

ATKINS

Member of the SNC-Lavalin Group

REGIONAL REBALANCING

Primary research into the challenges facing local decision-makers across the **North of England**.

SUMMER 2022



ABOUT THIS REPORT

This independent research report explores the issues facing local decision-makers in the North of England as they seek to rebalance or “level up” their communities, towns and cities. It examines the issues and challenges they face and the support they need. Each of the three sponsors - the infrastructure company Atkins, Durham University and the Northern Powerhouse Partnership (NPP) - then provide their individual comments on the research findings.

Given the current economic and political climate this report should be timely and valuable.



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FOREWORD

The research began shortly after Boris Johnson announced his intention to resign as Prime Minister in early July. It concluded in late August with the arrival of a new Prime Minister in Number 10 facing continued domestic political uncertainty, an escalating cost-of-living crisis, a steadily darkening economic prognosis and the ongoing war in the East.

These issues seemed to push levelling up down the political agenda. However, while the research reveals that appetite for the term 'levelling up' itself has waned, it also shows that the importance of the principle behind it has not. Understanding the challenges and issues facing leaders in the North is, in the current climate, arguably more important and relevant than ever.

And what is Atkins' interest in all this? At Atkins we wholeheartedly support the desire and ambition to address regional inequalities. And as a major engineering consultancy we work closely with local authorities and are well aware of the pressures they are under. With this research we wanted to understand better the challenges they are facing and the role of business and then to share our learnings with those with a similar

interest in how this ambitious and, many would say, long overdue project, was shaping up.

The publication by the Government in February 2022 of its Levelling Up white paper was the trigger to commission an independent company to research four specific areas in the North: Teesside, West Yorkshire, Liverpool City Region and an area we describe as "the M6 Corridor", taking in Carlisle in the North and Crewe further South. We wanted to talk to a hard-to-reach group of senior officials along with their political leaders and we were joined in our endeavours by two partners, the Northern Powerhouse Partnership (NPP) and Durham University. NPP is a natural partner given its long-standing involvement in levelling up and a close understanding of the issues and evolving priorities at a local level.

Durham University, with its strong academic reputation and presence in the levelling up hotbed of the North East, was also a natural participant. I want to thank both for their help in delivering the research and their contribution to this report. Both have also provided commentaries which reflect their own views on the research findings. The research threw up many issues and criticisms, many political, naturally enough.

As a business we will not comment on the political findings and issues in the report, leaving that to others. My hope is that the recent political and economic uncertainty will not impact the long-term commitment to major infrastructure investment and levelling up in general.

The research also highlighted the role that business can play in delivering real change and tackling inequality in the North. Our colleagues at Durham University were particularly surprised at the positive response to business's role and involvement and we welcome the willingness of many local decision-makers to engage more fully and constructively with business. We make further comments and observations in our commentary section in the report.

In conclusion, I hope that this report is a timely addition to the various insights, observations and discussions on levelling up or regional rebalancing currently in the public domain. We aimed to shed further light on the issues and challenges facing local leaders. I hope that we have succeeded and that readers find the material insightful and valuable

Richard Robinson
October 2022

EXECUTIVE SUMMARY

A RANGE OF CHALLENGES DOMINATE THE AGENDA FOR DECISION-MAKERS

- › No single issue dominates, with seven separate areas being selected by at least a quarter of decision-makers as one of their top challenges for their region.
- › Of these, skills and the future workforce is most commonly selected (**45%**), with **18%** selecting it as their top challenge.
- › Inequalities (**38%**), health and wellbeing (**35%**) and transport (**35%**) are also frequently selected as current challenges.

LANGUAGE MATTERS: REBALANCING PREFERRED TO 'UNHELPFUL' LEVELLING UP

- › Levelling Up is not well perceived and is unhelpful as a term. Many believe it has lost meaning – with promises unfulfilled and the policy itself too vague and undefined. The principle, however, commands wide support.

- › Interviewees commented on some positives regarding the term – for example, it is politically useful as it sounds fair and does not suggest that money will be taken from other areas – but this did not outweigh the overall negativity towards the policy.
- › Need to 'level up people' as well as infrastructure. Investment in capital infrastructure welcome but not enough on its own. Whole communities need to be invested in if rebalancing is to be achieved.
- › 'Regional rebalancing' was generally viewed more positively – it is seen as broader than simply infrastructure projects and can apply to the rebalancing of towns and cities as well as North and South.

IMMEDIATE AND FUTURE PRIORITIES - TRANSPORT AND SKILLS DOMINATE

- › Most challenges – from productivity to education and transport – were seen as at least tangentially related to the levelling up or regional rebalancing agenda.

- › Transport and skills are the dominant regional rebalancing priorities in both the short and longer term future.
- › Inequalities are seen holistically by some. It is only selected as a rebalancing priority by a quarter of our sample, but two-thirds of those that select it as a priority go onto select it as their top priority.
- › The opposite is true of health and wellbeing. The centrality of the NHS and the closer connection to Westminster politics may mean this is seen as a more national issue.
- › Net Zero is less likely to be prioritised in the short term but is a much bigger priority when thinking longer term. When asked about regional rebalancing priorities to 2030, only transport and skills were selected by more respondents.

PESSIMISM ABOUT CHANCES OF FUTURE PROGRESS

- › Confidence that significant progress will be made in rebalancing the regions over the next decade is low. Only 24% are confident about progress over the next five years and 40% confident about progress over the next 10 years.
- › This contrasts with views on progress to date – 80% say that progress has been made since the Northern Powerhouse was launched in 2014.
- › The pessimism is partly a result of the current challenges facing the country. Decision-makers highlighted the legacy of Covid-19 in exacerbating need and the impact that the cost-of-living crisis will have. Decision-makers do not always feel they have the resources to meet this need.

DECISION-MAKERS WANT CLARITY AND CONSISTENCY FROM GOVERNMENT

- › The vast majority (96%) of decision-makers say the lack of a joined up approach from central government is standing in the way of levelling up or rebalancing.
- › Stability, consistency and political will are needed to achieve rebalancing – most decision-makers agree this is a long term, multi-decade, project.

- › Leaders feel that local authorities are being asked to do too much and do not have the funding or resources.
- › The lack of a joined up approach to the North of England as a whole is standing in the way of true rebalancing. Decision-makers feel that some places are being levelled up – but not the North as a whole. For many, addressing the imbalance of towns and cities is a key future challenge.
- › Only a minority of decision-makers (42%) have confidence that rebalancing will remain a priority beyond the next general election.

GREATER DEVOLUTION DEMANDED – BUT NOT REVENUE RAISING POWERS

- › Decision-makers are committed to rebalancing but require support from central government to achieve it. Two clear priorities emerge: effective, joined up government policy and greater autonomy through devolution.
- › Decision-makers would like fewer constraints from governments, and greater freedom to choose where and how to spend resources.
- › Tax revenue raising powers which impact people's personal disposable income are not as widely demanded – these are viewed as politically difficult, and potentially unfair.

DECISION-MAKERS SEE A CENTRAL ROLE FOR BUSINESSES IN ACHIEVING REBALANCING

- › Decision-makers see a huge role for business and the private sector in regional rebalancing.
- › A common view is that initial funding, selling and facilitation should come from government, but that long term gains (especially in productivity and the creation of jobs) should come from the private sector.
- › There is high confidence that business will deliver. 95% of decision makers say that private businesses are key to achieving planned infrastructure projects.
- › There is a strong appetite for innovation. Only 31% of decision-makers say they prefer 'tried and tested' approaches over innovative ones.

RESEARCH FINDINGS

Research scope and methodology

About trajectory partnership

1. What are the main challenges facing decision-makers?
2. Priorities for regional rebalancing
3. What support is needed
4. Barriers to delivery
5. Conclusions



RESEARCH FINDINGS

RESEARCH SCOPE AND METHODOLOGY

This report is informed by two phases of research, one qualitative and one quantitative both conducted by Trajectory, a strategic insight consultancy. The qualitative stage comprised eighteen interviews with senior leaders across the north of England. These were conducted by video calls and the majority of the sample were members of council executive bodies with some elected councillors and senior leaders.

An online quantitative survey was sent to 1,000 decision-makers (comprising agencies, councillors and council executives). The survey generated 105 responses.

THE RESEARCH SCOPE WAS PURPOSEFULLY BROAD AND COVERED FIVE MAIN AREAS:

- 1. Language and meaning.** In this section we sought to understand the salience of the terms 'Northern Powerhouse', 'levelling up' and 'regional rebalancing'. We are interested in the ongoing relevance of these terms for respondents and the meaning they now have. Additionally, we asked the respondents for their view on how their peers and the people of their regions perceived these terms.
- 2. Challenges.** We asked our respondents for their assessment of the challenges and key priorities in their own region. We also asked what they considered to be realistic goals and the timeframe in which they could be achieved.
- 3. Barriers to achieving rebalancing.** Questioning in this area was designed to identify the barriers to achieving rebalancing both now and in the future. Within this, we asked if too much is being asked of local authorities.
- 4. The role of business and government.** Questions in this section assessed what the contribution of business can be in broadest terms. We also asked respondents for their thoughts on 'social value.' The questions on government centred on what support local authorities are looking for from Westminster and whether they expect the drive for rebalancing to continue under the leadership of Liz Truss.
- 5. Infrastructure and innovation.** The section explored infrastructure projects that are currently underway in the regions and the challenges in delivering them. Within this, we probed attitudes towards innovation in the design and delivery of infrastructure projects.

ABOUT TRAJECTORY PARTNERSHIP

Trajectory is a specialist insight and foresight consultancy founded in 2008. They are experts in using a variety of techniques – including complex quantitative analysis, qualitative research and forecasting – to understand how change affects individuals, organisation, society and markets.

Trajectory is a supplier to HM Government's Future Framework and has considerable experience of working for government departments including the Department for Business, Energy & Industrial Strategy, the Department for International Trade and the Department for Environment, Food and Rural Affairs.



1. WHAT ARE THE MAIN CHALLENGES FACING DECISION-MAKERS?

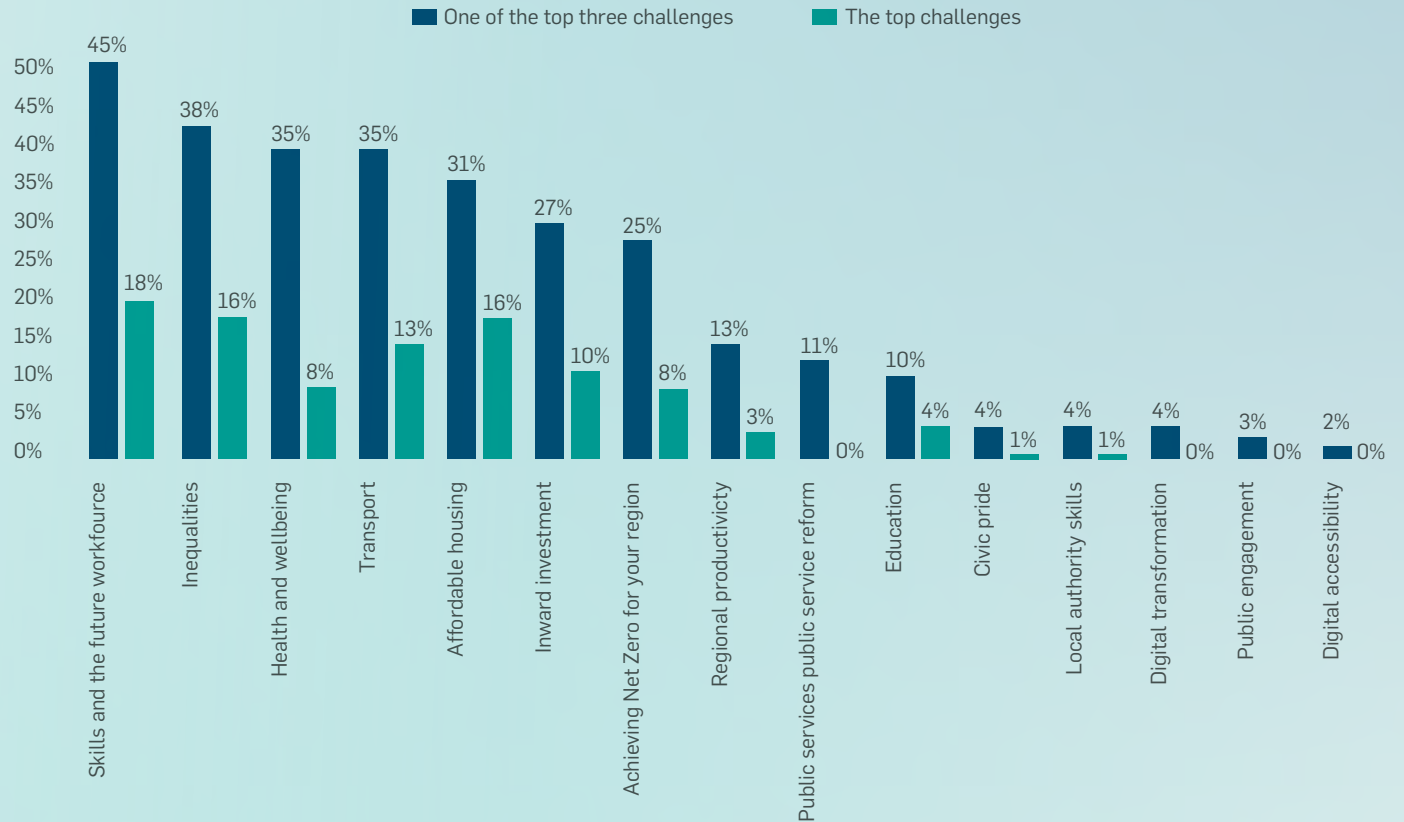
1.1 CHALLENGES AND PRIORITIES

There are no shortage of issues currently facing decision-makers in the North of England. The quantitative survey provided a clear sense of which major challenges are being felt most keenly at the moment. No single challenge dominates. In fact none is selected by more than half the sample as one of their top three priorities. This indicates the breadth of challenges senior leaders face.

The most widely selected priority is skills and the future workforce, selected by 45% of respondents as one of their top priorities and 18% as their biggest challenge. There are then several other challenges – inequalities, health and wellbeing, transport and affordable housing selected by a significant minority as one of their top challenges.

“New trains are part of a better economy. Leeds – Sheffield railway line is appalling.”
Councillor James Lewis, Leader of Leeds City Council

WHICH OF THE FOLLOWING WOULD YOU DESCRIBE AS THE CURRENT TOP CHALLENGES FOR YOUR REGION?



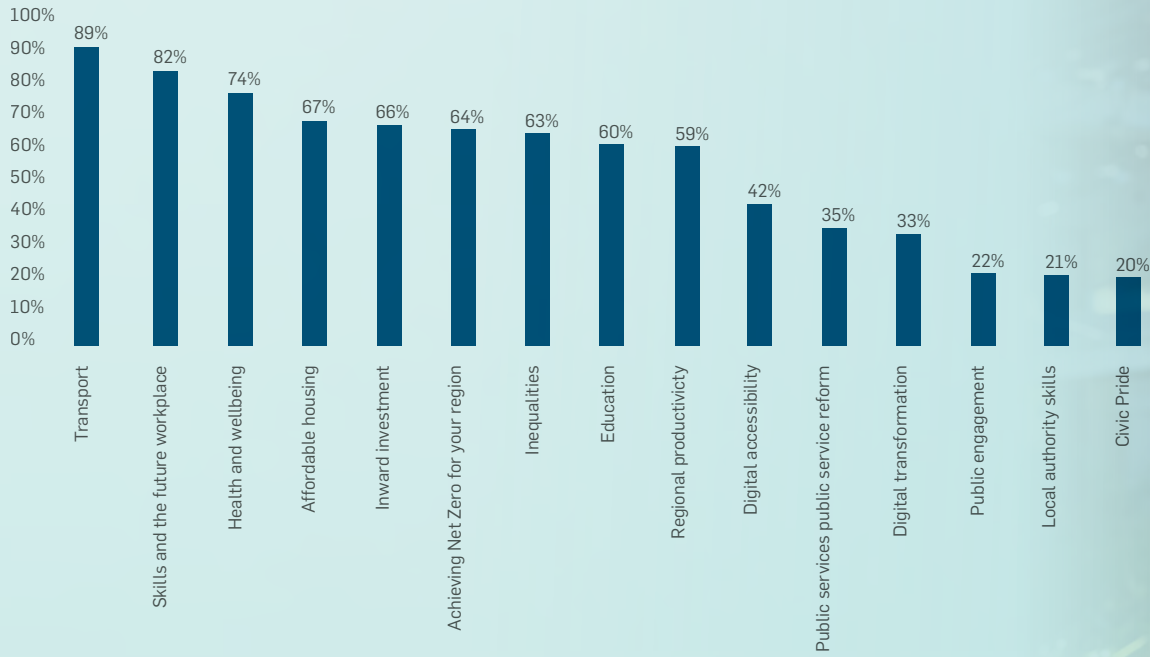
“I don’t want people to feel they have to move to London to get a better job. Even moving to Manchester (our neighbour) is a problem as the it’s such a slow and difficult journey.”
Liverpool

Most challenges in the list are seen as part of the levelling up or regional rebalancing agenda, but not all, and not to the same degree. Levelling up's association with capital infrastructure projects means that transport, skills and health and wellbeing are all selected by a large majority.

For both the qualitative and quantitative sample, these issues are both a priority for their local areas and are aligned with the broader levelling up agenda. For each, investment in physical infrastructure – a train station, an FE college or a hospital – can be at the heart of the issue.



WHICH OF THE FOLLOWING CHALLENGES WOULD YOU INCLUDE AS PART OF THE REGIONAL REBALANCING OR LEVELLING UP AGENDA? TICK ALL THAT APPLY



Others challenges are seen as less aligned to levelling up, although are still selected by a majority of respondents. This includes several areas less directly related to infrastructure – such as inward investment, inequalities and productivity.

Finally, there are a set of challenges that only a minority of decision-makers see as being part of the levelling up agenda, including civic pride, public engagement and local authority skills.

“Whole place planning; education, schools, housing tends to be treated in isolation in policy terms. People don’t think about schools in regeneration projects for example.”

West Yorkshire

“Rebalancing is about opportunities for residents and jobs. Need to invest in skills and through-life training.”

Teesside

1.2 LEVELLING UP VS. REGIONAL REBALANCING

The difference in these priorities has a lot to do with language and in particular, the way that levelling up is viewed by senior leaders. ‘Levelling Up’ for example, is viewed quite negatively. Among the senior leaders whose opinions we canvassed for the research, the term is considered unhelpful. Several commented on their optimism around the term in 2019-2020 but now believe it has lost meaning – with promises unfulfilled and the policy itself too vague and undefined.

“Levelling up brings focus and allowed us to move forward but the downside is that it hasn’t been backed up by funding.”

Teesside

Other terms were viewed more positively. Both ‘Northern Powerhouse’ and ‘Regional Rebalancing’ were considered to better describe the opportunities and challenges of delivering growth in the North of England, although they too had some detractors.

For many decision-makers, their thoughts on language, criticism of the term ‘levelling up’ and their current priorities were related to one central point: the current levelling up agenda focusses too much on infrastructure and not enough on people and

	LEVELLING UP	NORTHERN POWERHOUSE	REGIONAL REBALANCING
PROS	<ul style="list-style-type: none"> • Provides focus • Politically valuable – doesn’t sound like other regions are getting penalised 	<ul style="list-style-type: none"> • Grouping the North together makes sense from an external/ international perspective • Focussed on growth • About the whole of the North, not bits of it 	<ul style="list-style-type: none"> • Broader than just infrastructure – about jobs, skills and investment too • Can apply to North vs. South as well as Region vs Region
CONS	<ul style="list-style-type: none"> • Has lost meaning over past 2-3 years • Associated with past government • Action hasn’t followed ambition • Viewed by some as a ‘marketing term’ • Delivery – too much focus on infrastructure 	<ul style="list-style-type: none"> • Lost traction since government switched focus to levelling up • Lack of resources behind it 	<ul style="list-style-type: none"> • Could imply to some that South is losing out • Some would prefer a more central focus on inequality

communities. In many of the qualitative interviews we heard that decision-makers are keen to ‘level up people’ but do not feel that capital projects alone can do this. Reflecting decision-makers’ preferences, in our findings we will refer to these issues as ‘regional rebalancing’, rather than levelling up.

“I absolutely loathe the term [levelling up]. I think it has been a fantastic marketing term that has no basis in reality.”

Liverpool

“[Regional Rebalancing is] how you get economic performance of parts of the country up to the best. Look at best of class in terms of economic performance across country and try and repeat that in all areas of the country. That’s my understanding.”

*Councillor James Lewis,
Leader of Leeds City Council*

2. PRIORITIES FOR REGIONAL REBALANCING

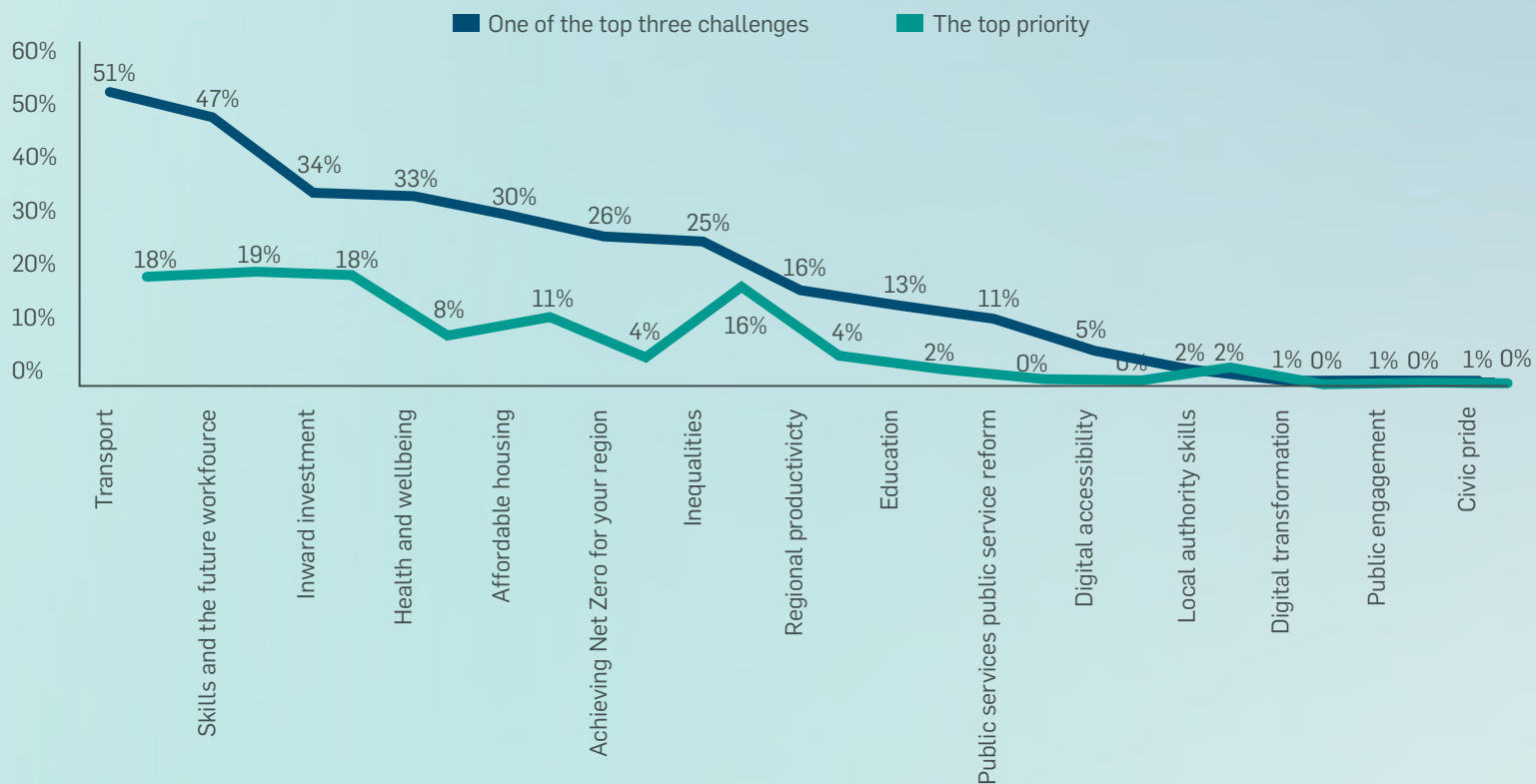
2.1 PRIORITIES

When considered within the broader regional rebalancing agenda, a couple of clear priorities emerge for senior leaders in the North of England: Transport and Skills.

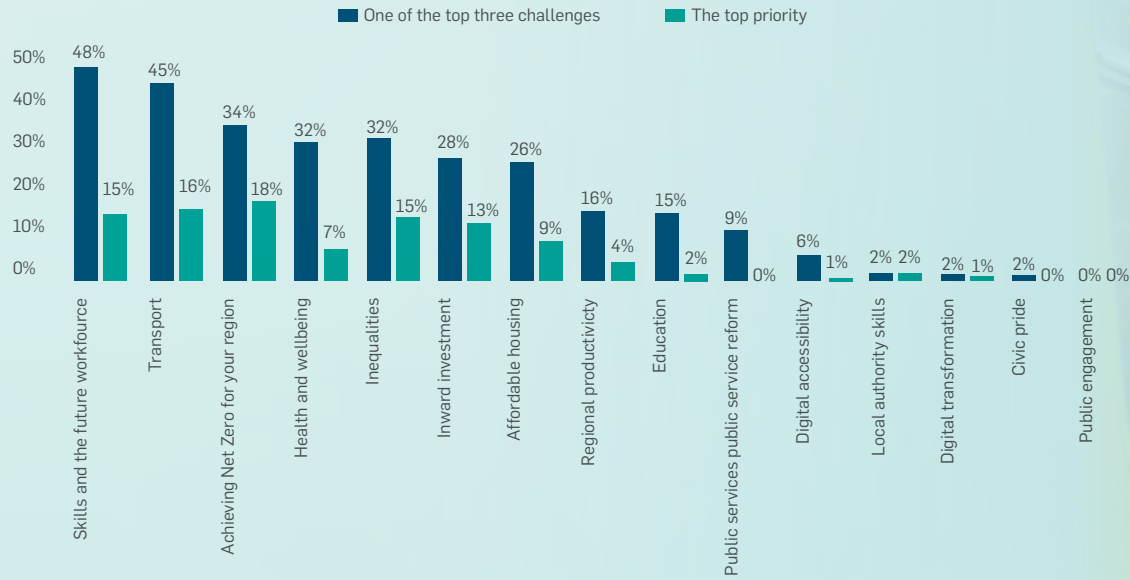
These are selected by around half of decision-makers as one of their top priorities and around a fifth as their number one priority. These issues were consistently ranked as the most important throughout the quantitative survey and were most frequently raised by interviewees too. Below these top priorities are a wider set of issues, including inward investment, health, affordable housing, Net Zero and inequalities. At least a quarter of decision-makers listed these as among their most important issues. However, there are important differences between them.

Inequalities and inward investment, for example, are passionately supported as priorities for those that select them. In the survey, although a smaller proportion selected them in their top three, the majority who did also selected them as their biggest priority. The interviews revealed why: for several people, these were the issues that unlocked so much more.

WHICH OF THE FOLLOWING WOULD YOU DESCRIBE AS THE CURRENT TOP PRIORITIES FOR YOUR REGION WITHIN THE REGIONAL REBALANCING AGENDA?



THINKING OF THE PERIOD TO 2030, WHICH OF THE FOLLOWING WOULD YOU DESCRIBE AS THE TOP PRIORITIES FOR YOUR REGION WITHIN THE REGIONAL REBALANCING AGENDS?



If an area was able to secure more inward investment, then opportunities for jobs and skills would follow. Some participants saw inequalities as a holistic issue – referring not just to material circumstances or incomes but as cutting across everything else, including transport, health and housing.

Transport and skills themselves are also seen as fundamental, cross cutting issues – explaining their dominance here. The central importance of these challenges were reflected in the interviews too, with participants from both towns and cities outlining the centrality of progress.

Occasionally, decision-makers' priorities seemed different to those dominating the national conversation. For example, although several in West Yorkshire lamented the cancelling of the Eastern leg of HS2 many also suggested that other transport issues were more important – such as East-West connections and inter-city or city-suburb routes. Improving transport links between towns and successful, growing, cities is perceived by many leaders to be of vital importance.



For other issues, including health and wellbeing and achieving Net Zero, only a minority of those selecting it as an important priority also selected it as the top priority. There are different reasons for this. Health and wellbeing may more commonly be seen as a national issue, given the centrality of the NHS and broader health policy (particularly following the pandemic, which saw public health advice for England delivered directly from Downing Street). Net Zero is simply likely to be considered a longer term priority – critical for the 2030 timeline but not the central focus right now.

Looking further ahead, Net Zero does become a more urgent priority, but is not sufficient to dislodge transport and skills, which are the major issues now and in the future.

“Levelling up is a set of ambitions. It’s not possible to put time frame on any objectives. The new Prime Minister must ensure that the Levelling Up policy is both realistic and affordable given the challenges the UK economy faces.”

Professor Steven Broomhead, Chief Executive, Warrington Borough Council



Generally, senior leaders were not optimistic that significant progress would be made quickly. In the interviews, many suggested that sustained support over a period of decades was required. But others were confident that real progress could be made soon – citing the availability of ‘quick wins’ in improvement to transport (i.e. simplifying bus tickets, adding carriages) and the ambition of central government as a factor.

“It will need sustained impact over decades. Stability, certainty and a long-term plan are critical elements. This runs counter to the challenge of everyone wanting to see quick, tangible change.”

*Ben Still, Managing Director,
West Yorkshire Combined Authority*



3. BARRIERS TO DELIVERY

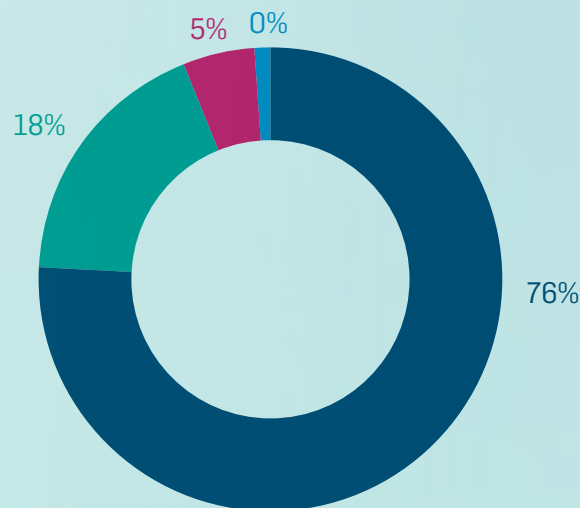
3.1 CONFIDENCE ABOUT PROGRESS

Confidence that significant progress in rebalancing the regions will be made over the next decade is low. Although most say that progress has been made since the launch of the Northern Powerhouse in 2014 the vast majority (76%) are not optimistic about progress over the next five years. The outlook improves only slightly with a 10-year perspective.

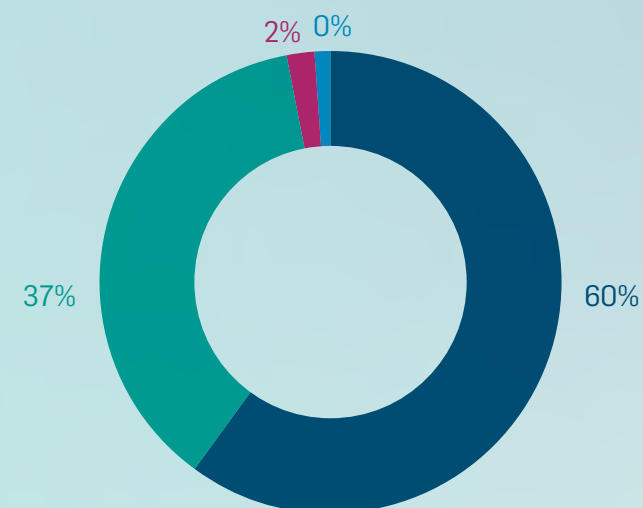
Key figures:

- › 80% agree that progress has been made towards regional rebalancing since the Northern Powerhouse was launched in 2014.
- › Only 24% are confident that significant progress will be made over the next 5 years (40% over 10 years).
- › Only 36% are confident that progress on their top priority will be made over the next couple of years (to 2025).
- › 46% are confident that progress will be made on their top priority over the next eight years (to 2030).

HOW CONFIDENT ARE YOU THAT SIGNIFICANT PROGRESS WILL BE MADE TOWARDS REGIONAL REBALANCING IN THE COMING 5 YEARS?



HOW CONFIDENT ARE YOU THAT SIGNIFICANT PROGRESS WILL BE MADE TOWARDS REGIONAL REBALANCING IN THE COMING 10 YEARS?



■ Not at all confident
 ■ Quite confident
 ■ Very confident
 ■ Extremely confident

3.2 REASONS FOR PESSIMISM

The current negativity about the future is the result of a number of factors. Looming over them is the state of the nation in 2022 – a cost of living crisis, potential recession and the departure of the Prime Minister most closely associated with ‘Levelling Up’ has caused senior leaders to be pessimistic about the potential for significant progress.

However, even if political and economic stability return, decision-makers would still be doubtful. This is because one of the main challenges to rebalancing is the policy approach itself. Currently, decision-makers do not feel that levelling up policy is conducive to levelling up.

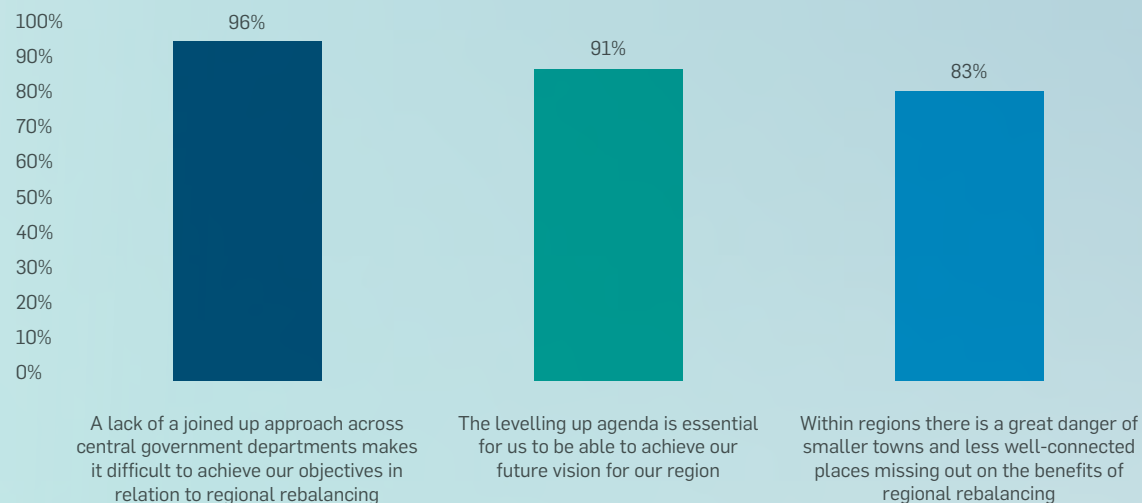
“It’s difficult to form a relationship with government as a whole; rather relationships tend to form with singular government departments – which can create challenges in securing a joined-up position in terms of the city’s growth and development. [i.e. how they think about Leeds].”

West Yorkshire

In our survey, 96% of respondents agree that the lack of a joined up approach across central government departments made it difficult for regional rebalancing to be achieved. This uniformity of response is remarkable and reinforces the strength of feeling behind frustrations with current policy. Generally, senior leaders in the North of England are supportive of the levelling up agenda, but believe that current government policy and the implementation of it is standing in the way. However, with the right policy, they believe progress can be made.

Further criticisms were revealed in the qualitative interviews. In some cases, the amount of funding on offer is considered insufficient. This is particularly acute in some areas, such as further education. But it also refers to the nature of the funding – funding for capital projects is welcome but many say it does not make up for what they’ve lost from their budgets over the past decade – and its distribution.

TO WHAT EXTENT DO YPU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS? (% TOTAL AGREEMENT)



“Regionalisation as defined by London was to move everything into large regional cities. They rebalance by moving jobs out of the towns into cities. What they actually did was move jobs out of Teesside and relocated them to Newcastle.”
Teesside

“Funding from central government ... this is what I mean about levelling up being a bit of a con. We’ve lost half our income over the last ten years from government funding; something like £500 million. In terms of rebalancing, we need it back.”

Liverpool

“[We’d benefit from] having a clear regional agenda that we all sign up to. I don’t think there is one. What is the vision for the nine regions, for the northwest? What is the narrative?”

*Sam Plum, Chief Executive,
Barrow Borough Council*

Several interviewees commented on how funding can feel piecemeal and fragmented. As well as causing frustration when local areas lose out, this also betrays the lack of a clear regional agenda. Individual places are being levelled up, not the North as a whole.

This sentiment was particularly prominent when interviewees considered the differences between towns and cities. Many of those outside major cities viewed the distribution of funding as unfair – in their eyes money was going to already high-performing cities

like Manchester, Leeds or Newcastle while smaller towns struggle to attract investment or develop the transport links that connect them to more prosperous areas. For some, the struggle to attract investment also relates to the allocation of Levelling Up funds.

“Regionalisation is a fight, but not so much the South against the North; for us it’s the towns versus the cities. All the money goes into Manchester or Newcastle; it does nothing for our residents. Policy is sucking jobs out of deprived areas and moving them to richer areas.”

Teesside

These challenges directly affected decision-makers’ perspectives on future progress. Broadly, the major issues fall into two categories:



Political challenges:

- › Low confidence that levelling up as a policy will survive the next political cycle.
- › Lack of a joined up approach for the North of England as a whole.
- › Lack of civil service appetite to decentralize.

Economic challenges

- › Decline in local authority budgets over the past decade means new funding is seen as insufficient.
- › Role of inflation – delay between application and receipt of funding means what arrives is worth less.
- › Impact of cost of living crisis on deepening imbalances and inequalities in the short term.

Overall, local authorities feel they are being asked to do too much with reduced resources. They feel their role has expanded over the last decade – for example, since the closure of the Regional Development Agencies local authorities have taken on a more central role in economic development.

“If I got an invitation to an event about regional rebalancing today it would go straight to the bottom of my to-do list. I think that’s the issue – how do we create the headspace and urgency to put the effort into this that’s needed?”

M6

“The challenge is Recession, lack of funding and a civil service that is fighting decentralization.”

Teesside

“...Cost of living crisis will bite hard. Councils have not budgeted for increases in their own energy costs and contractors are pushing up prices to cover inflation.”

Sam Plum, Chief Executive, Barrow Borough Council



4. WHAT SUPPORT IS NEEDED?

4.1 SUPPORT FROM GOVERNMENT

Decision-makers are committed to regional rebalancing. They require support from both government and the private sector to achieve their ambitions.

Effective policy from central government ranks first as the single most important facilitator of regional rebalancing goals. Also highly rated is the further devolution of powers. This combination of factors was also discussed by senior leaders in the qualitative interviews, who currently feel that the balance of central government leadership and local or regional autonomy is not right. Several expressed support for a system that involved government setting out a clear framework with local authorities free to make decisions on how to allocate funds. This was not considered to be on offer at the moment; instead, interviewees felt that money came with strings attached – often the wrong strings.

"Devolution needs to be delivered culturally as well as technically. Whilst devolution has been secured, there is still micromanagement of issues by national government that should be dealt with at a local or regional level."

West Yorkshire

"Devolution is] "is a bit of a con ... I'd be much happier with a devolved budget where we get to choose the priorities."

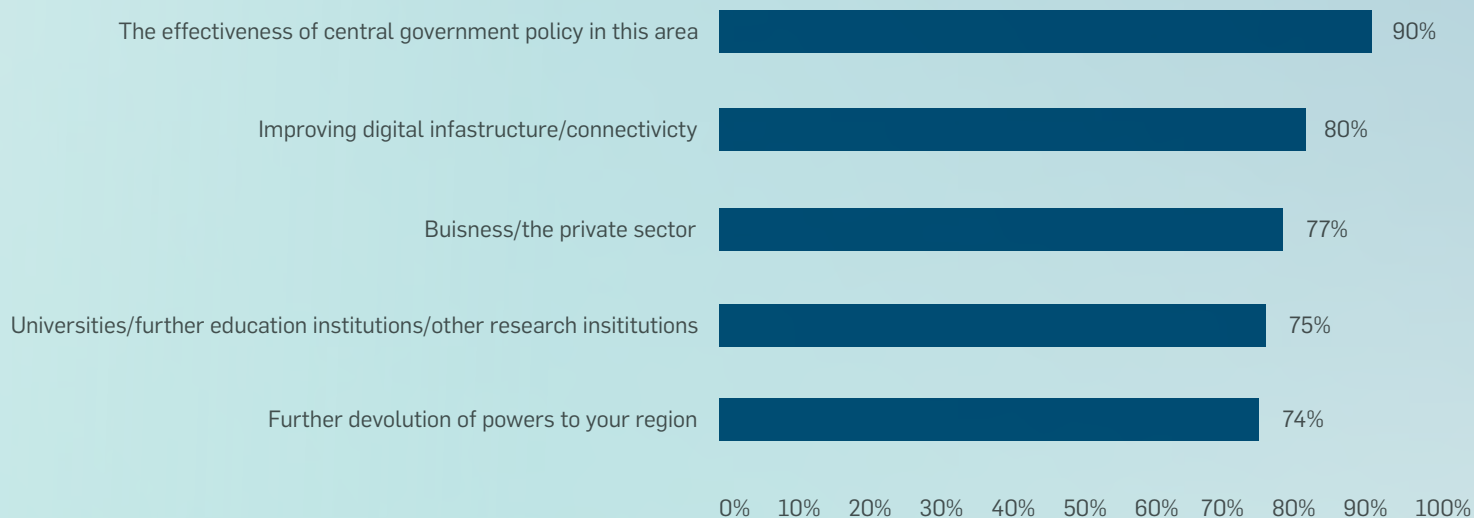
Liverpool

However, support for further devolution was not limitless; in the interviews there was only limited support for further devolution of revenue raising powers (except revenue raised through public sector projects or economic initiatives). This was considered politically very difficult and for some unfair if their regions were already more deprived. Rather, decision-makers want the promises of devolution to be realised.

“Devolution is not necessarily full powers, it’s definitely not tax-raising for us, because that’s just a centralised way of us getting less money because your tax base isn’t here - how can you devolve tax powers to a poor area?”

Teesside

**HOW IMPORTANT IS EACH OF THE FOLLOWING IN HELPING YOU TO ACHIEVE YOUR GOALS IN TEARMS OF REGIONAL REBALANCING?
(% SAYING EXTREMELY/VERY IMPROTANT?)**



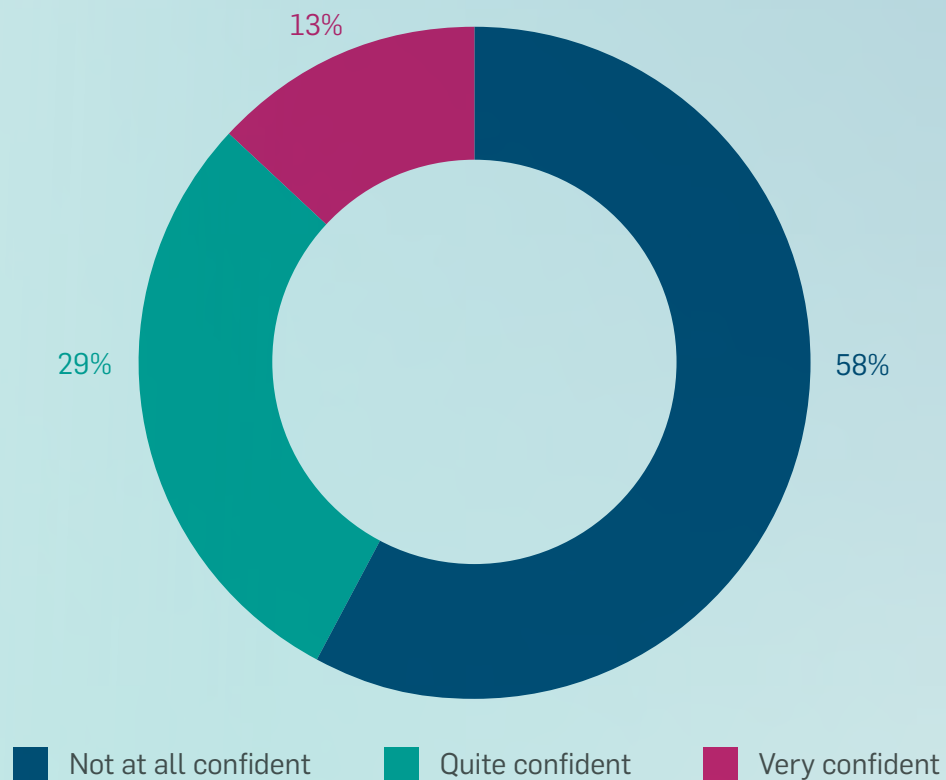
As well as greater freedom to spend, local authorities also believe that significant increases in funding are required too. Here, interviewees pointed to both the impact of Covid and the cost of living crisis as exacerbators of need and several highlighted how budgets had been cut back over the past decade. If current or future governments are committed to rebalancing the regions 'serious' investment is required.

Beyond higher and better allocated funding there was also demand for political bravery. Rebalancing is seen by many as a long term, multi-decade project that will span several political cycles.

With the UK now on its fourth Prime Minister in six years there is concern that rebalancing will wane as a priority. For some, this could happen imminently, as cost of living concerns dominate political bandwidth.

This pessimism was reflected in the quantitative survey – only 42% have any confidence that regional rebalancing will remain a priority beyond the next election.

HOW CONFIDENT ARE YOU THAT REGIONAL REBALANCING WILL REMAIN A GOVERNMENT PRIORITY BEYOND THE NEXT GENERAL ELECTION?



4.2 SUPPORT FROM BUSINESS

Government are not the only avenues of support. Decision-makers also see a huge role for business and the private sector. Some of this starts with government, for example in helping attract investment, particularly from overseas. But the private sector was consistently seen as fundamental to rebalancing, especially in the longer term. For some, it requires public money and facilitation but then private sector commitment to realise wider transformations, for example in productivity.

“Public sector is an enabler but productivity gains come from private sector.”

Ben Still, Managing Director, West Yorkshire Combined Authority

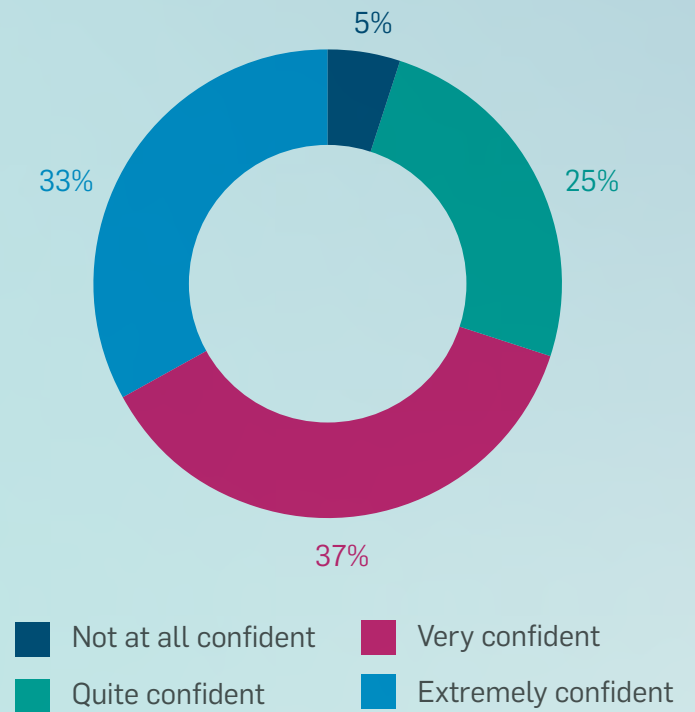
In the shorter term, other support is requested from business. Some of this is to do with preconceptions – occasionally old stereotypes persist and business leaders from outside the North of England are strongly encouraged to visit and see for themselves the opportunities available. Those that commit to

relocating should do so wholeheartedly – whole teams and senior leaders should base themselves in the North of England, not just junior staff or lower paid jobs. And when here, start dialogues and foster better relationships with local authorities. Among some council leaders, there is a strong sense that partnership with business should be made stronger. Some of the leaders interviewed for this project feel that government does not make a clear enough business case to the private sector (particularly in terms of return on investment). Government needs to use the language of opportunity when speaking to firms.

Beyond this, the interviews revealed a consistent emphasis on creating networks and collaborative working spaces that would bring local government and the private sector together to create a productive environment. Such initiatives will build both trust and understanding between the parties.

Better relationships can be built at a local level by ensuring that procurement contracts emphasise the use of local suppliers – investments in a region should be delivered by companies within the region.

THINKING OF THE MAJOR INFRASTRUCTURE PROJECTS PLANNED FOR YOUR REGION, HOW IMPORTANT ARE BUSINESS PARTNERS IN HELPING DELIVER THESE PROJECTS?



Government at both national and regional levels have an opportunity to work better with businesses by shortening timescales. At the moment public sector timescales are so lengthy that it discourages the private sector from getting involved. If government can move more quickly, then the private sector is more likely to be engaged.

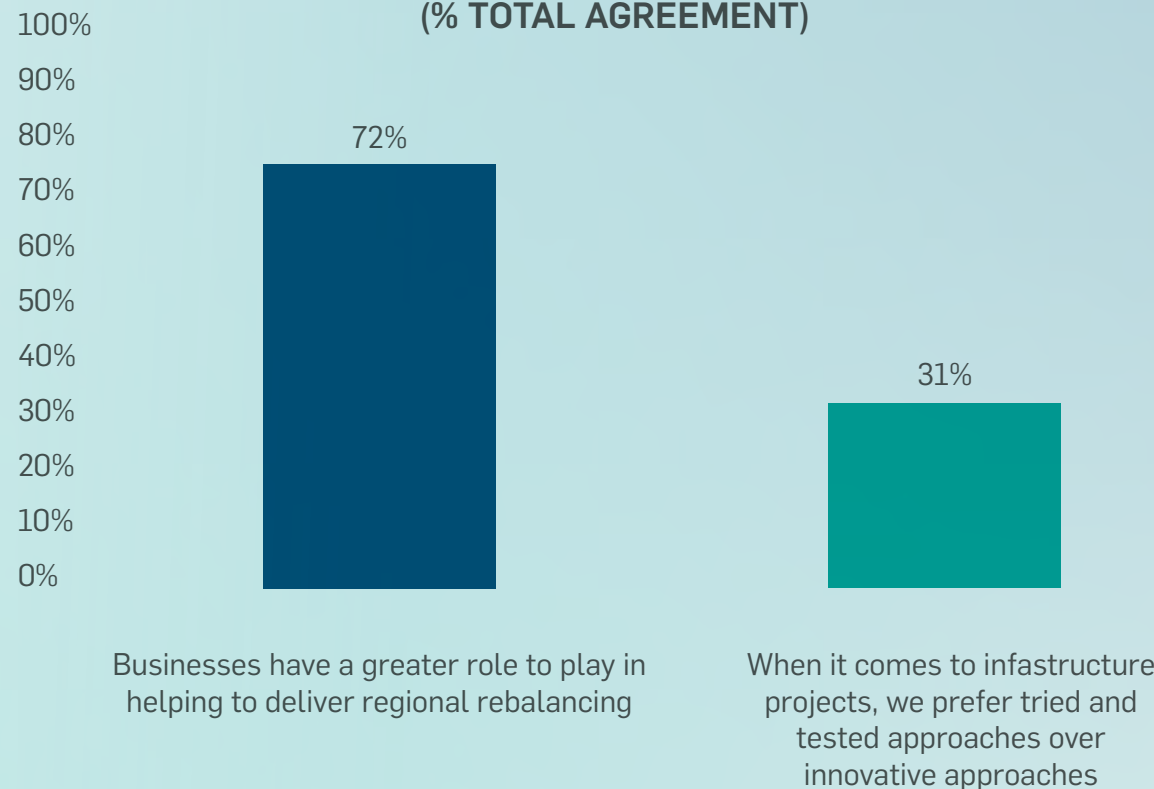
[Devolution is]“...the voice, the convening, it’s the ability to have the conversation that couldn’t have happened before; for example, if BP wanted to come here, who did they talk to before? Now there is someone to start the conversation.”

Teesside

[Business should] come visit us – ditch the preconceptions.”

Teesside

TO WHAT EXTENT DO YPU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS? (% TOTAL AGREEMENT)



While larger companies have a significant impact on jobs and the region more generally, many leaders see the value in encouraging and nurturing SMEs. This is especially marked in those areas where there are few large enterprises. Some councils have worked to create spaces in which entrepreneurs can base their fledgling businesses.

Important though it is to incubate the newest start-ups, some leaders are equally keen to retain small businesses within their region as they grow in size and ambition.

Skills and training are a consistent theme of our research and the private sector has a significant role in delivering this. Some leaders go further and would like to see those companies that deliver projects for councils taking on apprentices as part of their contracts.

Local government leaders value a collaborative approach when working with the private sector, especially on infrastructure projects. They also value companies that get involved early in the process and those that bring people together to foster teamwork and consistency over the duration of the project.

Given future challenges (not least the move to a Net Zero economy) many of the leaders interviewed for this project are looking for contractors that are looking to the future and those that are already prepared for the decades ahead.



5. CONCLUSIONS

CLEAR GOVERNMENT POLICY WILL HELP DRIVE REBALANCING

Decision-makers in the North of England believe in regional rebalancing and are committed to it. Times are difficult: leaders are grappling with a cost-of-living crisis immediately after the Covid-19 pandemic. But at the moment, the biggest challenge they face is government policy – with the majority citing interference and lack of clarity from Westminster as a key barrier to progress. However, this challenge is also a huge opportunity. The right central government framework, that reaches across departments, backed up by funding and political ambition, will be critical to further rebalancing successes.

DECISION-MAKERS WANT A VISION FOR THE WHOLE OF THE NORTH

Decision-makers feel that some parts of the North are being levelled up – but not whole regions. This is standing in the way of true rebalancing. Growth in one local area, town or city can unlock benefits across the region, but only if the vision is there. As well as a pan-government framework for levelling up a pan-regional framework is needed too.

NEED TO ‘LEVEL UP PEOPLE’ AS WELL AS PLACES

Many of the issues decision-makers raised as being central to rebalancing or levelling up are cross-cutting ones. Levelling up transport can lead to better access to jobs, education and culture. Rebalancing skills can boost productivity. Unlocking economic growth can help drive better outcomes in health and wellbeing. Future rebalancing policy should remember this, along with the common refrain: ‘you have to level up people’. That takes investment in communities as well as infrastructure.

PRIVATE SECTOR COMMITMENT CENTRAL TO REBALANCING

The public sector has a huge role to play in rebalancing but so do businesses. Many decision-makers feel that the long-term gains – for example, in job creation and boosted productivity – should come from the private sector. Not only are businesses seen as central to rebalancing, they are also viewed favourably too. Part of this is their capacity to deliver innovation – something roundly welcomed by leaders in the North of England.

Greater engagement with the private sector can be achieved if public sector timescales are reduced and if there is greater clarity on the return on investment that firms can expect.

DECISION-MAKERS NEED BACKING AND AUTONOMY TO DELIVER

Local authorities are tasked with rebalancing the North of England while managing the recovery from Covid and the cost-of-living crisis. For many, three things are required to make progress in the years ahead. Firstly, joined up and consistent central government policy. Secondly, ‘serious’ funding. Thirdly, the autonomy to allocate resource as they see it. ‘True’ devolution doesn’t require new powers or funding raising powers, but budgets with fewer strings attached.

COMMENTARIES

Atkins - Addressing Inequalities
- The Part We Can Play

Durham University - Timely, Informative
and Impactful Research

Northern Powerhouse Partnership (NPP)
- Reflections On Regional Rebalancing



ADDRESSING INEQUALITIES - THE PART WE CAN PLAY

BY RICHARD ROBINSON,
CEO OF ATKINS

I am delighted to see that the role of business in helping to rebalance our country is clearly recognised by local leaders - councillors and officials - in the North. In particular, I note three findings from the research:

1. Local leaders see “a huge role for business and the private sector in regional rebalancing.”
2. While essential funding and facilitation will come from central government, they recognise that “long term gains (especially in productivity and the creation of jobs) should come from the private sector.”
3. There is a high degree of confidence that businesses will deliver and 95% say that “private businesses are key to achieving planned infrastructure projects.”

As a company known for its innovative approach and technologies, I am also heartened to read that “there is a strong appetite for innovation”. Only 31% of decision makers say they prefer a ‘tried and tested’ approach to an innovative one. This is important because I believe we all have to be bolder if we are to bring about the changes we want.



ADDRESSING INEQUALITIES MEANS “LEVELLING UP PEOPLE”

However, I note also that while investment in capital infrastructure is welcome it is not seen as enough on its own. Local decision-makers talk about the need to “level up people” and the research concluded that “whole communities need to be invested in if rebalancing is to be achieved.”

As a leading design, engineering and project management company we wholeheartedly agree. Investment in physical infrastructure such as improved transport links or an FE college can be at the heart of change within a community. But for us, just building impressive infrastructure cannot be enough in the context of regional rebalancing.

‘Inequalities’ is cited by over a third as a key current challenge, second only to skills and the future workforce. The majority of those asked also see it as **the** top priority and view it holistically. This chimes with our approach to the challenge of regional rebalancing which places tackling inequality at its heart. This means being mindful of a range of outcomes close to the hearts of many decision-makers such as creating more economic opportunity, improving skills, health and well-being and tackling the Net Zero challenge.

WHAT WE CAN DO

Addressing inequality means helping to create opportunity. We aim to do this in three specific areas: **transport, infrastructure and skills.**

Improving transport links and systems helps unlock economic opportunity by improving the connection between growing and struggling economic hubs. With infrastructure we help create better and more efficient places for people to live and work in, mindful of the impact the built environment can have on social behaviours, health and well-being. And as a major employer we offer an extensive apprenticeship programme for young people, recently welcoming 170 apprentices, our largest number ever. The company has a real commitment to inclusion in the workplace and as part of this we recently published our Career Deflection study. This looked at barriers to progress within a career in engineering and how these differed based on gender, ethnicity and disability.

We make a point of ensuring that we take account of, and ensure that, interconnections are made in whatever work we do.



We make a point of ensuring that we take account of, and ensure that, interconnections are made in whatever work we do. We are very alive to the fact that a positive outcome, for example, around transport, can catalyse change and benefits in other areas outside of just the commercial and economic spheres. We also recognise that the best results are achieved through partnership and we take a true partnership approach in all the work we do.

Underpinning our approach is a commitment to Net Zero where we can offer practical solutions through our world-leading capabilities in the field of renewable energy and nuclear energy.

I note that the research indicates that while Net Zero remains a top priority for some, others think that it could become more of a longer-term priority as local authorities and business grapple with short to mid-term issues today. This is concerning but understandable and as a business we are well positioned to help maximise short term Net Zero objectives and wonder if a long-term cross-party Net Zero strategy could help provide the stability that businesses always crave.

WHAT ELSE BUSINESS NEEDS TO DO

There is more that business needs to do. Northern leaders make the legitimate point that companies should ditch preconceptions about the North along with outdated stereotypes and visit. They are also clear that any relocations and investment should not be token - senior staff and head offices should move northwards and properly commit. As a company with a strong presence in the North East and North West we can vouch for the importance of having senior people on the ground in the areas that we do business in. It signifies seriousness and is essential for delivering world class outcomes.

We also recognise the importance of dialogue and fostering better relationships and understanding with local authority leaders, something that the research indicates they clearly want, as do we. Through the research we wanted to properly understand the issues and challenges they face and, from there, be in a position to offer the best value advice and support.



THE BIGGER PICTURE AND THE FUTURE

With this research what we now have is real clarity as to what local leaders' priorities are. Top of the list are transport and skills and the future workforce, followed by significant other issues such as health and wellbeing and housing. What this also means is that business cannot take a 'one size fits all' approach to the solutions it offers. A strategic and tailored mindset is required.

In addition, the research also indicates that there are concerns and issues around how central government enables regional rebalancing to occur. It is not our place as solution providers to comment on what the best policy, political framework or approach might be going forward. Nor will we comment directly on the perceived lack of confidence over the next years in levelling up.

What we will reiterate is that businesses like ours stand ready to support the ambition to deliver the objectives behind 'levelling up', 'regional rebalancing' or whatever term is most favoured.

There is much that we at Atkins are already doing and can do, including helping to pioneer the new freeport economic model.

(We note with strong interest the government's recently announced plans for new investment zones). We work on Teesside Freeport, the country's biggest and first operational freeport, which includes Teesworks and Wilton International. On Teesworks, we are heavily involved across the site, including the development of the 125 acre South Bank Quay and project managing the £400 million SeAH wind turbine facility, set to become the largest in the world.

Wilton International is Europe's second largest integrated chemical complex and one of the area's key locations for decarbonisation and Net Zero. Among other projects on this site we are working with partners to develop the UK's first Net Zero emissions power plant. (Looking through the government's 10-Point Plan for a Green Industrial Revolution, we are proud to say that we can contribute significantly to all of them, from advancing offshore wind to green finance and innovation). Aside from freeports and Net Zero, there are other areas where we can contribute significantly, such as our digital technology and innovation which can play a big part

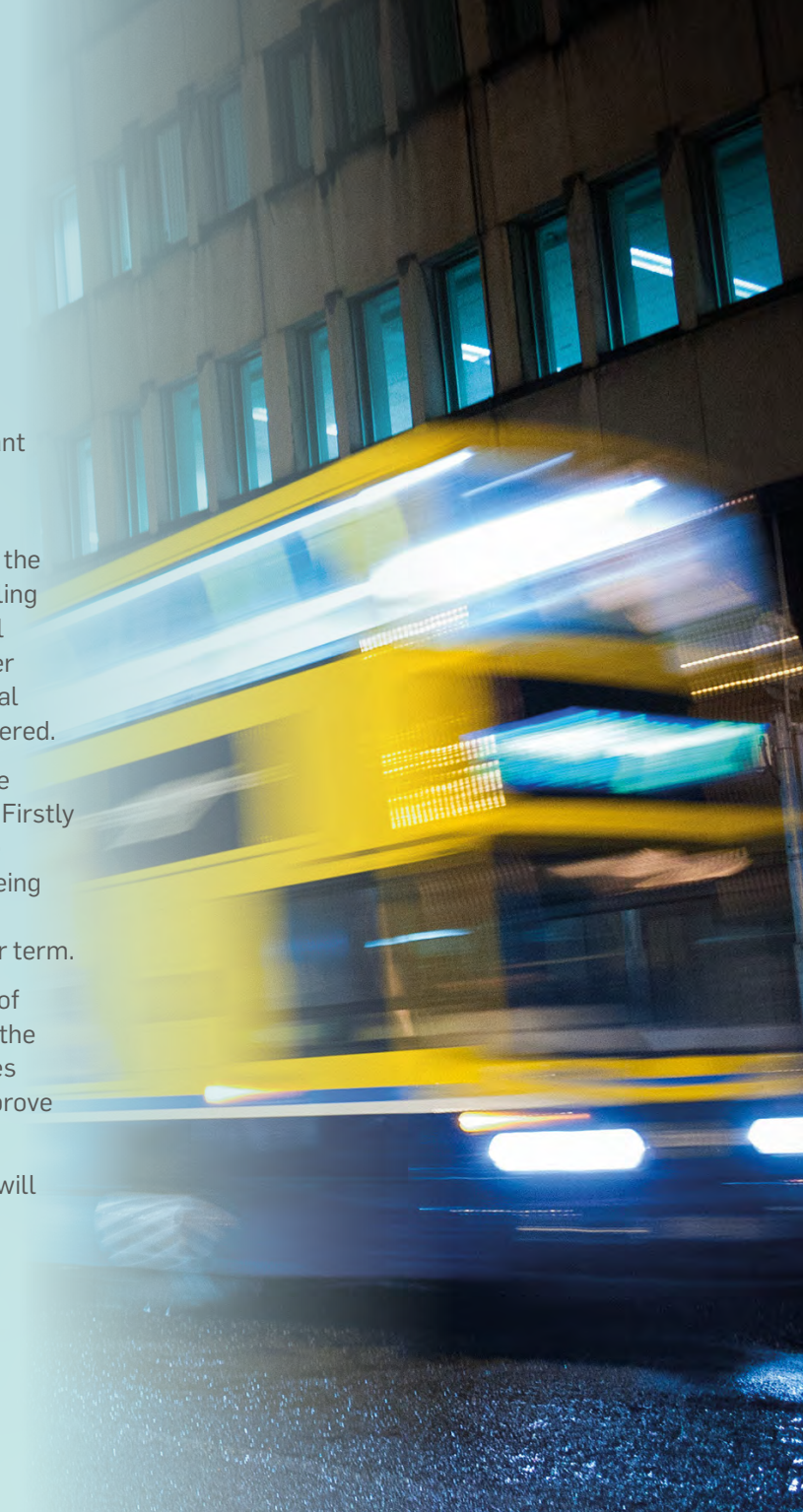
in productivity improvement, an important ingredient in levelling up successfully.

However, away from what business can contribute, the most important factor in the success of regional rebalancing or levelling up will be long-term commitment. It will need to be a project which stretches over several decades and a number of political cycles if significant change is to be delivered.

In conclusion, as a business leader I have two big 'take-aways' from the research. Firstly the positive attitude towards the private sector by local leaders, with business being seen as fundamental to rebalancing and delivering projects, especially longer term.

The second is that behind the language of 'regional rebalancing' or 'levelling up' is the profound need to address the inequalities that lie behind the noble ambition to improve people's lives.

'Levelling Up People' is the phrase that will live long in my mind.



TIMELY, INFORMATIVE AND IMPACTFUL RESEARCH

BY CHRISTOS TSINOPOULOS & KIERAN FERNANDES, DURHAM UNIVERSITY BUSINESS SCHOOL

Regional rebalancing has been a long-held aspiration of consecutive UK governments and a long-held need for the North of England. The report, which has been inspired by the government's recent Levelling-Up agenda, is timely, informative, and impactful.

It is timely because it comes at a moment where there is increased attention to the inequalities between the economies and living standards of the North and the South. It is informative because it illustrates where these differences lie and what the region's key decision makers think about them. Finally, it is impactful because it provides clear and unequivocal evidence of the urgent need for investment in the region's physical and digital infrastructure as a medium for bridging inequalities and enhancing economic and social progress.

At Durham University Business School, our research and teaching aim at enthusing leaders and entrepreneurs to deliver equitable and sustainable futures. We have, therefore, been constantly

collaborating with businesses to conduct research and develop executive education programmes which are rigorous, relevant and deliver impact. This approach gives us a forum to capture the challenges businesses face, and, as a result, provides us with an immediate understanding of the trends and feelings of our region. Partnering with Atkins to conduct research that addresses an issue critical to our region's future has, therefore, been both exciting and natural.

The report brings to light several issues which can influence policy and investment. It helps identify the general views and trends, while the interviews provide context and detail on how the challenges impede progress and on how the opportunities can be realised.

The apparent cynicism about the use of the term 'levelling-up' shows how the region's leaders have been frustrated with the perceived ineffectiveness of past policies. This is a feeling that we have been witnessing throughout our

work with the businesses we collaborate with. Yet, it also reveals the sense of ownership, pride, and enthusiasm to achieve the region's potential.

The report reveals several issues that act as barriers to achieving this. To us, there are three key issues that clearly stand out. These are i) the increasing perception of the impact of private businesses, ii) the impact of inequalities and iii) the difficulty in finding the workforce with the necessary skills.

The report sheds light on the region's strengths and on the issues that stand in the way of achieving its potential to be a global leader and attractor of talent. One unexpected result is the acceptance that business can play a big role in the realisation of this potential. It is unexpected because in recent years there has been significant emphasis on the development of institutions in the public sector. As a leading Business School, however, the role of private enterprise and entrepreneurship on the impact on the economy is something that does not

surprise us. It is therefore great to see that both business owners and policy makers see the development of private enterprise as the cornerstone of regional economic development.

A second important finding is that inequalities have become a key barrier to economic growth. The report captures several such inequalities including those linked with health and wellbeing, transport, and housing. Such inequalities are dependent on several complex and, often, region-specific factors. They are pertinent to the society and have been found to limit economic growth and widen the gap between regions. Tackling them, therefore, is not simply the right thing to do, but also ensures that there is a lasting economic effect on the ability of businesses to meet their competitiveness.

Finally, the difficulty in finding skilled workforce has been an ongoing challenge for the region for several years. It is therefore not surprising to see it featuring in this report as a key issue. As a Business School of a leading University of the North we have been working to develop programmes that aim to address these gaps. However, this is something that needs a systematic and coordinated effort. As old skills gaps are covered, new ones emerge.

For instance, the new trend for expertise in business analytics and digital technologies has meant the constant need for programme redesign and acquisition of new teaching staff.

Underlying all this has been a persistent underinvestment in infrastructure and training. Other competing regions, in the UK, Europe and beyond that have been facing similar challenges, have been putting policies and resources in place to develop infrastructure and skills that allow their people and businesses to compete globally. Physical and digital infrastructure can improve connectivity and integration with global supply chains, reduce inequalities, and thus improve overall productivity. Such investment decisions need to be made with significant local input if not autonomy. The findings of this report provide unequivocal evidence of the urgent need to do so in the North of England too.



REFLECTIONS ON REGIONAL REBALANCING

BY HENRI MURISON, CEO,
NORTHERN POWERHOUSE
PARTNERSHIP

Bringing together the North's civic and business leaders as the Northern Powerhouse Partnership, we know the role of Atkins and the wider business community is critical for the North. The continued commitment of all our members is a unique commitment to work collectively for the betterment of the North; the economic and social value they create as businesses can and should change our places for the better, and for good.

As we look forward to the future, listening to the opinions of the leadership of local government in the North is a valuable reminder that the Northern Powerhouse is still relevant to them - just as it is to northern business leaders. In fact, those who lead our places in the Tees Valley, through West Yorkshire to Liverpool City Region and up the M6 felt more favourably in embracing it than the term 'levelling up.' I know that the newly

appointed Secretary of State for Levelling Up, and Minister for the North, the Rt Hon Simon Clarke MP, will be considering whether the way forward is perhaps to refocus on much of what the Northern Powerhouse stands for. Leaders believe more has been achieved by that approach than 'levelling up' will – and so it is surely time to recognise that Boris Johnson's rhetoric over delivery, and putting political expediency of decisions before their economic impact, was a mistake.

The ingredients needed to close the productivity gap between North and South, and with it the wider productivity challenge of the UK, are still what Northern leaders know is needed. Specifically, transport and skills, with the latter, along with education, having a greater impact even than transport, as previously argued by Lord Jim O'Neill, the author of the Cities Growth Commission.



Talking about ingredients in this Northern productivity bakery, an economist's version of Greggs, it is devolution which is the greatest legacy of George Osborne's decision to commit the government to close the North – South divide. Once elected, it is hard to downgrade a Metro Mayor's powers, even if constitutionally possible. Yet we still have one of the most centralised countries in the developed world, and one of the most regionally unequal economically.

So it is time for someone to build on the Osborne legacy, the more recent thinking of the Levelling Up White Paper and the achievements of Metro Mayors own successes in office. Devolution is no longer just an idea, it is in action, and it could and should go much further. It is rightly a significant focus of the new Secretary of State, and as Minister for the North he also must have the mandate and backing of the Prime Minister to ensure that funding for skills leaves Whitehall and goes straight to Metro Mayors. In fact, we must go further, with a presumption that all domestic expenditure be devolved and a case needing to be made for the departments which spend it now to retain it – rather than it being, as it has always been, the other way round.

The thinking of leaders on fiscal devolution and ways to raise revenue, with concerns about how we do this in more disadvantaged places with less economic base to work from, demonstrates that taking control will be harder in some places and require ongoing fiscal transfers. Though these fiscal stabilisers, just like on a child's bike, need only be temporary till the North can ride it alone. As the new Prime Minister supported during the leadership campaign, tax policy could no longer just be the preserve of the Treasury.

For Metro Mayors and councils this could be cutting taxes to seek to attract private investment to increase revenues in the long run, or raising additional revenue to underpin better transport infrastructure, better schools or closing skills gaps. Northern Powerhouse Partnership will be undertaking a major research initiative into this area, responding to the opportunities and challenges raised in this research by leaders.

The Northern Powerhouse has never gone away. It is just time for it to be government policy again.



FOR MORE INFORMATION

ATKINS

Jessica.Roberts@atkinsglobal.com

DURHAM UNIVERSITY

k.j.fernandes@durham.ac.uk

NORTHERN POWERHOUSE PARTNERSHIP (NPP)

Henri.Murison@northernpowerhousepartnership.co.uk

TRAJECTORY

tom@trajectorypartnership.com



ATKINS

Member of the SNC-Lavalin Group

REGIONAL REBALANCING

