

A NORTH THAT WORKS FOR EVERYONE

IPPR NORTH GENERAL ELECTION BRIEFING 2017

INTRODUCTION

From the North of England, it is difficult to see the forthcoming snap General Election as much more than political game-playing in the Westminster bubble. While many will welcome a further opportunity vent their feelings on Brexit, the Northern economy could have done without a further period of instability and the election of our new metro mayors being overshadowed by the national debate.

However, it would be difficult to underestimate the importance of this election for the future of the North of England. The shape of Brexit is likely to have a greater bearing on the future of the Northern economy than any other region with its disproportionate trade links with the continent, with large areas in receipt of CAP and other EU funds and with its universities dependent upon European grants and skills (McCann et al 2017). In an already highly centralised nation, the extent to which powers are repatriated to Whitehall as opposed to the regions like the North – and the places within them – will have a significant bearing on our shared fortunes in the decade to come.

IPPR North has long argued that northern prosperity is national prosperity (IPPR North 2012). Our £300 billion economy and its 15 million people is more than twice the size of Scotland – it is just too big to ignore. And yet for over a century its potential has been held hostage by governments preoccupied with protecting prosperity in the capital city to the detriment of all else. This needn't be the case. With strong and empowered sub-national institutions – including regions at significant scale – England could unlock its productivity problems and put the public finances on a more stable and balanced footing, joining the ranks of those developed nations which today it lags so far behind.

Not only would a more decentralised post-Brexit arrangement release northern economic potential, the same approach could transform public services and unlock a North that truly works for everyone. Devolution deals and metro mayors represent a huge opportunity to bring public policy-making much closer to those who feel the big state and big business has ignored their concerns. It is precisely these people who voted to 'Take Back Control' and in the North they did so in greater proportions than

anywhere else in the country. While on the face of it, the Northern Brexit vote spoke to concerns about immigration and Brussels, the underlying loss of control extends to people's attitudes towards a political system that seems out of touch.

Too often the North of England is presented as divided, disenfranchised and down on its luck. Such characterisations are far from the truth. Northern businesses and communities will press on with the momentum generated by ideas of a 'Northern Powerhouse' irrespective of the election outcome. But this General Election, whether warranted or not, presents all the political parties with an opportunity to show that they have heard these concerns.

What is at stake is not so much whether the North can prise out promises and policy-prescriptions for its citizens to improve their lot, but more whether the national political parties can maintain their relevance and credibility to a population increasingly aware of Westminster's limitations.

To this end, any policy programme for the next parliament must seek to do four key things in order to confront its diminishing credibility.

1. Make a success of Brexit in the North
2. Boost productivity in the national Interest
3. Build a North that works for everyone
4. Let the North 'take back control'

This publication addresses each of these objectives in turn.

1. MAKE A SUCCESS OF BREXIT IN THE NORTH

A VOICE FOR THE NORTH IN BREXIT NEGOTIATIONS

The north of England will play an important part in making a success of Brexit for the UK. Exporting is more important to northern businesses than to those elsewhere in England. The EU accounts for 51.6 per cent of goods exports from the North West, rising to 61.6 per cent from the North East; across England the figure is just 48.3 per cent. The north has used EU funding to boost its economic, social and community development, including vital regeneration and improvements to its skills base. And it has a strong track record of attracting foreign direct investment, both from other EU countries and from global companies trading with the EU.

The north has distinct economic assets and interests, including strengths in key sectors: advanced materials and manufacturing, energy generation and storage, health innovation and the digital economy. These present an important opportunity for the UK and the region as new trade deals are negotiated, but failure to take account of the north's potential represents a serious risk. The northern economy is potentially vulnerable both to factors in the Brexit process itself (where uncertainty could lead to the postponement of investments or business decisions), and to any deal which does not take account of regional priorities as well as national ones.

A clear and distinct voice in the Brexit negotiations will help make Brexit a success for the north, and the north to contribute to a successful Brexit. A unified 'pan northern' approach offers many advantages, including economies of scale, avoidance of duplication, and a strategic, focussed position on key issues. The north needs one group to determine the kind of Brexit that the north needs, and to speak with one voice in the negotiations.

- ***The Government should support a Northern Brexit Committee to map out the North's Brexit plan and a trading strategy, and to speak for the North with one voice in the negotiations.***

GIVE REGIONS POWERS OVER MIGRATION TO REFLECT COMMUNITY AND ECONOMIC PRIORITIES

Britain's withdrawal from the Common Agricultural Policy brings an opportunity to reshape the rural economy for the twenty-first century. Predominantly rural areas contribute 16.6 per cent of GVA, and areas with a significant rural component 17.5 per cent; both have seen higher growth since the end of the recession than urban areas outside London. Agriculture accounts for a small proportion of UK GVA (below 1 per cent) but it shapes the landscape; 70 per cent of land is actively farmed, and forestry accounts for a further 13 per cent. Thus the ways in which farmers manage their land have a profound impact not only on their own sector, but on environmental protection, rural communities, and the natural assets offered by the countryside.

Rural areas contribute strongly to Britain's manufacturing output. This sector accounts for a similar proportion of rural and urban GVA (around 12 to 14 per cent), and advanced manufacturing has a particularly strong presence. The growing 'agri-tech' sector contributed £14.3bn to UK GVA in 2013, reflecting 16 per cent growth

over five years¹ across a range of activities including collaborations between ‘traditional’ agriculture and scientific disciplines including chemistry, biology, and digital technologies.

The UK produces more than half the food which it consumes. This proportion is falling and may fall further following Brexit, but consumers are arguably as concerned about food safety as they are about affordability. Food is also another important area of manufacturing and production; the sector contributed around £106bn to GVA in 2014 and employed around 13.5 per cent of UK workers.

A replacement for the CAP must take account of the diverse contributions of rural areas to the UK economy and to life in Britain but the diversity and complexity of rural areas means that the most effective rural policy will be made locally, within a strong national framework of ‘minimum obligations’ and ‘maximum entitlements’ for devolved areas. Replacements for CAP subsidies should incentivise sustainability, good environmental management, innovation, and approaches which support the wider rural economy.

- ***The Government should boost our rural communities as we leave the Common Agricultural Policy through new rural devolution deals to protect our land, support our farmers and prioritise our agri-tech, food and science sectors. Rural devolution deals should address the needs of places beyond the agriculture, including business support, workforce and skills issues, communities and economic opportunities in diverse sectors.***

GIVE REGIONS POWERS OVER MIGRATION TO REFLECT COMMUNITY AND ECONOMIC PRIORITIES

Britain needs an innovative approach to migration as it leaves the EU’s free movement zone. None of the current Devolution Deals feature greater local control over migration policy but experiences of the benefits and disadvantages of migration vary greatly between different parts of England. A regionalised approach to migration policy could allow decisions about the level and nature of migration into a region to reflect local economic needs and community priorities.

A more locally tailored migration policy could reassure people that it is being managed on their own regional terms to support economic growth and deliver local benefits. Regional migration management is in place overseas. Canadian provinces can target and nominate migrants according to local economic needs, and the points-based Australian visa system includes local variations to encourage skilled migrants to choose certain states or territories.

The devolved administrations in London, Edinburgh, Belfast and Cardiff have all argued that aspects of migration policy should be specially negotiated or devolved to satisfy the needs of local businesses. Regions such as the North of England risk losing out in the aftermath of Brexit if they do not have the same option. And recent policy developments in the UK, such as stronger frontline enforcement, offer administrative capacity which would make this approach practical.

¹ <https://agritech.blog.gov.uk/2016/07/21/three-things-you-need-to-know-about-the-uk-agri-tech-sector/>

Government should empower leaders in regions which can benefit from managed, targeted migration, to develop new systems through:

- **creating new visa categories to encourage key groups of skilled workers to settle in an area.** For example, regional post study work visas would international student with critical skills who have graduated from local universities to stay and work locally. Northern regions perform well in recruiting international students and could benefit considerably.
- **introducing regional shortage occupation lists** based on high-quality local labour market information. Local areas could nominate and attract key migrant groups whose presence will improve the employment and economic prospects of the job offer for established residents.
- **devolving tier 1 (investor) visa conditions to mayors and combined authorities** to attract foreign investment and entrepreneurship.
- **putting in place a range of social and integration actions to allow local authorities to manage the impacts of migration**, including integration work funded through a levy on employers who recruit high numbers of migrants and Migration Councils to gather evidence and shape policy.

2. BOOST PRODUCTIVITY IN THE NATIONAL INTEREST

Northern productivity is a national priority. The North has a number of assets that are currently underutilised: 29 universities, eight major ports, five second-tier cities and clusters of innovation in advanced manufacturing, health innovation, digital and energy. And yet the North is less productive than the national average – productivity is £24.93 per hour compared to £27.86 per hour nationally – and London’s productivity has run way ahead of all other UK regions, at £36.20 per hour (ONS 2017). While some might attribute this to the North’s failure to adapt to global economic change, the nature (and severity) of this economic change was driven by central government, and has been reinforced since by central government policy – in other countries, regional governments have stepped in and managed this transition more effectively.

Therefore nothing is inevitable or natural about the North lagging national growth and prosperity, and as new crises arise and our economy restructures further, there is an important role for government – and regional government – in recalibrating our economy. The government’s new industrial strategy could do so, but it must learn from previous experience in the UK and elsewhere, and devolve some industrial strategy powers to regions and sub-regions (IPPR North 2017). While there is much that can be done by and for key stakeholders in the North, central government must also change its ways for northern productivity to rise by addressing the following three priorities.

TRANSPORT INFRASTRUCTURE

Transport infrastructure underpins any economy, and in the right conditions can radically improve economic performance. Investment in transport can translate into increasing productivity, wages, output and taxation (Laird and Mackie 2010). Poor connectivity is recognised as a constraint on growth in the government’s industrial strategy green paper (BEIS 2017)

Regional transport bodies perform an important role in Germany and France (and even in Wales and Scotland), and Transport for London makes clear the benefits of integrated transport planning and investment in England too. More recently Transport for the North has been created in the North and is taking significant strides to bringing forward a strategy and investment plan that has the potential to transform transport in the North (Cox and Raikes 2015) but only if the enthusiasm with which it has been created is matched by a similar enthusiasm by government to invest in its strategic priorities.

The UK has consistently failed to meet OECD targets for infrastructure investment (Mor 2017). Successive governments have also failed to invest in parts of the country that have great potential: the current national infrastructure pipeline shows that, of all public or public-private spending committed from 2016/17 onwards, 54.2 per cent of the spending in English regions will go to London – home to just 15.8 per cent of England’s population – and there is a £1,515 per capita gap in spending between London and the North (Blakeley 2017a). Given the importance of transport

infrastructure to productivity and growth, this will need to be resolved if productivity in regions outside of London is to improve.

The government should boost northern productivity in the national interest by:

- *Making **firm commitments to fund an east-west ‘HS3’ rail link as well as a ‘freight super-corridor linking ports on either side of the North;***
- *Redrafting the Treasury Green Book such that **infrastructure appraisal should take better account of the wider economic benefits** of investment as well as induced demand effects;*
- ***Reduce local borrowing caps** to allow local areas and subnational bodies, including Transport for the North, to borrow more freely on international capital markets, working closely with one another and with the private sector.*
- *Work with the new Municipal Bonds Agency, to make provision for an ambitious and wide-ranging UK municipal bonds scheme which should enable individuals to make tax-free investments in a **‘Northern Powerhouse Infrastructure Bond’.***

R&D INVESTMENT

Research and development is another well-established ‘driver’ of economic growth. The government recognises the importance of R&D in its industrial strategy green paper (BEIS 2017). The sectors in which the North specialises have high R&D multipliers, especially if this work is collaborative (involving both academics and the private sector): collaborative R&D in bioscience has been found to generate £3.97 in GVA for every £1 spent, while other such as advanced materials and micro- and nanotechnologies have an economic impact of £15.41 (TSB 2014).

But again, central government invests disproportionately in the South. The government invests more than two thirds (69.8 per cent) of all UK R&D funding in the South² (ONS 2017b). But the North is hardly lacking in assets and potential –there are 8 research intensive universities (the N8) which work closely with research hospitals and businesses to innovate in life sciences; and there is also pioneering work in materials – graphene, for example, in Manchester. Research has shown that public investment crowds in private investment, and so investment in the ‘golden triangle’ will run away if left unchecked – as it clearly has done for many years (Helmets and Overman 2013).³ Recent investments in the North – such as the Sir Henry Royce Institute in Manchester – are welcome, but are long overdue and are dwarfed by the Francis Crick Institute in London, for example.

The new government should boost northern productivity in the national interest by:

- ***Investing 20 per cent of its research funding in the North over the next five years** – this would match the size of the business base and the estimated R&D investment from the private sector in health innovation, for example, and would enable **the North prime economic capabilities such as life sciences and***

² The East of England, South East, South West and London

³ <http://www.spataleconomics.ac.uk/textonly/SERC/publications/download/sercdp0131.pdf>

advanced manufacturing to catch up with those in the golden triangle, or at least compete on a more level playing field.

DIGITAL INFRASTRUCTURE AND SKILLS

Modern economies require modern infrastructure: digital infrastructure, such as broadband, is now a requirement for almost all firms. Again, this is explicitly acknowledged in the government's industrial strategy green paper, where they cite research showing that increased broadband speeds could boost UK output by £17 billion by 2024 (SQW 2013 via BEIS 2017). There are even more gains to be had in rural areas, which – contrary to the assumptions of many policy-makers – have actually grown faster than urban areas outside London (ibid, Round 2017).

Businesses in all sectors will need digital connectivity in order to grow, but the North has a strength in the digital sector itself, and in a number of other prime and enabling capabilities which can rely heavily on digital connectivity – especially health innovation, advanced manufacturing and financial and professional services. Ofcom research has shown that the northern regions each have lower than average consumer broadband penetration (Ofcom 2016).^{4 5}

Beyond infrastructure, digital skills are the foundation of the emerging economy. The fourth industrial revolution is transforming the global economy, and businesses will increasingly rely on digital skills – which can mean anything from basic digital literacy to advanced professional skills such as writing code (Blakeley 2017). As with other structural changes to our economy, this new revolution will have a profound impact on both the geographical concentration of economic activity and the distribution of its rewards.

The North currently lacks the digital skills needed to support its digital sectors. The digital sector is a prime capability as identified by the northern powerhouse independent economic review, and is clustered in towns and cities across the North (NIER 2016). The sector employs 284,000 people and produces £9.9bn in GVA in the North; employment in the sector has grown by 28 per cent in the last five years; and these workers are 53 per cent more productive than non-digital workers (TechCity 2016 via Blakeley 2017b). However, the North has a digital skills gap, which – with the potential for reduced migration post-Brexit – threatens to hold the sector back (Blakeley 2017b).

The government should boost northern productivity in the national interest by:

- *Ensuring that **access to superfast broadband for business parks and enterprise zones** is heavily prioritised within the current rollout. Where appropriate, future funding for the roll-out of broadband should be devolved to combined authorities, and local bodies should consider a **broadband voucher scheme for SMEs**, to subsidise better connectivity⁶;*

⁴ https://www.ofcom.org.uk/__data/assets/pdf_file/0025/29923/england-context.pdf

⁵ https://www.ofcom.org.uk/__data/assets/pdf_file/0027/43578/charts_cmr_england_2016.pdf

⁶ Adapted from Hunter and Longlands 2016

- Requiring infrastructure providers to **publish full broadband speeds and coverage at a premises level**, starting with SME premises and business parks ahead of domestic properties, as well as neighbourhood-level information about planned activity to upgrade existing infrastructure⁷;
- Giving **greater powers over funding for adults' skills to local and combined authorities**, who should work with LEPs, and the private and third sectors to ensure further education is meeting the needs of private businesses, particularly in relation to the digital sector.

⁷ Adapted from Hunter and Longlands 2016

3. TO BUILD A NORTH THAT WORKS FOR EVERYONE

Physical infrastructure is key to driving economic growth and it is increasingly recognised that ‘human capital’ – particular the skills system – is essential too. But too often ‘social infrastructure’ – education, health and social care – is seen as a drain on the state’s resources. This is a false dichotomy. Investment in social infrastructure can increase the long-term productivity and resilience of a local economy and is essential to unlocking human potential.

LOCAL EMPLOYMENT SCHEMES TO UNLOCK FUNDING THAT WORKS

New jobs are being created in the north as the region’s economy grows. But the ‘hardest to help’ jobseekers are often left behind by the systems which are meant to help them into work. That means higher spending on benefits just as budgets are squeezed, while individuals and communities suffer from long-term unemployment.

The current ‘Work Programme’ suffers from a lack of resources and an inability to innovate. As a result, money is being spent on ineffective interventions and spells on benefits which for at least some claimants could be avoided. With the right support many more people could be in work, which, as well as being beneficial on an individual level, would also contribute to the public finances. These savings should be invested upfront in the right help for jobseekers who lack the experience and qualifications that local employers need, or who have complex health problems which make it hard for them to find work (Raikes and Davies 2016).

Mayors or other local leaders in major city regions should be empowered to establish local ‘welfare earnback’ companies, funded through an ‘invest to save’ model. The money saved by getting people into jobs should be unlocked and made available to local areas to set up a broad range of interventions, tailored to make sure that individuals’ needs are well-matched to local opportunities and business priorities. Local government is in a good position to shape employment support that generates good jobs and reaches the ‘hardest to help’, with the incentive of making services more effective without spending more money or even making savings.

The funds which could be made available for investment in people and opportunities are substantial. For example, as much as £8,600 annually is freed up in tax-benefit savings if a single man living in council tax band C private sector rented housing in Sheffield moves from long-term Jobseeker’s Allowance to a minimum-wage job for 30 hours a week. The potential returns may be even more dramatic when outcomes for a whole city-region’s workless population and savings across government departments are considered. There are ‘multiplier effects’ for the wider economy, as better earnings are spent locally, even without factoring in the costs of persistent unemployment for housing, education, personal social services and local environmental protection.

As devolution matures and extends across the north the opportunity for innovative and locally-tailored invest-to-save schemes must be seized.

- *The Government should unlock up to **£9,000 per benefit claimant** through local employment schemes, so that the savings from someone being in work can be invested upfront in proven ways to get people into lasting jobs.*

EXTEND DEVOLUTION TO SECURE PLACE-BASED PUBLIC SERVICES

The Metro Mayors elected in May 2017 will govern a total of 9.5 million people. They will have a new mandate to drive economic development and regeneration in their regions and to use their new ‘hard’ and ‘soft’ powers to demonstrate what these new democratic structures can achieve. But to truly transform the places that elected them, mayors should take responsibility for a wider range of public services. This will allow innovation, integration, and the effective use of local intelligence and responsive systems to deliver highly effective ‘place-based’ provision which makes real improvements for communities.

Housing policy urgently needs the agility of devolved leadership. England has not one housing market but many, and in order to hit its target of building a million new homes the government must address the imbalance of housing opportunities, challenges and requirements in different parts of the country (Snelling and Davies 2016). Government must make this happen by offering:

- *a new devolution deal on housing, which lets local leaders commit to ambitious long-term housebuilding plans in return for greater powers and more control over resources. Mayoral development corporations offer a great opportunity to pilot and test new approaches.*

Deals should include an offer by Combined Authorities to release sufficient land, work effectively across boundaries, and plan effectively to meet local needs, including renegotiation of housebuilding and home ownership targets. In return better offers from central government should include more flexibility in pooling and co-ordinating funding streams, lifting land use restrictions, including those on green belt sites where necessary, and new powers for design code standards and council tax flexibility on empty sites and homes.

Health and social care provision needs urgent and bold reform. Government should strengthen mayoral powers over these areas where they are in place and grant them elsewhere, using learning from the experiences of those in the vanguard such as Greater Manchester. These should maximise opportunities to commission services which are appropriate for places and populations, and to prioritise smart local integration that improves services and drives efficiency. Models of social care should prioritise higher pay, productivity and progression to improve quality and value across the sector.

- *Mayors should be empowered and encouraged to improve lives and make savings by **embedding health in all public policy**, including transport, housing, employment, welfare, energy and environmental protection.*

As mayoralities and devolution become established, there is a real chance to increase engagement on the one hand and accountability on the other so that public services meet the diverse and developing needs of the people who use them (Raikes 2017).

A GREAT START IN LIFE THROUGH INVESTMENT IN EDUCATION

Education is fundamental to quality of life and economic opportunities. Every child deserves a great start in life, yet the gap between outcomes for pupils in the north and the south of England persists; 55.5 per cent of northern pupils attained five good GCSEs in 2015 compared to 57.3 per cent across England and 60.9 per cent in London. There are also inequalities within the north; isolated towns and coastal areas struggle to raise attainment, as do some of the major cities. And even in the region's good and outstanding schools, results for students who are identified as deprived continue to lag behind those of their peers; just 34 per cent achieved five good GCSEs, compared to 36.8 per cent nationally, and 48.3 per cent in London (Clifton et al 2016).

The capital's schools face many of the same social challenges as the north of England but have benefited from sustained interventions and collaboration for improvement, most notably the 'London Challenge' (Kidson and Norris 2014, Greaves et al 2014). Schools need funding to address the challenges which affect their local areas, especially in relation to excellent teaching and educational practice. The [2016 PISA report](#) stresses that 'what happens inside the classroom' is crucial in shaping students' learning – and that means great teachers and great teaching, which is especially beneficial to deprived pupils (Slater et al 2009).

Schools across the UK are struggling to recruit teachers (STRB 2015). The new schools funding formula should include an explicit weighting towards schools in deprived areas, where this is an even bigger problem. And increased funding should target not only recruitment but also high quality and ongoing continuing professional development, designed specifically to build skills for teachers working with students who face educational and social challenges. Schools should be empowered and resourced to access ongoing teacher training which matches their local needs.

This should include approaches which build strong, supportive school cultures and sustained improvement in attainment and in reducing the 'deprivation gap'. Potential 'cold spots' which are at risk of being left behind by current systems of school-led improvement should be among the priority areas for this 'powerhouse premium' funding. Mayors should be empowered to use local data and intelligence to support educational improvements in their regions, using learning from the London Challenge and other regionally based initiatives (e.g. the Blackpool Challenge).

The foundations for learning are laid down in the earliest years of life and investment at this stage brings the greatest rewards for both individuals and society (Bauchmüller et al 2014, NICHD Early Child Care Research Network 2002, Melhuish 2014). Expansion of the childcare offer brings an opportunity to engage children right across the north in high quality provision and radically improve their opportunities for the future. Funds should be released for investment in early years education of the highest quality, with well-qualified staff and teaching methods which are known to support learning. Mayors and local leaders should be granted powers to shape provision which is tailored to the social and geographical circumstances of their communities.

- *The Government should give children right across the North a great start in life by reforming the schools funding formula to create a **powerhouse premium** that attracts the best teachers to challenging areas, and by investing in early years education.*

4. LET THE NORTH TAKE BACK CONTROL

REBOOTING DEVOLUTION AND REINVENTING REGIONS

Recent years have seen major changes in the way the North is governed with a number of its city regions now managing powers and resources, which were once the sole preserve of Westminster. Newly elected mayors are set to take up office in Liverpool City Region, Greater Manchester and Tees Valley with ambitious plans for housing, employment and new investment.

However, for large parts of the North the devolution revolution has stalled. The problems in the devolution process have been endemic from the start. With no clear purpose, process or timescale, a culture of centralised thinking in Whitehall, and with intransigence on the part of too many local political leaders, it is apparent that once again the devolution rhetoric is failing to match reality on the ground. If any new government is to create an economy that works for everyone, it must put the devolution of powers and responsibilities to the lowest appropriate level of government at the core of its manifesto (Hunter 2017).

A more **common sense approach to devolution** needs to be adopted and a new government should:

- *Set out a statement of its **vision and underlying principles**, including any ‘red lines’ it sees on geography, powers or governance.*
- *Provide a **framework for devolution negotiations** based on discrete ‘packages’ or stages and with some minimum standards for governance reform in relation to each.*
- *Set out a **timetable for future developments** with clear windows for negotiation and deal-making.*

Despite the shift to devolution, there is growing evidence that the economic challenges set out in Section 2 above are tied into a more fundamental problem than any of the particular drivers of growth: our weak subnational institutions (McCann 2016). This problem is exacerbated by a highly centralised system of government which is hampered by a lack of spatial awareness and an inherent policy bias towards London and the South East.

But this is a democratic as much as an economic problem. The results of the 2016 EU referendum demonstrate a sense of disempowerment particularly in the North, where the majority of people living in the North East, North West and Yorkshire and Humber voted in favour of leaving the EU (Cox 2017). For both economic and democratic reasons, the government must act to reinvent a regional tier of governance and this needn’t involve creating a single new politician.

To this end, IPPR North have developed a series of new proposals as to how people in the North of England can ‘take back control’ and call upon a new government to:

- ***Establish a Council of the North** to strategically power the north’s economy. Transport for the North provides the model with its partnership board of 19*

constituent member authorities – not a new tier of politicians and bureaucrats – but a mechanism for more collaborative working to develop an industrial strategy for the North and then to act to lever in investment and build the physical and social infrastructure needed for a more inclusive and sustainable economy.

- ***Establish a Northern Citizens Assembly to hold the Council of the North to account.*** *The North has a strong and rich tradition of radicalism, rebellion and ‘taking back control’; from the suffragettes to the Chartists to non-conformism. Building on this long heritage, IPPR North believe the time is right to establish a Northern Citizens Assembly to hold the Council of the North to account. This assembly would meet twice a year and citizen involvement would be decided by lot, akin to Jury service.*
- ***Support the development of an all-party Taking Back Control Commission for the North.*** *This Commission would examine the reasons why people in the North voted disproportionately to exit the EU, investigate new mechanisms with which to hold power better to account and provide a means to help reconnect citizens with democratic engagement.*

FISCAL DEVOLUTION

To date, much of the recent emphasis on devolution could be considered as ‘administrative’ and political. Thus far, none of the deals struck with local areas in England have granted new tax-raising powers, and even where funds have been unringfenced and passed down to sub-national agencies they are still ultimately allocated and controlled by central government. To this extent, the UK, and England in particular remains one of the most fiscally centralised nations in the whole of the developed world, with less than 10 per cent of total tax revenues controlled sub nationally. This has significant implications for local efficiency, economic growth and for levels of income inequality (Cox et al 2014).

Questions over what mix of responsibilities should be devolved raise some important issues about the nature of universal taxes and benefits and the appropriateness of certain aspects of fiscal devolution – particularly its impact on poorer households from varying benefit rates across the UK, and on individual and business behaviour. In addition, there is the question of how to equalise or redistribute revenues in order to make sure that some places don’t fall significantly behind others and undermine the cohesion of the nation state. So there are some important considerations concerning the scale and the nature of pooling and redistribution of tax receipts.

But these matters are adequately dealt with in almost all other developed economies. Both Scotland and Wales now have significantly more fiscal autonomy than English regions and city-regions that have much greater economies, and so it is high time that the UK government addressed these issues.

To this end, and **as part of a more systematic approach to fiscal devolution**, we recommend that a new government should:

- Allow **current funding streams** to be spent differently
 - Allow apprenticeship levy underspend by larger companies to be gathered, and co-ordinated by combined authorities to be spent on pre-apprenticeship training, careers advice and work experience.
 - Pool transport funding from all departments (such as health and education) at a city-region level, and enable a total transport approach.
 - Align regional school commissioners with mayoral combined authorities, and allow the schools budget for a city region with a combined authority to have funding diverted toward city-wide education priorities.
- **Reward financial innovations**, especially when mayors save central government money or generate additional tax revenue
 - Enable mayors to pilot innovative new financing mechanisms such as land value capture, first through mayoral development corporations, then more widely.
 - Reward mayors' job creation and other outcomes – such as health improvements – through earnback and gain share deals.
- Open up **new income streams for mayors** and assign current taxes to the mayoral combined authority in which they are raised
 - Remove the cap on the business rate supplement, and broaden its scope to fund improvements in the transport network that go beyond physical infrastructure, and encompass economic development more generally.
 - Allow combined authorities to levy a hotel bed tax.
 - Roll out clean air zones, and allow the revenue stream to be spent by the mayor.
 - Assign the aggregates levy to combined authorities (as in Scotland and Wales).
 - Assign the landfill tax to combined authorities (as in Scotland and Wales).
- **Devolve powers over taxation**
 - Give local authorities full control over council tax, lifting restrictions on raises over 2 per cent a year, and committing not to interfere in council tax decisions. Local authorities should also be allowed to introduce new additional council tax bands as they see fit.
 - Give combined authorities the power to set business rate bands for their constituent local authorities.
 - Allow local authorities to charge council tax on unbuilt homes to accelerate building rates.
 - Allow combined authorities to set planning fees for local authorities across their city region.
 - Allow local authorities the power to increase council tax premiums on second homes and empty properties beyond the current limits, to increase the efficient use of property locally.
 - Allow combined authorities to test the use of 'sin taxes' (cigarettes, alcohol, sugar and fat) to deter unhealthy behaviour and invest in public health.

- Devolve the secretary of state's role in approving landlord licensing of greater than 20 per cent to mayors.
- Devolve the secretary of state decision-making powers on workplace parking levies to local authorities⁸.

⁸ Adapted from Raikes 2017

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