, and caution future reformers against making the same mistake.

Our interviewees now overwhelmingly argue that – regardless of the rights and wrongs at the time – the anti-local government policy from the mid-1980s into the 2000s went too far. Reflecting on skills policy, Andrew Adonis argued that the right thing might have been *"to invest in better and stronger leadership in local authorities rather than seeking to do place-based initiatives from the centre."* Ruth Kelly argued for an increased focus on secondments between local, sub-regional and national government.

Former Communities Secretary Eric Pickles made 'localism' – changing the legal presumption so that local authorities could largely act on their own initiative – a fundamental principle of his reforms in the early 2010s. Many are sceptical of Eric Pickles' localism reforms, arguing they did not counterbalance the large cuts to local authority grants at the same time. Tom Riordan cites austerity

in particular as creating particular capacity and capability gaps for local government stating: *“a lot of these places just don’t have the teams in place anymore”*.

At the same time, both Eric Pickles and Judith Blake, former leader of Leeds City Council, described their *“real frustration”* with the increased reliance on competitive allocation of central pots. Blake described *“a beauty contest [targeted] into areas where political opponents have been successful”*. Pickles told us that *“we just love putting up competitions, bidding for funds and the like. You put Burnley and Blackburn almost at each other’s throats in competition.”*

Our interviewees recognised the same risk of anti-local sentiment playing out in the post-devolution administrations of Wales and Scotland. John Swinney, former Deputy First Minister and Finance Secretary of Scotland, recognised the dilemma he faced in office: having to continually judge the right balance between *“local flexibility and initiative”* and national scale and standards. There is always the risk, as he put it, that *“Holyrood doesn’t think that anyone could do it better than Holyrood. We’ve got to guard against that.”*

There is a minority view – expressed by only one or two of our interviewees but caricatured as ‘the Treasury View’ by some non-Treasury interviewees – that local government still cannot be trusted, and that an alternative solution would be to have a more tech-savvy and modernised Whitehall machine. Dan Rosenfield (former Treasury official and former Downing Street Chief of Staff) alluded to this culture when he spoke about visits to Burnley, where *“people [were] queuing up to tell the man from the Treasury that what Burnley needed was a local employment partnership, a Chambers of Commerce, a Burnley Investment Fund. I’m sitting there thinking, what Burnley needs is a good train line to Manchester.”*

New Governments seek to act quickly and at scale – through national tools. Building up institutions in the regions comes later when political capital is lower.

In recent years Governments tended to inherit weak – often politically hostile – local and regional authorities; and have therefore decided to by-pass them in delivering priority projects. At the same time, pressures within the UK Civil Service encouraged centralisation. Officials in both central and local government stressed the pressures of parliamentary accountability for public funds – a product of reducing local taxation in the 1980s in favour of central grants - as a factor behind centralisation. Tom Riordan, CEO of Leeds City Council explained that *“regularity and propriety runs through Civil Servants like a stick of rock: the worst thing that can happen to you is being called to the Public Accounts Committee”*.

Others point to deeper, ideological reasons for the UK centralisation. There is a blend between those who stress the long-standing imperial and imperious nature of the British state such as John Tomaney, and those who point to more recent ideological attempts to impose uniform standards or disenfranchise political opponents. Professor Diane Coyle argued that *“we’ve got a particular deformation in being the only country that bought thoroughly into Thatcherite [anti-state] ideas, without having the [local and regional] institutions or political structures that mitigate against that.”*

These cumulative pressures help explain why the incoming New Labour Governments from 1997 pursued a paradoxical blend of both radical constitutional devolution in some areas, with centralisation in others. Political commitments drove the former, while pragmatic administrative considerations and a universalist ideology drove the latter. Gordon Brown’s analysis was that *“Once you set up targets and make that your defining criterion for success, inevitably it will push you towards a greater degree of centralisation [...] that was the reason why everything went through the centre.”*

Put in other words by former Cabinet minister Douglas Alexander, in 1997 the levers that were immediately available were *“the facility at the centre to redistribute wealth and tackle child poverty, tackle pensioner poverty [...] the ‘fierce urgency of now’ dictates that you pull those levers rapidly”*. Bev Hughes – a former MP, minister and Greater Manchester Deputy Mayor - explained that, after 1997, *“the imperative to try and keep central control - to try and make progress on all those different fronts that we wanted to achieve - was profound.”* This came with an opportunity cost, reducing the emphasis on the effort of building institutions that enable regional growth in the longer-run.

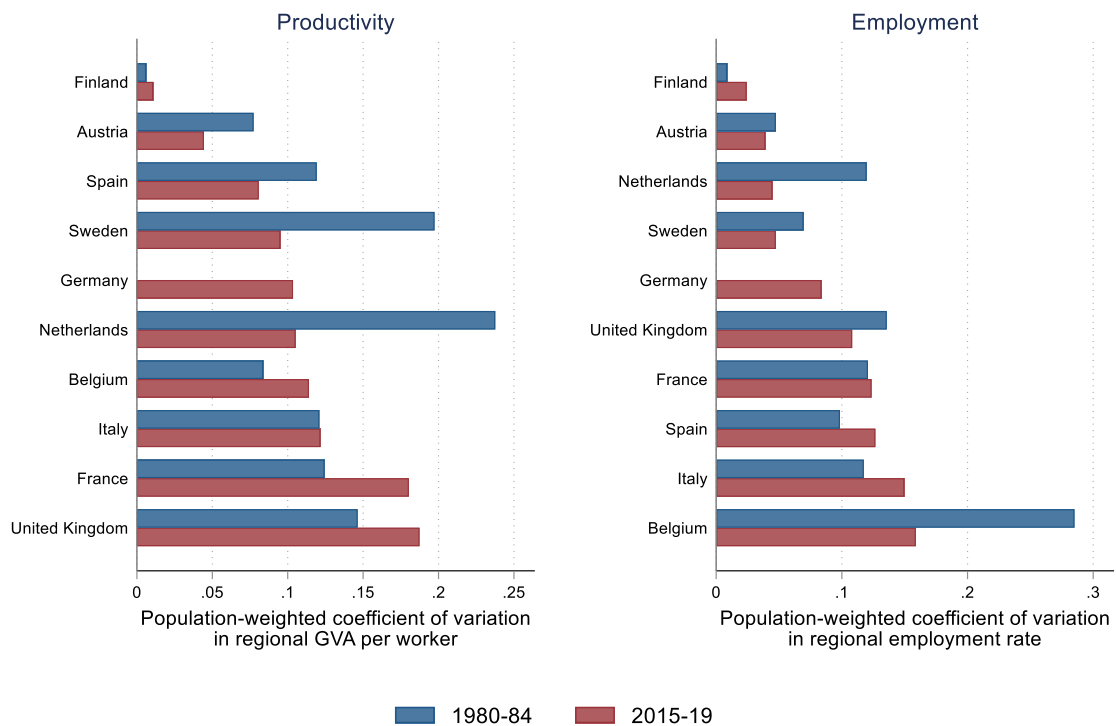
Changing policy issues require a shift between centralised and decentralised approaches.

Many argued that centralisation of power in London leads to Whitehall designing ineffectual policies – or just ignoring ‘regional issues’ altogether – due to poor understanding of local conditions. Sir Martin Donnelly, former Permanent Secretary at the Department for Business, said: *“our default position was always to centralise on these grounds: it appeared (short term) to offer more transparency and better value for money. Long term, it offers neither of those things.”*

While this was the consensus view of those we interviewed on the predicament today, others (John Major, Tony Blair, David Blunkett and John Cridland) argued that we must recognise that the nature of policy challenges has shifted over time. John Major argued that an emphasis on central policy levers was the right approach to tackling inflation in the 1990s and creating a stable macroeconomic environment for growth. New Labour figures referenced the New Deal or the London Challenge as centrally-driven initiatives to bring down regional and local unemployment or reform schools at a scale that otherwise would not have been possible.

The argument for the need of centrally driven reform to support employment is supported by Figure 8, below, which demonstrates shrinking employment inequalities across regions over time in the UK (keeping us mid-ranking among European economies; see the right hand chart); while inequalities in productivity have risen over time to make us (by this measure) the most geographically unequal country for productivity in Western Europe (see the left hand chart; and note that Sweden, Spain and the Netherlands saw significant reductions in regional inequality over the same timeframe). Our results in Finding Two suggest that resolving productivity challenges requires a wider range of ambitious interventions, and therefore stronger local institutions to act as coordinators, than previous policy issues.

Figure 8: Cross-national inequality in productivity (GVA per worker) and employment



Source: ARDECO.

There is no unified “Whitehall view” when it comes to decentralisation – though there may be common biases.

"Whitehall is like five-dimensional chess at times. The problem local government has had through the years - the big systemic weakness in the system - is that the triumvirate of the Treasury, BEIS (Business, Energy & Industrial Strategy) and DLUHC (The Department for Levelling Up, Housing and Communities) have rarely been aligned and had a common view about what should happen. You have to navigate your way around that."

- Tom Riordan, Leeds City Council (and former Yorkshire Forward RDA) Chief Exec

"I would observe that there was a very strong vein against intervention... sitting hand in hand with what I think is a very, very centralist approach to government by the Treasury, Number 10, and Whitehall departments. ... the centralising forces I've been talking about go a lot deeper than anyone in Whitehall really ever realises. It was only when I got to MHCLG (Ministry of Housing, Communities & Local Government) that I saw it and could feel it as clearly as I did."

- Melanie Dawes, former MHCLG Permanent Secretary

Even if they wanted to reform, our interviewees generally stressed their scepticism that Whitehall could successfully work together to build a coherent regional policy. Martin Donnelly described

Whitehall as a series of “*warring fiefdoms – it is never going to be able to come up with a coherent policy*”. Certain departments were described as continually hostile to devolution, most notably Education; while others were viewed as supporters especially the ‘Local Government’ department. Key decision-making departments including Business, HM Treasury, Number 10 shifted their position back and forth on devolution over time as personnel changed. Even within departments there could be variation: Stephen Haddrill told us of the divide between the ‘sectoral’ parts of the Department for Trade and Industry and the regional development parts (arguing that the former “*weren’t good enough, frankly*”).

While most interviewees recognised this variation across departments, some would stress that we should not underestimate commonalities. Melanie Dawes, drawing on experience at the centre (HM Treasury and Cabinet Office) and as Permanent Secretary of the Local Government department, noted that “*on anything to do with local authorities, there is something about the way budgets are allocated...the way the Treasury rules are applied...which creates a sense that Whitehall has to be the final decision-taker*.” Philip Rycroft argued that “*Whitehall remains pretty obtuse about the impact of devolution to this day. It doesn’t seek to engage in understanding the politics of devolution*”. Sajid Javid explained his view that to the extent there was any coherent Whitehall view - it was “*don’t devolve, even though that was the stated government policy*”. Bob Kerslake described the difficulty in getting agreement for devolution deals: passing devolution through Whitehall and Cabinet “*was screaming and kicking. I think the culture is deeply inimical to devolution. The default is against you, whatever the rhetoric*.” Greg Clark recognised that same “*snootiness*” of some in Whitehall, and George Osborne argued that without a big and bold vision there is a “*cynicism*” in the departments that must be overcome.

The lack of a united Whitehall ‘voice’ has also been used by regions and local authorities to reclaim agency, by defining their own approach or by working strategically across different departments. Helen Golightly, of the North East LEP, told us that the absence of clarity from central Government forced local solutions, she described how her colleagues “*worked [the North East’s strategy] through ourselves*”, paving the way for North East-wide devolution.

The Department for Education is commonly cited as a centralising force.

Education policy has long been framed in national terms. John Cridland, former Director-General of the Confederation of British Industry (CBI), reflected that “*the Department for Education has a philosophical position, which for a long time the CBI supported, that things like education policy, the national curriculum, should be national*.” Former Education Secretary, Michael Gove argued that “[t]he Department for Education has traditionally been one of those departments that has been most sceptical of local government”; and Andy Burnham describes it as “*the hardest department to work with*” as a Mayor.

We interviewed multiple former Secretaries of State, and they complicate this image by suggesting that – while there is truth to some parts of the Department for Education being ‘centralising’ – the case is overstated. Ed Balls told us in his interview that “*as a Secretary of State, it’s very hard to make anybody do anything. You’ve got 22,000 different head teachers, who are in charge of their budget, with their own governing body [...] unless you persuade them it’s the right thing to do, they’re quite good at just not doing what you want*.” In her interview, Ruth Kelly noted that within the Department there was fierce debate over greater roles for local authorities in the mid-2000s and that she was an advocate for more local government influence (against Downing Street opposition).

Justine Greening explained her reasons for resisting devolution: “*Definitely for me as Education Secretary there were times when I did resist devolution. There’s no doubt about that. That was mainly*

because I thought I had a better capacity to drive change [...] I just began to see almost that the more politics got into something, the worse the outcomes tended to be."

HM Treasury is championed by some as a 'balancer'; and critiqued by others as a blocker.

Most interviewees recognised the centrality of HM Treasury in blocking or promoting reform. In this, it has a mixed record. Nick Macpherson summarises it as follows: *"the problem in the early 1980s was that the Treasury couldn't control public spending"*. The lack of Treasury control changed following limits on local government taxation in the 1990s, and wider reforms to get public spending under control. Macpherson argued that, especially under Gordon Brown, the Treasury became *"an ally for greater devolution"* to devolve greater financial autonomy against *"very centralised departments who were determined to hang on to their budgets"*.

The view from ministers within the Treasury tends to be more favourable. George Osborne recalled that, despite some initial cynicism, *"once the civil servants clicked into gear, they were absolutely brilliant"*. Jim O'Neill called HM Treasury *"the best department"* to work with, *"because once the Treasury realised at the top that this was a policy priority, they decided to be really on the case"*. Douglas Alexander affirmed this view of HM Treasury's capability to mobilise: *"if [HM Treasury] had a bias, it was towards action and delivery - and frankly, intellectual rigour."*

By contrast, Neale Coleman – advisor to all three Mayors of London – argued against the *"over-centralising mode of the UK Treasury. I think it's been the cause of a great deal of problems. I think it's reflected in the fact that the Osborne devolution model, in my view, is a comparative failure. It doesn't really give effective power and authority, they are on a drip of money from Whitehall."*

Dave Ramsden reflected that one of the biggest challenges when he was Chief Economist at the Treasury in 2013/14 was that *"your instincts in the Treasury are that you don't want to give up the control of what's going on"*. A reluctance to cede control was not new, Peter Mandelson argued that *"[the RDAs] faced a lot of Treasury scepticism. The Treasury was 'small state' on industrial and regional policy and 'big state' on welfare and redistribution. I think that the Treasury after 1997 continued with what was essentially a Treasury orthodoxy that markets and ministers don't mix."*

Some argue that the Treasury's approach could be rational and structural rather than cultural or ideological. Paul Tucker told us that *"the Treasury is nervous about local government finance because it has the power to tax, and it will have to tax more if local government borrows lots and goes bust. If everybody moved roles - people in municipal government were sitting in the Treasury, and the people in the Treasury were sitting in municipal government - I suspect the Treasury would hold the same views."*

There is central demand for more effective partners in local government and the regions, but local politics and capacity have not (yet) caught up.

Most of our interviewees now identify rising capacity and capability in local and regional government (as we will explore in Finding Six), even if local politics remains difficult in places. For example, John Kingman, former Second Permanent Secretary to HM Treasury, argued that *"Tom Riordan is absolutely one of the best [...] council chief executive[s] in Britain"*, but Leeds struggled in the 'deal making' processes of the 2010s due to local politics. This raises the question: why, given the mounting evidence of Whitehall's shortcomings, has a countervailing force in the regions and nations failed to establish itself (with, perhaps, the partial exception of Scotland)? We turn to that question in Finding Four.

Finding Four: Continued policy instability has led to endemic short-termism and damaged policy outcomes.

Our third finding demonstrated the view of our interviewees that over-centralisation limits the space to create or empower effective local and regional institutions. This finding highlights a related challenge: a continuous churn of national initiatives, none given the time to bed in, in search of a solution to the 'regional growth problem'.

Research by the Institute for Government identifies further education, industrial policy, and regional government – all policy areas identified in Finding Two as crucial for regional growth – as those most prone to reinvention over the past few decades.¹² In Figure 9, an appendix to this finding (page 42), we map out the frequent pace of change in some of the policy areas identified by our interviewees as most important to regional growth.

Some policies quickly become part of a political consensus. They become self-sustaining and self-perpetuating. Dave Ramsden, Deputy Governor of the Bank of England, draws a distinction between Bank of England independence and the RDAs of the 2000s. The former *"helped create an institutional structure and encouraged a whole analytical work programme"*, which the short-lived RDAs failed to develop *"a strong policy-relevant evidence base"*.

This chapter underlines the damaging impact of that reinvention and offers insights from our interviewees on why it happens – drawing our attention to the dilemmas of accountability, and the lack of political legitimacy enjoyed by some regional authorities especially.

Interviewees universally decry the UK's "chop and change" approach to regional growth policy and institutions, which are regularly redrawn by new Governments - often for partisan reasons.

Within recent history, many of the elements our interviewees suggest are necessary for regional regeneration have been in place at certain moments in time. But they have never been implemented in a coordinated, sustained manner due to policy instability.¹³ Andy Haldane's succinct summary of this trend is typical: *"Scale, longevity, interdependence of policy appear to be core ingredients of both success and failure [...] UK PLC's done, in relative term, a poor job of all three."*

The lack of policy stability is universally bemoaned, across parties and sectors. Tom Riordan told us that *"[o]ne of the big messages back from business has been that lack of predictability [in policy]"* has meant they have held back investment. National policy instability, rather than local policy, is the prime culprit: Richard Leese described how *"the biggest frustration is effectively the lack of continuity in national government."*

¹² Norris, E. and Adam, R. (2017), All Change: why Britain is so prone to policy reinvention and what can be done about it, Institute for Government.

¹³ Scotland and London are partial, telling, exceptions. Both received higher, sustained levels of public current and capital spending; and both have more mature governance arrangements in place (with the Scottish Government and London Mayoralty). London has continued to pull ahead of other UK regions since the 1990s, which Scotland is the only region outside of the South East to have kept its relative position with the UK average, rather than falling back.

Policy volatility seems to be a function of the political cycle and centralisation: either the low priority of regional policy stops central government seeing the whole picture, meaning individual unpopular policies (like RDAs for the incoming Coalition Government in 2010) are dropped without full consideration of the implications; or other events lead to a loss of focus on regional issues. For instance, Nick Macpherson explained how "*...the Financial Crisis just drove a coach and horses through government micro-economic policy. [...] policies like these got squeezed out.*"

Low legitimacy of regional institutions has made this instability more likely.

With the exception of 1986-97, after Thatcher's government abolished metropolitan counties, successive Governments have tried to bridge the gap between local and national decision-making by introducing intermediate agencies and governments – most significantly, the devolved parliaments, RDAs and, more recently, Mayoral Combined Authorities.

A constant dilemma facing regional government has been managing accountability "up" to parliament (e.g. for funding delegated from Whitehall) with accountability "down" to local politicians and communities.

Regional Development Agencies under New Labour mark the largest and most sustained effort at brokering regeneration; but also failed to build sufficient local and cross-party support.

To their champions, the success of the RDAs came from their ability to act as a non-partisan broker between sometimes conflictual local authorities, using their funding to forge compromises. John Healey, a former Treasury and Housing and Planning Minister, argued that "*the significant thing about the RDAs was the degree of flexibility and freedom we gave from the centre. [...] Combined with the single pot funding, this meant they were making real decisions.*"

Some of the grants made by the RDAs were celebrated by interviewees such as Richard Caborn, Minister of State for Regions 1997-99, "*The great success that I still see around are some of the things that we put in through the RDAs... like the Advanced Manufacturing Park in Sheffield or nuclear in the North West. A lot of those are remnants of what the RDAs put in.*"

Many of our interviewees – John Cridland, Yvette Cooper, Joanne Roney, Tony Reeves – point to the Northern Way initiative (a collaboration across the three Northern RDAs) as a success in driving collaboration across universities and city-regions, presaging the current model.

However, the success of RDAs is highly contested, along regional and party-political lines. Tom Riordan, a former CEO of the Yorkshire Forward RDA, points out two "*Achilles' heels in the RDA model*": accountability, which was structured up to national ministers (accountable to parliament) rather than local partners; and that "*the South RDAs didn't really work. They weren't needed and undermined the whole thing...because you are only as strong as your weakest link*". While others praised the Yorkshire Forward RDA's leadership, even elsewhere in the North the relationship was less comfortable. Richard Leese criticised the North West RDA as "*too interfering*" and "*micromanaging*".

Outside observers are sometimes critical of the RDAs' growth model, too. John Tomaney told us that "*RDAs, for instance, were promoting ideas about innovation and industrial policy – small 'i' small 'p' industrial policy – but in practice a lot of what they were doing was fuelling property development of one kind or another, particularly in the big cities.*"

Our own archival research suggests that a major transition point for RDAs came in the 2000 Comprehensive Spending Review (CSR). Having been established as a priority following the 1997 election, RDAs faced a struggle within the Cabinet over their precise powers and funding. As a result, they initially depended on the Heseltine-era Single Regeneration Budget – delegated by John Prescott in the Office of the Deputy Prime Minister – for two-thirds of their Budget. This meant there was initially a strong emphasis on ‘social regeneration’, which the CSR decided to push against by retasking RDAs towards a more clearly growth-oriented goal: *“to improve the economic performance of all regions, so that the GDP per capita of those below the EU average moves towards the average”*.

This change in mandate meant that RDAs began to move away from the inclusion and constitutional reform objectives that John Prescott, as Deputy Prime Minister and the responsible minister, had advocated for. This in turn created a fault line on questions of accountability and political legitimacy. While RDAs did face scrutiny from Regional Chambers (mostly local authority representatives), they were established on the assumption that over time there would be directly elected Regional Assemblies in England to direct their work. The 2004 referendum to establish the first Assembly in the North East failed, generally attributed to *“the internal politics of the Labour Party”* – as Nick Macpherson puts it – where Tony Blair was not interested in a *“Prescott-Brown agenda”*. With the failure of the 2004 referendum, Philip Rycroft explained that the *“the heat just seems to go out of [regionalism] altogether”*.¹⁴ Our archival research suggests that a greater emphasis on city-regions, and on pan-regions in the “Northern Way” of the three Northern RDAs, was emerging in Whitehall thinking as early as 2003 – before the referendum took place.

Following the change of Government in 2010, RDAs were abolished. We were told by Vince Cable that he was opposed to closing down the three Northern RDAs and the West Midlands RDA, but that the anti-RDA politics of Eric Pickles made them financially unsustainable, forcing his hand. This was despite a last-ditch effort from RDA leaders in Yorkshire and the North East to save the organisations. Chris Haskins, former chair of the Yorkshire Forward RDA, told us about his efforts to prevent abolition and the sympathy he received from both David Cameron and William Hague – but *“Pickles wouldn’t have it”* given his anti-regional agenda.

The loss of the RDAs is now regretted by many interviewees, including those who were critics at the time. John Cridland, former CBI Director-General, is typical in denouncing the *“scope creep”* of RDAs but expressing regret that they *“didn’t work out”* given the institutional vacuum that followed with Local Enterprise Partnerships which he described as *“half-hearted”*.

RDAs were one-size-fits-all models and saw scope creep over time. They became seen by central government as vehicles to meet all regional goals (especially after the failure of the 2004 North East referendum), which undermined their legitimacy further. This put unsustainable pressure on the ability of RDA leaders to maintain effective relationships; and led to more tension with local government partners.

Some argue that the RDAs’ problems were more fundamental: they were insufficiently accountable to local *communities*, as well as local politicians. As David Blunkett put it, *“RDAs were very top-down and very resistant to imaginative, creative, bottom-up initiatives. They were interested in building roads ... but not building from the grassroots.”* Chris Haskins, a former RDA Chair, told us that *“until [RDAs] had democratic legitimacy, they were only going to be an agent of central government.”*

¹⁴ Despite an attempt to create part-time Regional Ministers under Gordon Brown; see Liam Byrne’s interview for more detail.

The Local Enterprise Partnerships that replaced RDAs are widely dismissed as too weak and too dysfunctional.

The nostalgia of many of our interviewees for something on the scale of RDAs is in part explained by what came afterwards. The typical view, put most starkly by Neale Coleman - a former adviser to all three of London's Mayors - is that *"the Local Enterprise Partnerships ("LEPs") that replaced the RDAs have been a catastrophic failure"*. This is due to their limited geographic and administrative scale, with budgets an order of magnitude smaller than RDAs. They faced confused, overlapping bottom-up geographies. Even their co-architect Eric Pickles largely agrees with this analysis, telling us that LEPs were *"a price worth paying"* to move from RDAs to his localism agenda; though he notes that he *"didn't quite appreciate how [allowing some sub-regional] powers and influence would grow"*, culminating in the rise of Combined Authorities.

Despite this general perception, some of our interviewees defended the LEPs as a necessary step towards the (better regarded) Combined Authority model. The most forceful advocate for LEPs was Mayor of the West Midlands Andy Street, who argued that in the West Midlands *"the LEP was a step forward"*. Quoting former Birmingham leader Albert Bore, he said *"we felt done to by the RDA. It was not an organisation that we contributed to"*. We heard similar views from Helen Golightly, CEO of the North East LEP, on their role in moving the region towards further devolution.

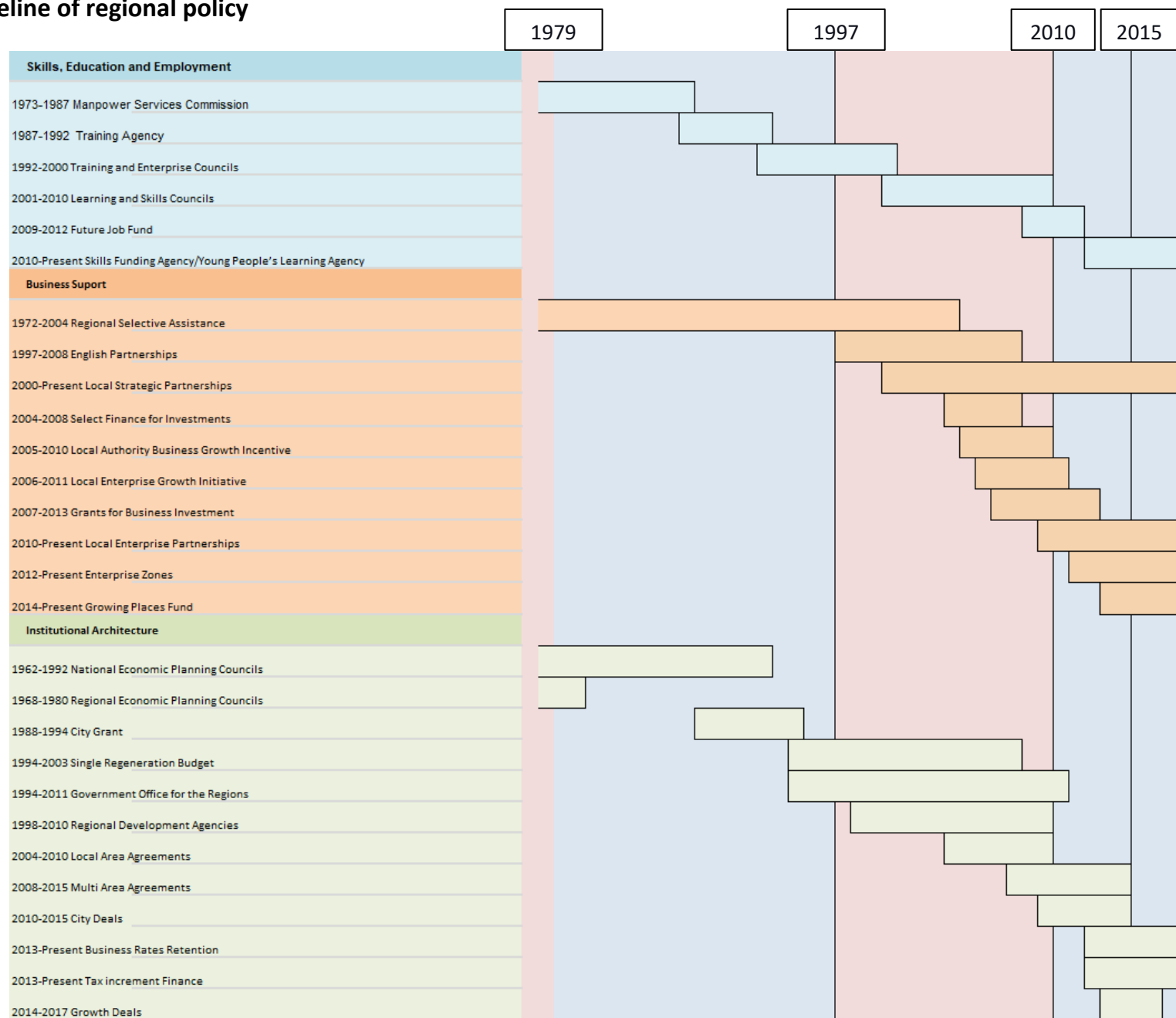
The experience of RDAs and LEPs shows us that to succeed regional institutions must operate at scale financially and be legitimate enough to act as a broker across local interests.

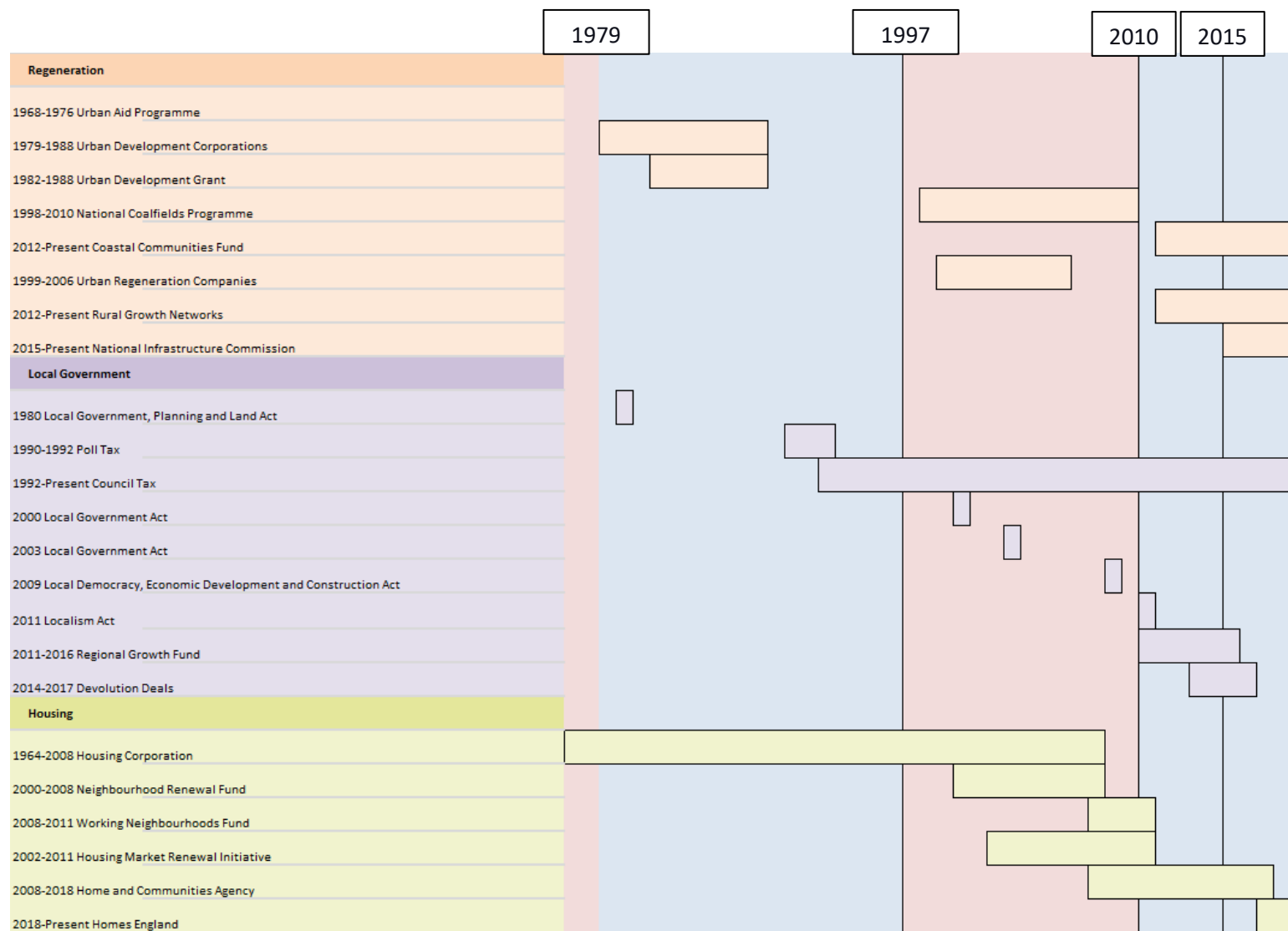
Ultimately, both RDAs and LEPs struggled to act authoritatively within their region – except where there was exceptional leadership blessed with the ability to offer out financial largesse and build coalitions. The ability of local leaders – often politicians and senior officers working together – to reshape local politics has consistently proven essential to the success or failure of devolution.

Success in that case is about more than technical skill. It requires tapping into deep sources of legitimacy: what Michael Gove describes as the *"traditions and affections, sources of local pride... which sometimes militate against the reform required."* We heard this time and again from other politicians such as Richard Leese who explained: *"the real functional economic unit [for devolution] is a bit bigger than Greater Manchester. But the politics work[s] better by keeping it within Greater Manchester"*, against the "tidy-minded" mindset of Civil Servants.

As a result, neither RDAs nor LEPs were able to break the centralising cycle we identified in Finding Three. But change is possible, as we set out in our next chapter.

Figure 9: A timeline of regional policy





Finding Five: Sustained, top-level political will and leadership is necessary to overcome Whitehall's centralising tendencies and empower local government.

Our findings so far show that decision makers regret not being ambitious enough in the plans for regional growth; this is in part due to a deep culture, created through decades of political pressure, of centralisation in Whitehall; and those centralising forces have led to recurrent waves of 'chop and change', preventing an alternative power base emerging and establishing itself.

How, then, does change happen? While centralisation has been the rule, there are many notable exceptions – not least the rising legitimacy of the devolved institutions in Wales and Scotland.

We find our interviewees offer a consistent analysis of the question of how change happens: top-level political backing, from a leading member of the Cabinet, is key to achieving *any* lasting change. This is supported by processes that build trust at official level. Part of the UK's challenge may be that there has never been a sustained period of Prime Ministerial leadership in regional growth policy since the late 1970s.

Successful policy requires coordination across local, regional/national and UK Governments – but that requires capacity and capability at all levels.

Interviewees agree that most policies require engagement at all levels of government. For instance, in health and social care, there are defined roles for central government (in standard setting and funding), local government (in care services), and – increasingly - sub-regional government (in oversight of hospital trusts). There is a risk that instead of coordination we just see the withdrawal of one part of government and its replacement with another. Bob Dobbie said: *"I've got a feeling that at the same time as the local government has come up, central government representation in the regions has gone down"*.

There is no single neat and immutable set of powers that ought to be assigned to each tier; rather, the right balance should shift over time and place to be responsive to local conditions. Matthew Fell, Chief Policy Director at the CBI, gave the analogy of central government acting as an enabling *"air traffic control"* to properly empower local actors – to avoid duplication and act as a critical friend, rather than trying to direct policy from the centre.

Centralisation with low trust in the regions at the centre has necessitated the current incremental or 'evolutionary' approach to devolution in England. But this is starting to shift, as regional governance becomes more widespread and mature. Gordon Brown explained it as follows: *"It's only recently, I think, that people have come to think that there are other ways that you can actually devolve democratic power, that builds out of local authorities [...] I do think our thinking on this has advanced."*

Some of our interviewees recognised that the need for multi-level engagement. The problem of siloed institutions is most acute at the devolved and regional level: many interviewees recognised the lack of cooperation between Westminster and Holyrood or Cardiff (labelled as a *"devolve and forget"* approach), and the failure to sustain Joint Ministerial Councils of devolved and UK-level ministers.

Many of those we spoke to pointed to the example of the pandemic as forcing a correction in relationships across tiers of government. Tom Riordan, who led the 'Contain' strand of the 'Test and Trace' programme during the pandemic, explained that the pandemic was a *"crash course in economic geography"* for the Department of Health. Vaughan Gething, then Health Minister of Wales, told us that the relationship between the Welsh Government and local authorities was *"been significantly advanced and deepened by the pandemic; having to invest all that trust with each other has helped us with relationship building, and the trust that comes with that."*

Some attempts to manage Whitehall/local government arrangements have been more successful - such as Local Area Agreements - through contracts setting targets and then providing greater financial and policy flexibility for local government to deliver. Some interviewees praised 'Regional ministers' in their various incarnations for their local knowledge and the now-abolished Government Offices for the Regions: *"They were rooted in the place and understood and appreciated the place"*, Deborah Cadman told us.

No one we spoke to argued that full federalism or a full elimination of Whitehall departments was necessary - though some (such as Philip Rycroft) did draw attention to, for example, the lack of a federal education department in Germany or the US, in contrast with centralisation in education in England.

Where practitioners think change is possible, they argue it requires determined political leadership - ideally from the very top.

A shared reflection of many of our interviewees is the importance of personal relationships at a Cabinet level, and the policy priorities of top-level Cabinet ministers, in delivering change. Catherine Bell articulated the common view of our interviewees when she said, *"Whitehall tends to be very vertical, and occasionally driven by ministers with particular friendships"*. Andy Street echoed this view: *"There's no homogeneity at all. Some are real believers [in devolution]. It is largely dependent on the personality of the Secretary of State."* More colourfully, Lord O'Neill described how *"one of the most shocking things about Britain in the last decade is how on earth can you have such erratic and volatile shifts on policy about such important matters based purely on subjective views of personal relationships."* Derek Mapp, the long serving chair of the East Midlands RDA repeatedly stressed the importance of personal relationships with ministers in his interview, which he described as necessary to deliver innovative or cross-cutting projects.

In practice, our interviews argue that regional policy was only really effective under powerful Chancellors (Brown, Osborne) or Deputy Prime Ministers (Heseltine, Prescott). Strikingly, however, it never had the full support or focus of Number 10. Rosie Winterton told us how the whole agenda needed Number Ten support, but Blair did not provide it - with fatal consequences for the 2004 North East Regional Assembly referendum. As Richard Leese put it: *"You need a Prime Minister who supports, and a Chancellor who drives. I think that's where the relationship lies. If I go back to that 2009 devolution deal: Gordon was Prime Minister; Gordon supported Alistair, particularly because Alistair thought RDAs were a complete waste of space. Tony Blair was a centralist, basically."* Similarly, Pat Ritchie told us that *"policy has been more successful, from a Whitehall perspective, [when] it has been when the agenda has been driven by one powerful department, usually the Treasury, that can corral others"*.

Breaking the cycle of centralisation is not just a technical challenge; it comes with political risk that will need to be managed.

Most of our interviewees discussed the challenges around getting governance right in technical terms; but there were others who stressed that the political risks should not be ignored. Gordon Brown told us that if would-be reformers lack *“a clear view of what Britain can achieve”* they will be accused of *“a Balkanisation of Britain”*. He added: *“[reform has] got to be about the future of Britain, not about the future of regions.”*

Then-General Secretary of the Trades Union Congress Baroness O’Grady expressed a similar frustration, telling us: *“we have spent an awful lot of time talking about devolution. [...] What I think there hasn’t been nearly enough discussion on is what are the institutions and policies that would actually bind Britain together as a country.”*

Our own analysis of HM Treasury archives makes clear that – despite the political commitment to RDAs in the run-up to the 1997 General Election – deep splits remained in the Cabinet over the precise powers and funding that ought to be decentralised. Papers made available to us suggests one faction in the Cabinet – including Tony Blair, Peter Mandelson and David Blunkett – arguing that RDAs should be *“small strategic bodies”*, adding that *“the Government should not, in setting them up, give away budgets which enable central Government to achieve its objectives”* and that *“RDAs should not add to the pressures for regional assemblies in England.”* Skills were later omitted from RDAs’ remit altogether, despite pressure from John Prescott and Gordon Brown. The RDA case shows how even a priority manifesto commitment can be weakened in successive rounds of Cabinet negotiations, if broad political support in Cabinet is lacking.

Successful reform faces high hurdles.

In sum, governance reform is a political, not a technical, process. Successful reform will depend on the personal commitment of powerful leaders, coupled with an ability to communicate and act on a political vision of the different parts of the UK acting together in pursuit of common goals. Stephen Haddrill summarised this as follows: *“Regional policy I think requires two things, firstly it requires a real focus on what the problems of the region are, then a consistent and steady application of effort to solving those problems”*. That is a high barrier to exceed, and it comes with opportunity cost in terms of other policies deprioritised – explaining why reform has proven so difficult.

Finding Six: Current cross-party support for the Combined Authority model in England means the institutional basis for regional growth is stronger than it has been for a long time – if we can forge a lasting cross-party consensus.

As a diagnosis of the need and opportunities for change has become clearer (such as in the 2022 *Levelling Up White Paper*), what can be done to encourage the bolder political leadership needed to drive change? Are there lessons we can learn from other policy areas, or from other contexts?

Our interviews suggest the answer is: ‘yes’. First, there needs to be a process that builds cross-party support; and second, there are examples of getting to such consensus we can draw on that go beyond Westminster politics and into a broader campaign for reform driven by civil society – as in Scotland in the 1980s and 1990s.

Former Prime Ministers we interviewed stressed the need for a cross-party process to build political commitment to regional growth.

It is notable that two former Prime Ministers, representing both main parties, concluded on the need to broker a cross-party consensus on devolution to give reforms a chance of surviving and succeeding.

"If it is right - as I believe it to be - and if it is going to have to continue through changes of government - which I'm sure it will do – then it would be in the national interest now for the three main political parties to come together and agree long term objectives to minimise those changes in policy."

- Sir John Major

"For this to work, you need a coherent policy pursued over probably a 15- to 20-year period in order for the thing to have a result. That's why if you can take it out of, as it were, 'small' politics and put it into 'big' politics, it would be very valuable. [...] it's so important for Labour, when it comes in, to make it clear that you're going to try and put at least a core, a spine, of policy down that a sensible Conservative government in the future could also follow."

- Sir Tony Blair

If this analysis is correct, it raises two questions: what could form the institutional and policy basis of a cross-party consensus; and what are the examples of successful campaigns for change we can point to in our recent history?

When it comes to institutional reform, we may be able to learn from the cross-party reforms that have taken root over time: Combined Authorities and devolution to Scotland and Wales.

Our interviewees identified a vicious cycle of expedient waves of centralisation to Whitehall; leading to a fall in local or regional capabilities; reducing the ability of local leaders to act; and triggering further cycles of centralisation. As Philip Rycroft, a former Permanent Secretary and Scottish Civil

Servant, argued, the centre-local relationship was based on *“a dependency culture, and I think the aim of proper devolution is to break those dependencies.”*

This creates two pathways to reform: through local government actors ‘defying the odds’ to resist that vicious circle, thereby demonstrating their value to central government actors who have renewed confidence to decentralise; and through political pressure on central government to take on the risk of devolving.

The Mayoral Combined Authority model is proving a success in building ‘bottom up’ legitimacy, even if capability and capacity still needs to catch-up.

The example of Greater Manchester is repeatedly cited as an example of best practice. The Greater Manchester Combined Authority, and then Mayoral Combined Authority, emerged from a piece of legislation passed by the outgoing Brown Government following lobbying from the region - see Richard Leese’s interview for more detail. The secondary legislation required to create the Combined Authority came from the Coalition Government in a rare show of policy continuity and cross-party consensus. Michael Gove describes late New Labour and Coalition era reforms as being about *“creat[ing] models that others would wish to emulate, ... hav[ing] people exercising powers who could both demonstrate (a) that these models worked and (b) that there was a route for people of talent.”*

Greater Manchester’s leaders played personal roles in building those cross-party relationships to drive change. *“They were different”*, Greg Clark told us. It is clear from his account and others that what mattered was the ability of local partners to develop a bold but credible set of proposals for ministers. Clark explains how *“The cities [generally] were quite slow, quite shy, not very assertive. They were asking for quite small things. [...] Richard Leese, on behalf of Greater Manchester, had a [more radical] proposal to extend the Metrolink tram network.”*

With politically-driven successes under their belt, Greater Manchester then leveraged its position to build links with top Whitehall officials. John Kingman told us: *“I’ll never forget the day, after we did the Manchester deal, Howard [Bernstein] called me after and said, ‘Right we want another one. These are things we want in the next one.’ No other city was even bothering to pick up the phone.”*

These early proof cases in Greater Manchester emboldened reform elsewhere. There is a debate about whether the important factor in the success of Mayoral Combined Authorities is due to the role of the *mayor* or due to the *combined* nature of the authority. Tony Blair praises the Mayoral model – pioneered in London under his premiership – for driving improved accountability *“because of the types of people who are standing as mayors”*. This in turn means that, as a Government, *“you’re able to delegate more”*. Sajid Javid agreed, adding that scale matters: Mayoral Combined Authorities are *“big enough, enough attractive enough to attract the very best talent”*. The Mayoral Combined Authority model has been bolstered by the high quality of the first generation of mayors – with many citing Andy Burnham and Andy Street as critical to its success.

By contrast, others – notably those more involved in regional politics, such as Richard Leese or then-mayoral candidate Liam Byrne, stress the ‘brokering’ function of Combined Authorities, helping present a clearer shared position to Whitehall.

Others still offered ideological opposition to the ‘presidentialism’ of mayors. Ken Livingstone told us that, *“when Tony Blair became the leader of the Labour Party, he recognised we had to get a London administration. Blair was in love with all things American, so instead of going back and creating a typical Western European council, he brought in the American system of the directly-elected mayor.”*

No one we interviewed thought that Mayoral Combined Authorities as currently structured have the right set of powers (as we explore in the next chapter). Many sketch a vision of Mayoral Combined Authorities with levels of funding and routine access to ministers and officials similar to that achieved by the RDAs as a viable option to drive regional growth. John Kingman articulated a possible synthesis as:

“My theory about this is that there was a New Labour, RDA-type agenda and a George Osborne, City-devolution agenda: if you put those two together, you might really have something. The Labour government had a real blind spot about devolution of powers [...]. George Osborne was really onto something about mayors and devolution of powers [...] but he had a blind spot on resources.”

The devolved nations demonstrate the importance of building a case over time, and resonating with identities.

While most of our interviews and analysis focuses on England, many English or UK politicians drew our attention to the case of Scottish or Welsh constitutional change as an example for other nations and regions. The Campaign for a Scottish Assembly, and in turn the Scottish Constitutional Convention, established after the unsuccessful 1979 referendum helped shape Labour’s thinking in opposition in the run-up to 1997 by bringing in multiple parties and civil society.

Once established, the devolved administrations have grown in power, status and popular affection over time. Mark Drakeford, First Minister of Wales, stresses the gradual but undeniable *“entrenchment of the institution”* despite a hesitant start for devolution in Wales, making it a durable part of the constitutional landscape. This was underlined by the second devolution referendum in 2010 which, unlike the 1997 referendum gave an *“emphatic endorsement for the Senedd [as] a primary law-making institution”*. UK politicians share the view, as Andrew Adonis put it, that a UK Government *“wouldn’t turn the clock back”* on Scottish and Welsh devolution now.

Our interviewees point to the importance of devolved institutions, over time, in forging distinctive policies and economies which may not be obvious at the point of devolution. Martin Donnelly told us that *“Scotland isn’t necessarily much of an economic unit, but it thinks of itself increasingly as one. That helps it to become more successful as one.”* Jonathan Price, Chief Economist to the Welsh Government, sets out in his interview the success of Welsh Governments in driving convergence between Wales and England’s non-London regions in things like labour market outcomes. Welsh Economy Minister Vaughan Gething reiterates his points, stressing the value for investors of a stable partner in Government over the long-term; and John Cridland suggests this could also be a function of scale: *“you would find chief executives of London-based companies saying, ‘I don’t want to see an independent Scotland, but if I ask the Scottish government to do something, it gets done the next week, because of the small country model, and it doesn’t get done in Whitehall because they can’t find a way to do it’”*.

There is a debate among our interviewees around how much has actually changed in Scotland or Wales as a result of devolution. Many Scottish Labour figures are particularly sceptical that much has changed, but officials and academics detect a gradual maturing of devolved institutions after two decades. Others stress the pre-devolution differences between England, Scotland and Wales – such as the longstanding Scottish Development Agency (John Healey; Alan Johnson) and the differences in public spending per capita created by the Barnett formula (Dan Rosenfield; Tom Riordan).

Other interviews suggest that we shouldn't over-Romanticise Scottish and Welsh nationalism, or ignore the political challenges that the devolved administrations have had to weather since they were established. Welsh and Scottish interviewees stress the differences between different sub-regions in their nations. Some of these are long-standing and politically charged: Stephen Haddrill recalled, as a Department for Trade and Industry official in the 1990s, the strong views of then-Conservative controlled Aberdeenshire lobbying to prevent oil revenue leaving their region to support Labour-controlled Glasgow. Recalling the backlash to Labour administrations in the UK and in the devolved authorities, Mark Drakeford joked:

"I wished in 1999 that I had taken 10 pence down to William Hill and said to him that by 2007, within 10 years, there would be an SNP government in Scotland; that Labour would be in coalition with Plaid Cymru in Wales; and that Ian Paisley and Martin McGuinness would be sitting in the same cabinet in Northern Ireland. [...] I would have been quite rich by the end of it."

English interviewees generally draw negative lessons from the Scottish and Welsh experience: that Scotland, Wales (and to a degree London) were different to England's regions due to stronger identities and clearer geographies. David Blunkett, for instance, contrasts Scotland with Yorkshire, arguing that North and South Yorkshire share little by way of institutions or economic structure and – in part – identity. Andy Burnham is typical in reflecting on the North East referendum as an extreme example of this argument, presaging a swing towards more identity-based sub-regions:

"I was very attached to the regional model when John Prescott promoted it. But I can now see why it didn't fly, because it did just sound like a layer [of government]. You were creating a layer, out from the top, so I can see why people didn't vote for it. Sitting where I am – here, now, in Greater Manchester – is an entity that people relate to. There's an identity. People relate to it."

Serendipity alone is unlikely to deliver political consensus. Advocates for the next wave of 'levelling up' policies will need to campaign to retain Whitehall's focus.

This final finding from the interviews suggests that the ultimate success or failure of regional growth policy depends on building a political consensus. Such consensus rests on three factors: the personal commitment of top-level political leaders; the demonstrated success of agencies or authorities in the regions and nations in building credibility among UK-level officials; and political support for reform that goes beyond the personal relationships of local and national elites – rooted instead in regional or national identities and given expression in culture and civil society, as well as administration.

We do not conclude, however, that the way forward for would-be reformers is clear. Successful reform must answer these policy questions, as well as building a political coalition for change. It is to these questions we now turn to end our analysis of the interviews.

Finding Seven: There are four contentious issues any future consensus will need to address.

The large degree of consensus about the trajectory of reform masks significant disagreement on next steps, some of which are based on fundamental questions about the type of country the UK is or ought to be.

We identify four areas of disagreement among our interviewees – some of which are party political, but others of which cut across party lines – that the next wave of reformers will need to come to a clear position on if they are to successfully promote regional growth. These are: which powers, if any, ought to be further decentralised; how, if all, should growth institutions vary across places; what's the process for driving change, now that 'low hanging fruit' has been plucked; and how do we fund the changes reformers would like to see?

Issue One: What are the most important policy levers for growth in the English regions, and what is the right level for decision-making?

As we have set out above, most of our interviewees agree that the UK is overcentralised and that regional authorities – especially in England – are underpowered. However, interviewees are divided on the questions of what the next step in increasing the power of regional authorities looks like; and the degree to which there ought to be an activist central state pursuing national priorities. The second question is largely party political, but the former cuts across party lines.

Some argue that we should proceed cautiously, as we build up an evidence base on what works. Sharon White proposed *“an institution like the Office for Budget Responsibility, which is independent and looking not just at the overall fiscal policy efficacy, but also ensuring that we've got the data and the evidence of how particularly the major policies impact on different regions”*.

Skills or financial reform as the next best step for Combined Authorities?

Most of those who express a view advocated additional powers for Combined Authorities around skills and the labour market in particular. They base this on the long-standing disconnect between the Department for Education (and to a lesser extent Work and Pensions) and devolution (Finding Five).

Andy Burnham for instance argued skills risks becoming the bottleneck for growth, because skills policy needs to align with local business needs and local industrial strategy – but as a Department, Education is a *“tough nut to crack”* given historic opposition to centralisation. Advocates of reform – such as Lord Sainsbury – tend to emphasise intermediate skills and the role of further education colleges in future devolution, as they provide a link between firms and local workers and a mechanism to retrain workers in response to future industrial change. Ken Clarke argued that the localisation of skills training with greater employer input was an issue that *“needs to be addressed”*, while also advocating reforms to place *“further education colleges onto the same financial footing as schools and universities”*.

There were others – such as Andy Street or Michael Gove – who instead stress the importance of greater financial flexibilities for Combined Authorities. At the time of writing, the Government has agreed in principle to move towards a single financial settlement for Greater Manchester and the

West Midlands, allowing those Authorities to decide on their own relative prioritisation of spending rather than being bound by Whitehall. Joanne Roney described such as reform as follows:

“For me, greater devolution in Manchester is further control of skills budget. It is clearly more control over integrated transport. Give us freedom and flexibility to use whatever the single pot of money that is available to be devolved. Give us the freedom, flexibilities to retain more of what we generate in order to create revolving funds. The big grab about Piccadilly Station is because the Treasury model and the Network Rail model aren’t aligned in terms of how land value is captured on a long term plan. There are just some things that government could do differently that would empower us to take the risk if we get the reward.”

This would bring Combined Authorities in line with the structure - if not the scale - of Scottish or Welsh Government financial settlements (and, indeed, closer to the Single Pot funding settlement enjoyed by RDAs, albeit with RDAs’ accountability flowing up to ministers rather than down to voters). This approach stresses deepening existing Combined Authority functions, rather than broadening them. Some believe it may in turn require deeper Combined Authority accountability. As Sajid Javid put it, *“if someone is going to make those decisions for that local population, then they have to be democratically accountable for it.”*

Some call for an even more ambitious reform agenda, including of “overly-devolved” planning decisions.

Some called for more ambitious devolution of powers to the regions and to devolved governments. John Kingman, for instance, describes the *“flaw in Osborne’s model”* of Mayoral Combined Authorities as giving *“each of the ten local authorities a veto on any planning decision that the Mayor of Greater Manchester makes. Which is a disaster. [...] it was done for purely political reasons. It totally hobbled the Mayor on planning.”*

Lord Sainsbury draws the same conclusion, arguing that *“Mayoral Combined Authorities are a pretty good a unit to use for this because the city-region is economically quite a coherent entity for these purposes. Spatial and transport planning should be brought together under the mayor for the whole city.”*

Tony Danker, formerly of the CBI, agreed that it is important that government leads the way on planning: the *“private sector is a poor collective actor and therefore ineffective at speaking to the other drivers of productivity growth that aren’t controlled by government expenditure”*.

Assignment of strategic coordination responsibilities must be balanced with resources and competencies to handle such functions. John Healey offered the cautionary tale of *“overloading”* RDAs with economic *and* spatial strategies, which undermined them due to the lack of a sufficient democratic mandate. It is not yet clear whether mayors have a sufficient mandate for – for instance – specific land use planning powers, beyond London-style powers around targets, infrastructure powers and strategic planning.

There were also those, such as Eric Pickles, who advocated even further devolution of planning. He told us about the case of a public, discursive planning meeting in Liverpool, leading to *“the very antithesis of Soviet planning - great estates and the like. It was about creating an environment to bring up kids and to be able to work in harmony”*.

Beyond skills and planning, there are those (such as Liam Byrne) who stress a greater role for mayors in allocating innovation spending in their area; and those who advocate more radical fiscal devolution (returned to below).

As industrial policy has returned to the national policy agenda, there will have to be a rethink about new areas of central government activity and how they interact with devolved government.

As Martin Donnelly, for instance, explains in his interview, Whitehall-driven industrial strategies have tended to focus on *sectors* rather than *places*, alongside nationally-tasked institutions such as the Catapult network. John Cridland set out his thinking in the early 2010s as such:

"I think the RDAs got off to a good start [...] The problem was that the Labour government asked them to do too much. It piled more and more things on the RDA agenda [...] I remember the point at which the government asked RDAs to get involved in innovation policy, and we were really scratching our heads in CBI headquarters because we didn't see the added value. It wasn't that we were philosophically opposed. We just thought that these things were predominantly national decisions."

Many of those we spoke to agreed with this approach and did not think it was in tension (done properly) with regional growth. Sajid Javid told us that policymakers do not need *"to choose between the sectoral- or place-based. You couldn't have the ideal outcome in both, but I always felt that you could have a set of sensible compromises in most cases"*; and Martin Donnelly argued that *"it's important to have a national sectoral policy, and it's important to have approach to inward investment, to startups, to building on universities and all that. But then you've got to look at the geography and the social structures and physical infrastructure"*.

Set against this national perspective has been the work led by LEPs or Mayoral Combined Authorities over the past decade towards developing regional or local industrial strategies. Andy Haldane argued that these vary significantly in quality, but the best – he cites Greater Manchester and the West Midlands – are *"not perfect but better than you might otherwise get through a Whitehall-led effort"*. Andy Street told us about how their strategy in the West Midlands provides a consistent narrative for local players (such as colleges) and prospective investors to work towards. The success of this depends, in Eric Pickles' view on the ability of *"people of imagination within regions"* being able to exercise agency. However, *"the natural instinct of Whitehall is to pull things back, for the minister to make the decision, for the officials to be important"*. Tony Danker set out the blended option that many of our interviewees subscribe to: *"I think that the centre should be responsive to a local competitiveness strategy and, in as much as it is credible, it should back it. So, I think the centre as follower rather than leader. I'm sure 'strategic enabler' is probably the phrase"*.

For any planning process to be successful, it should be (at least partially) insulated against the effects of changing personnel. Kate Barker offered her reflections on her work on local industrial strategies with other regions, noting that local efforts were *"pretty much thrown away"* when a national minister or policy changes. Broad support and engagement also helps the longevity of a strategy: Derek Mapp advocated having a central department sponsor local plans, reflecting that the lack of such cooperation with RDAs mean that their plans *"were not dealt with as a proper entity as far as regional structure was concerned"*.

Ken Livingstone painted an extreme picture of the level of separation at the local and national level when it came to strategic decision-making: *"I was elected Mayor, and I ran it from City Hall. The central*

government: if I applied for any money so that we could build the Elizabeth Line, there would be discussions on that. But there was very little connection between City Hall and central government. About the only time we really got into quite a lot was when we decided to bid for the Olympic Games, and then we had to work together”.

While no one we interviewed suggests there is no role for national government in setting industrial strategy – indeed, it seemed largely assumed – most conclude more needs to be done to partner with sub-regional governments when doing so. That will support national goals by unlocking development sites or new skills as Andy Burnham stresses. More fundamentally, delivery will generally remain ‘local’. As Tony Blair put it, *“there’s a basic inconsistency, by the way, in thinking you can create from the centre the ability for a region to function and succeed. In the end it’s got to be done locally. It can’t be done any other way.”*

Issue Two: Where decentralisation is part of answer, what model should we adopt?

Reform over the past decade especially has focused on the emergence of the Combined Authority – and then the Mayoral Combined Authority – model in England’s urban areas. But this is challenged by both the multiplicity of other regional and national institutions that exist. These range from devolved parliaments and governments; to the London-style mayoralty and assembly; to unitarisation, potentially with executive mayors (as in the now-stalled Cornwall Deal) – as well as by the current Government’s turn towards ‘County Deals’ or other models where the regional politics is more complicated.

While some view Mayoral Combined Authorities as a ‘proven’ model that now ought to be rolled out across the country (Jim O’Neill cites the model’s success in driving reluctant change in the West Midlands or West Yorkshire), others dispute the Combined Authority model. As Tom Walker, former Levelling Up Director General, puts it: *“there is no blueprint for England because every bit of England is different.”*

There are three separate challenges that need to be resolved:

1. Is the consensus-based approach of the Mayoral Combined Authority right for all areas? Should Government be more willing to grant mayors powers without the consent of constituent local authorities?
2. Do Combined Authorities do a good job – relative to alternative approaches – in providing support to the outlying towns, suburbs and rural areas ‘left out’ of a city centre-focused model?
3. Are there policy areas where the Combined Authority scale is still too low but national decision making is too high – such as in major cross-regional transport investment?

Greater Manchester’s unanimity-based constitution requires a political culture that may not be replicated in other metropolitan areas; and is not appropriate for some rural areas.

The origin of the Combined Authority model, Richard Leese explained, was the example of the French move towards *intercommunalité* from the 1970s, allowing France’s 35,000 communes to form a legal

entity to drive forward shared goals as an alternative to top-down forced mergers. This model relies on (unanimous or qualified majority) consent of local authority leaders to act. It is distinct, for instance, from the London Mayoral model – in which the Mayor has distinct powers vested in the office, without the need to secure the approval of the leaders of London’s 32 borough councils. Leese sets out his view as:

“The Greater London Assembly is a complete waste of space, to be honest. I think it serves no real purpose whatsoever, as far as I can see. It has no power, and it doesn't seem to have much influence either. Successive mayors have all ignored it freely and Sadiq's no different to his predecessors. The Mayor has a lot of power over not very much. I think that's also a difference with the Greater Manchester model. The Mayor of Greater Manchester does not have a lot of executive power. However, they ex-officio chair the combined authority, so they are, effectively, elected leader of the combined authority. That's a direct relationship with the ten leaders of the districts, and that is a very different working relationship.”

Defenders of the Greater Manchester approach argue that it is important that sub-regional leaders are closely connected to their local authority partners. Sir Howard Bernstein contrasts Greater Manchester with what he saw in London, where local leaders and public authorities *“were not talking to the mayor, and the mayor not actually agreeing with this, that and the other. It was a recipe for chaos”*.

Even in other metropolitan areas, there are those who question whether the “Manchester model” is right, where there is less local political consensus. Andy Street, for instance, called for a stronger set of London Mayor-style veto powers and policy autonomy for mayors. John Tomaney cited the example of Tees Valley to question whether even in the Mayoral Combined Authority model power can be too concentrated. And Ken Livingstone unfavourably contrasted his time as London mayor with his previous role as a leader of Greater London Council, arguing the London model attracted insufficient scrutiny and too little collaboration:

“The London Assembly had the right to question me, but they had no real power. They could only amend my budget with a two-thirds majority, and that was clearly never going to happen. Borough leaders weren't terribly interested. Occasionally, they'd come to me, and they'd say they wanted financial help to get some infrastructure done, and I'd deal with that, but very, very few meetings with borough leaders. Most borough leaders I never met during my entire eight years as Mayor.”

We interviewed two leaders from more rural areas – Cllr Martin Hill, leader of Lincolnshire County Council, and Kate Kennally, Chief Executive of Cornwall County Council – to understand how they were thinking about the trajectory of reform. Hill is pragmatic about reform, noting that the requirement to unitarise (abolish district councils) prevented reform when Simon Clarke MP was the relevant minister – and welcoming Lincolnshire’s proposed deal (based on a county, its districts, and two unitary authorities) as a compromise. (He notes that *“the conurbations are different”* and that there is more of a case for reform there.)

Both Hill and Kennally note that having directly elected mayors and small Combined Authorities (or, in the case of Cornwall, a single County) can create a very strong local leader, for better or for worse. Kennally told us that rural areas find themselves facing an *“implicit league table”* of reform from central government, but that there was also value in having a single figure head who can act as a place-leader on things like inward investment. In her interview, Kennally also stressed how geographical peripherality, the impact of political (even national) identities and a different place in the economic

value chain make leading Cornwall radically different to her previous local authority roles in London boroughs – but just as important in the national system of regional economies.

Does regional rebalancing require city-led growth, and are Combined Authorities the best way to achieve it?

Most of our interviewees agreed that the UK's economic geography is best understood, as Philip McCann puts it, as *"a core-periphery problem"* between Greater London's economy and the rest of the UK; we do not have a *"city versus towns' problem, or a 'big city versus small city' problem... Towns are left behind [relative to other places in their region] less in the UK than in almost any other country in the OECD."*

However, notwithstanding that broader 'regional' quality to low growth in the UK, there is a debate about where we should prioritise investment *within* a region or sub-region. The debate can be summarised as: at the margin, is public money better spent on city centres and research assets to boost growth, or should public money be directed to surrounding towns, suburbs, and rural areas to improve skills and transport links (while market forces take care of city centres)?

Some politicians believe that RDAs, in places, performed better than Combined Authorities in delivering for towns and rural areas (see e.g. Yvette Cooper, John Healey). Yvette Cooper, for instance, argued that – after the abolition of RDAs – towns and other non-city areas had *"no one interested in [them]"*, in contrast to the previous *"RDA-backed process around the urban renaissance of towns in Yorkshire"*.

Most reject drawing such a strong divide between major city centres and surrounding areas. Mike Emmerich explained that *"the majority of the towns that we really worry about are, and always have been, parts of urban systems that are centred on major cities. Bradford was the capital of wool; Leeds provided the finance."*

This has been a motivating idea for recent Secretaries of State. Michael Gove argued: *"Rochdale won't succeed, and Wigan won't succeed, unless Manchester succeeds. It's not either or. [...] ultimately their success depends on the success of the core city"*; and Greg Clark told us that *"for Greater Manchester to be successful would mean better prospects for people in Burnley and Blackpool - just as a successful London is good for people in Tunbridge Wells, and Reading."*

Nor is this a case of only city centres having a valuable economic role to play. As Prof Steve Fothergill described *"it's horses for courses. Cities have particular strengths and disadvantages, whereas the converse is often true in smaller places. [O]ne of the great advantages that smaller places can offer is that they've got lots of land for development"*, for instance. The importance of towns was also recognised by Greg Clark: *"there were particular needs and characteristics and opportunities about towns that wouldn't entirely be addressed through the kind of gravitational pull and galvanising effect [of city-led growth], that they needed a bespoke treatment"*.

Although the balance of opinion currently leans towards the city centre-led growth approach (as in the Michael Gove quote, right), most view increased investment in towns and rural areas as politically necessary and as essential to enable 'regional trickle down'.

George Osborne told us that he regrets leaning too far in the direction of city centres, arguing *"If I had had longer - I was thinking, 'now let's try and think about the towns'"*. Academics we spoke to also stress that non-city centres are not *"irredeemable basket cases"* (as Prof Steve Fothergill put it), but

they will need different types of support. Prof Christina Beatty told us that the goal of policy should *"about understanding different types of places - older industrial areas, seaside towns, inner city areas..."*, avoiding the *"one size fits all approach"* of some past regional policy. This in turn raises the question of how to deliver for smaller or more diffuse communities at scale. Eric Pickles told us about commissioning *"a study in which we looked at a number of Kent rural communities and their levels of deprivation were just as bad as you would see in Bradford or in Burnley. The big difference was there wasn't the critical mass in order to be able to put the resources in to deal with that."*

Are Combined Authorities sub-scale to deliver what central government expects?

Combined Authorities (at the time of writing) span populations from 2.9m people (in West Yorkshire and Greater Manchester) to 0.7m people (in Tees Valley). The Greater London Authority covers around 8.9m people; Scottish Government 5.5m; the Welsh Government 3.1m; and the Northern Ireland Executive 1.9m. By contrast, the nine English RDAs covered populations ranging from 2.6m (in the North East) to 8m (in London in 2010). Therefore, no English Mayoral Combined Authority is at the scale of a RDA, nor the non-English devolved nations in Britain.

While this focuses the Combined Authorities' attention on the problems within their functional economic area, it does not encourage the same cross-area collaboration that the RDAs were able to provide. Where our interviewees had a view, they were relatively sanguine about having both Combined Authorities around local economies *and* other authorities deliver cross-regional projects. Charles Clarke, Peter Mandelson and Liam Byrne all praise David Miliband's work as Communities Secretary for raising the emphasis on city-regions (culminating in the legislation to enable Combined Authorities), but stress that this assumed the RDA model would remain. Mike Emmerich argued *"regions and city-regions can coexist. It is just about working out what the right roles for each are."*

This raises the question: who ought to be responsible for that cross-regional investment and policy? In practice, the answer is largely "Whitehall", at least in the form of national agencies like National Highways or Network Rail. The partial exception to the rule at the moment is the creation of Transport for the North, intended as a forum for both ministers and mayors to come together to agree shared priorities. In practice, however, it has struggled following Whitehall disengagement since 2018.

Alan Johnson told us that, in his view, the best arrangement would *"marry up the old idea of RDAs and Osborne's Northern Powerhouse"*, with larger scale organisations capable of brokering demands across the North as a whole (which he believes would also necessitate simplification of *"this spaghetti Bolognese of a local government system"*). Andy Burnham argued that *"from city-region building blocks - and you would think there'll be more rural combined authorities in the end, or county deals - you can create super-regional structures to bring it together on big stuff like transport."*

John Cridland, who served as the inaugural Chair of Transport for the North from 2015 to 2021, celebrated Transport for the North as a *"small, putative step towards"* the Northern Powerhouse, as the only *"bit that was genuinely pan-Northern, that had 100 staff and a multi-million a year budget and all of the elected leaders of the North, plus some employers, on the Board"*. However, he cites political imbalances – particularly the lack of mayors in all places, or a *"fragmented map"* – creating problems in practice for Transport for the North.

Issue Three: How much should Whitehall drive institutional reform in England to make any map of government comprehensive?

If we could agree the powers that need to be devolved, and the (theoretically) appropriate constitutions for different regions and sub-regions, how do we go about implementing those reforms? What do we do about places that do not voluntarily want to reform? Is it okay for parts of the country to be “left out” of regional reform, and catered for separately by Whitehall?

On the final question, our interviewees generally agreed that it was a problem that there were gaps in any devolved map. Derek Mapp and Martin Donnelly both referred to the risk of “*cherry picking*” reform in areas with better political dynamics, leaving other places further behind. Incremental devolution disadvantages ‘left behind’ regions, as they miss out on the additional funding associated with devolution. It also makes sweeping devolution harder than it needs to be. George Osborne told us that “*I would like to have done [a Greater Manchester-style] NHS deal across all the cities, including in London*”, but that some local leaders “*didn’t want it*” and, at the time, other metro areas in England would have been left out.

This leads to repeated reference in our interviews to the ‘Blackpool, Blackburn or Burnley Problem’ – referring to those large urban areas in Lancashire that are closely linked to the economy of Greater Manchester but sit outside its administrative boundaries. Regional policy expert Philip McCann sets out one view, when he told us: “*I personally have always been much more in favour of a regional structure - regional governance as well as city-region - because otherwise the Blackpools and the Burnleys just get left out, they get forgotten.*”

There were different solutions posed for how to incorporate towns on the urban periphery. Vince Cable described the practical difficulties of getting local agreement in Lancashire: “*I shudder to think of some of the meetings we had in Lancashire. We had Burnley, Accrington, and rural areas with nothing in common. They found it difficult to talk to each other.*” His conclusion was that the old Lancashire County Council model probably made sense in that case, whereas David Blunkett stated that he could “*see a really good case for why Blackburn and Burnley and probably Preston should join Greater Manchester in some form, maybe as an associate relationship*”. He argued that ministers ought to be doing more work to persuade those authorities to join Greater Manchester.

That leads our interviewees to repeatedly return to the dilemma: how “top down” can the process of devolution be? Is the current evolutionary approach the best way to address difficult local politics, or is now the time to impose a proven solution on those communities currently “left out”?

Incrementalism in English reform has been successful to date – and may have been necessary – but is reaching its limits.

The current evolutionary and voluntary approach to devolution is deliberate. It is designed to build a ‘ratchet effect’ towards greater capability and capacity over time, responding to what Philip Rycroft dubbed a *dependency culture* between tiers of government. As this culture varies place-by-place, reform has been negotiated authority-by-authority – and, in some places, has failed to advance over the past decade.

Greg Clark set out his strategy succinctly as follows: “*you did a deal, Part One of a deal, and then you went back for more. You ratcheted up the level of powers once you’ve demonstrated on both sides: Whitehall could be convinced that this was working, and on the part of the cities that this was workable.*” This may have been inevitable given the political environment: as Michael Gove recalls,

beyond George Osborne and Greg Clark he *"can't think of Conservatives [around the Cabinet table] who were particularly enthusiastic about [the devolution agenda]"* during the Coalition.

There are those who continue to support this 'iterative' approach, and it goes beyond party political affiliations. Andy Burnham told us that his view is, without it, the current settlement *"will collapse"*. Others – including incumbent Secretary of State Michael Gove – tell us that the trial-and-error, iterative period of reform may be coming to an end: *"It's an arguable point, that we should be more directive. I think it's a genuinely open point. The local politics of it, and the approach that we felt we had to take with, particularly given where our MPs are, was to incentivise, cajole, encourage people to get on board, but not to mandate"*.

Similarly, Bev Hughes told us, *"I think probably you're doomed to fail if you simply create an area with various constituent local authority parts and say, 'get on with it'. There is a real importance to historic relationships; a sense of identities as well.. that are part of the bedrock that makes [devolution] work in some places and not in others. [...] I don't know if the Tories concept of combined county authorities is going to address that or not. You do end up with a hotchpotch, but I can't see any other way forward."*

A further argument for maintaining the voluntary approach is the sheer political opportunity cost of mandating local government reforms. Greg Clark explained that *"whenever past local government secretaries attempted local government reorganisation, it completely consumed them and usually ended badly."* Philip Rycroft suggests a compromise approach for future policy: *"we won't try and do everything at once - both in terms of what is devolved and where it's devolved to - but we will make a serious attempt at proper devolution to those who appear to be ready for that now. We will put serious power into that."*

Changing to a top-down approach would still require incentives for places to change – to maintain local legitimacy – but will also depend on central politicians making a persuasive case for change.

Given the recent history of the RDAs struggling in some regions due to a lack of efficacy and legitimacy, we can ask how to restructure a region's governance if local politicians don't necessarily want it. As well as requiring primary legislation, central government would need to create a side-offer to local authorities. Gordon Brown argued that *"you need a framework that is comprehensive, but you need local support for it to be implemented. You probably need money incentives for people to be persuaded to work together."*

As well as maintaining a commitment to reform, other interviewees press the case for continuing to invest in capability building. Andy Haldane told us that *"the reason we don't have Mayoral Combined Authorities in the other two thirds of England is because that critical mass is not there right now. Some of my advice to government has been the same advice that the World Bank learned 50 years ago: you need to put money into building capacity and capability on the ground before you decide on distributing monies and powers."*

Ultimately, moving to create a top-down solution, for the first time since the creation of Regional Development Agencies a quarter of a century ago, will require political bravery. Philip Rycroft put this point clearly: *"Clearly, it is wise to consult and to try and create institutions that will enjoy popular support. But sometimes, politicians have to work out what's the right thing to do and seek to persuade people of that."* Nor will a problem-free solution present itself. Andrew Adonis argued that how you

divide regions *"is definitely more art than it is a science, and it's a political art of quite a high order: work out how you do it, which generates enough consensus and critical mass."*

Others advocate the need for a sweeping national reform based on a political consensus. Typically, this is framed in terms of the Redcliffe-Maud Report of 1969 and the subsequent restructuring of local government in the early 1970s. The Report advocated moving from England's three hundred local authorities to 61 larger, more powerful and unified authorities (eliminating the county/district distinction); themselves nestled within 'provinces' aligned with later RDA boundaries. Michael Heseltine, who as a junior minister was responsible for implementing the compromise model we have today following the Report, argued we need to be bolder: *"We're wasting time, and that's always expensive"*. Paul Rowsell, a long-serving Civil Servant, agrees with Heseltine that essentially the reforms of the past few decades – based on negotiation towards unitarisation and improved metropolitan governance – is a response to that 'original sin' of compromising on reform in the 1970s. As Michael Gove framed it:

"Why not go the whole hog? Why not do as Michael Heseltine would have wanted, and as Ted Heath shied away from, and fully unitarise local government? The principal reason for not doing that was small-C conservatism associated with our electoral position, which is entirely understandable. Given that, I think the aim was to try to create models that others would wish to emulate, and within those models have people exercising powers who could both demonstrate (a) that these models worked and (b) that there was a route for people of talent who wanted to have executive political responsibilities and didn't necessarily want to be in Westminster."

Issue Four: How do we fund a more decentralised government - balancing equity with incentives?

While recognising that the UK was highly centralised financially as well as politically and administratively, our interviewees were split over how high a priority fiscal reform ought to be.

At one end of the spectrum, Andy Street told that fiscal devolution should be the *"next big step on [devolution's] journey"*. As he puts it, *"fiscal issues are mission critical to the next stage of devolution. Find me an effective government anywhere in the world, at any level, that doesn't really have control over its income line"*. Mike Emmerich jests that *"Combined Authorit[ies] are desperately, dangerously close to representation without taxation"*, with the serious effect of weakening accountability for spending decisions in a region; and John Cridland told us *"there is no point devolving a degree of decision-making power, if it isn't accompanied by a degree of fiscal responsibility."*

Most of our interviewees rejected the view that fiscal devolution is necessary in the short-term. Some argue that it may in fact be inefficient in the UK, given the small geographies involved and hence high economic 'leakage' of activity across regions, as Ed Balls claimed. The underlying anxiety expressed by most interviewees was that we would struggle, as Vince Cable put it, to combine *"meaningful revenue raising – and therefore sense of responsibility at a local level – [...] with a redistributive mechanism to ensure that that just doesn't become virtuous and vicious circles?"*.

Most instead advocate central government prioritising a review of fiscal transfers, especially within England. To move from reliance on grants supporting poorer regions forever, Joanne Roney describes the need for the UK Government to provide *"a baseline fair funding on investment and infrastructure work that gets us up to an economically competitive baseline [...]. And then you give us the powers and the flexibilities to drive our own destinies through the combined authority model."* Andrew Adonis,

sharing his regret at not doing more to advocate for council tax reform during the New Labour years to support fiscal redistribution, states:

"you can't get redistribution without a strong central authority. If you're not careful, too much devolution just reinforces postcode lotteries and regional disparities. The richest regions by far are London and the South East, and that second concern is still a problem because glibly saying 'more devolution to the regions' and 'we want more fiscal autonomy' doesn't really work unless you're going to have significant redistribution on top of it. There's no region outside London which could begin to afford its current levels of public services without massive redistribution from London. Getting that balance right is a key issue."

Welsh First Minister Mark Drakeford told us that he has moved away from supporting the *"devolution of the tax and benefits system"*, in order to preserve the UK-wide system of redistribution and transfers, as a result of his experience of governing. Lord Adonis makes the point that our starting point matters: it would be politically easier and economically more effective to adopt fiscal devolution *after* rather than *before* the UK has achieved greater regional equality. Better to use centralised spending to rebalance the economy, then devolve. Michael Heseltine told us:

"The moment you get into this tax issue, you have a quagmire of options and debates. There were many problems: there are too many authorities, they are too close together, there is too much equalisation carried out by the central government in order to deal with disparities. I believed, and still do, that it's much better to go for what you can get rather than bog the whole thing down in something that will become hopelessly party partisan."

Even where tax and spend powers have been devolved – as in the notable case of Scotland – there has been no automatic agreement about using those powers. John Swinney argued that initial tax devolution to the Scottish parliament was *"symbolic"*, but that post-2014 tax devolution has allowed for more meaningful divergence (with Scotland now having higher tax revenue than they otherwise would have had). This reflects the general high political cost of tax system change. Nick Macpherson argued *"the revealed preference of successive governments is to avoid having to take any tough decisions about local taxation. [...] Even in the high watermark of Gordon Brown's Treasury, we marched up several hills only to march back down again"*.

Smaller scale tax arrangements – such as tax increment finance schemes, where HM Treasury allows local authorities to borrow in anticipation of future higher taxes – were also cited as a specific useful mechanism by Pat Ritchie in driving Newcastle's regeneration.

Conversely, our interviewees caution against focusing too much on a reliance on 'compensatory' welfare payments to manage redistribution across regions, or incentivising a 'deficit mindset' where places stress their weakness to attract additional funding.

Instead, most suggest moving towards more regional balance in spending per head on things like innovation, transport and business support; with central government continuing to fund 'national priority projects'; and Combined Authorities or devolved governments have a *"single pot"* financial settlement, to allow them to flex spending according to local needs.

Conclusion: With commitment and bipartisanship, lasting change could finally be secured

This paper is an attempt to summarise around a half million words' worth of conversation. In shrinking the full set of interviews down to one twentieth of their original length, we have inevitably lost nuance. In opting for the structure we adopted in this paper, we have unavoidably emphasised some features to the detriment of others. Ultimately, nothing compares with reading the transcripts directly. Our hope is that future researchers will use the published transcripts to address some of these shortcomings (looking more, for instance, into shifting perceptions of HM Treasury, or the links between English, Scottish and Welsh reforms).

With those caveats in mind, we conclude by reviewing the main lessons we take from the interviews. Our first four findings are diagnostic and chronological: a brief genuine experiment with regional *laissez-faire* in the 1980s (culminating in the abolition of metropolitan counties) gives way to growing recognition of the need to proactively promote regional growth; but the legacy of that period has concentrated power in Whitehall and reduced confidence in regional partners to deliver. Rising national political concern coupled with a lack of trust in delivery partners has created cyclical 'chop and change' – itself preventing any new reforms properly bedding in. In short, our interviewees think we got it wrong in the eighties; right, but without enough ambition, in the nineties and noughties; and that the net result is over-centralisation and a tendency to instability.

Our fifth and sixth findings turn to what our practitioners have learned about affecting change, and how they apply that to the current policy landscape. In headline terms, our interviewees suggest we should not neglect the importance of political leadership. Only sustained pressure from powerful politicians (and responsive Civil Servants) has served to change policy and to keep it sticky long enough to become part of a cross-party consensus. No UK Government since the 1980s has delivered a sustained programme to supporting regional growth, fully backed by both the Treasury and Number Ten. Now, the UK is at a crunch point as a set of institutions – Mayoral Combined Authorities – have emerged that appear capable of commanding that cross-party support: but will senior political leaders in the two main parties maintain their support into the next parliament?

Given the rhetorical commitment of both parties to supporting Mayors, and the past history of manifesto commitments being quickly challenged by Whitehall and other political priorities early in a parliament, we end by looking at the key policy choices facing would-be reformers today. These include specifying the competencies of regional and sub-regional government if we are moving into a new era of central government activism; deciding whether we need a tier of government between local and UK government everywhere, and if so, what shape it should take; deciding whether the time is ripe to move beyond the current voluntary approach to reform; and, finally, making sure the public financial system is set up to drive the right behaviours locally and nationally. Our interviewees offer rich insights across all of those debates.

Any incoming government will inevitably face competing priorities, some of which can be best solved - at least in the short-term, given patchy regional governance - through central government activity. But we find that national leaders consistently regret not doing more, sooner, to partner with and boost the capacity of devolved governments.

Former Prime Ministers and Chancellors from different parties draw the same conclusion: we need political bravery and vision to broker a cross-party, long-term consensus on the future of the nations and regions in the UK. This will mean taking on political risk, to experiment in different ways of governing the UK; but the risk of failing to change is just as real.