

RECLAIMING
OUR REGIONAL
ECONOMIES

Reclaiming our regions

How combined authorities
can help to build more
inclusive local economies

CO-OPERATIVES UK



NEW
ECONOMICS
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Introduction

In 2023 the New Economics Foundation (NEF), the Centre for Local Economic Strategies (CLES), Co-operatives UK and the Centre for Thriving Places (CTP) came together to create the Reclaiming Our Regional Economies (RORE) programme. RORE will operate for five years until 2028, alongside three pilot combined authority areas, to bring communities together with political and institutional leaders to test ideas that help to re-wire and reform their economies, so that they deliver good lives now and for generations to come.

In the first year of our work on RORE we have been able to observe first-hand the triumphs and challenges being faced by combined authorities, communities and their partners. This short paper is our account, based on those observations, of why devolution is necessary and valuable. We discuss the barriers incumbent in our current devolution model and explain how what we are doing in the West Midlands, North East and South Yorkshire will amplify and scale-up the excellent work being done by the Combined Authorities in those areas to create fairer local economies. Finally, we offer some emerging insights as to how national devolution policy could be reformed to facilitate greater progress.

The journey to devolution

Trust in government – arguably the foundation of a functioning democratic system – is in short supply. Every year, at global conferences held in exclusive ski resorts and desert retreats, the global elite chastise themselves over what some describe as a profound crisis in trust since the 2008 global banking crash.¹ Nor is this a historical problem from which we are on the road to recovery – the most recently released ONS stats on trust in the UK showed that just over a quarter of people (27%) trusted in the government, down from 33% the previous year.^{2 3}

What's interesting, though, is that the further from the centre you go, the more trust you find. Polling from Opinium, commissioned for this report, found that the public are more than twice as likely to trust local government than national government to improve their local area, while nearly 40% think that things would have been better in their local area over the last 10 years if local government had more power and resources.⁴ This confirms Ipsos Mori polling on behalf of the Local Government Association, which has consistently found that citizens put

1 Whiting, K. (2024). How can we rebuild trust? 7 quotes from leaders at Davos. World Economic Forum. Retrieved from <https://www.weforum.org/agenda/2024/01/davos-2024-trust-quotes-leaders/>

2 Office for National Statistics. (2023). Trust in government, UK. Retrieved from <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/trustinggovernmentuk/2023>

3 Office for National Statistics. (2022). Trust in government, UK. Retrieved from <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/trustinggovernmentuk/2022#trust-in-government>

4 Polling was conducted by Opinium on behalf of RORE from 10-12 April 2024. The poll sample was 2,098 UK adults, weighted to be nationally and politically representative of the UK adult population by: age x gender x education, region, working status, ethnicity, political attention, 2019 general election vote, and EU referendum vote

more trust in local politicians than our national representatives – the most recent finding that 69% of people expressed trust in local councillors, set against a rather dismal picture of just 10% and 6% who place trust in members of parliament and government ministers respectively.⁵

It's hardly surprising. Local councillors are, largely, just that – local. Living alongside their electorate, they are able to be responsive to their needs because they are not only easier to reach, but also often experience the good and ill of day-to-day life alongside them. Collectively the local politician and citizen have the potential to develop a shared sense of place and, with it, a shared set of goals, aspirations and dreams of what a good life could look like for everyone in their village, suburb, town or city.

And this local power has long been acknowledged at the national level. For at least 20 years there has been recognition that decentralisation is the key to a more even spread of prosperity across the UK. From New Labour's devolution of the Scottish, Welsh and Northern Irish assemblies to the creation of elected mayors under Cameron and Osborne's government, political parties on both sides of the house have recognised the necessity of devolving powers from Westminster.

Regions in action

On the trust front, at least, it seems to be working. A recent survey by the Centre for Cities of people living in the largest mayoral areas found that the majority believed that policy powers in all areas bar healthcare should be held at the local level.⁶ It's easy to see why, too. The practical interventions emerging from combined authorities and their partners are helping to create more inclusive regional economies and build closer links between communities and public institutions.

For example, good, or fair, employment charters are being used to elevate employment standards across the sub-regions and encourage a more equitable distribution of employment opportunities. Building on this practice, the West Midlands Combined Authority, has introduced the Thrive into Work programme which offers one-to-one job finding support to people with health challenges. In the Liverpool City Region, there is Households into Work which is supporting people who are long-term unemployed and who have difficulty finding and sustaining employment.

On housing and transport, the Greater Manchester Combined Authority is in the process of establishing a Good Landlord Charter, to improve the standard of

⁵ Local Government Association. (2023). Polling on resident satisfaction with councils: Round 36. Retrieved from <https://www.local.gov.uk/publications/polling-resident-satisfaction-councils-round-36>

⁶ Lavoie, A.-F., & Swinney, P. (2024). Place over politics: What polling tells us about how successful devolution has been to date. Centre for Cities. Retrieved from <https://www.centreforcities.org/publication/place-over-politics/#there>

renting in the city region, having also become the first conurbation outside London to cap bus fares and help ease the current cost-of-living crisis.

Social economy accelerators have been adopted to create kinder and fairer local economies, encouraging the development of more democratic forms of business ownership such as social enterprises, co-operatives and community business. South Yorkshire Combined Authority piloted the UK's first Ownership Hub promoting worker co-operatives and employee ownership. Most recently, with funding from the Greater Manchester combined authority, Cooperatives UK is in the process of establishing Our Business. This online platform will enable social economy businesses to start and grow by providing training, support and peer connectivity. In addition, the platform will promote social economy products and services to other businesses and public bodies across the sub-region. Crucially, Our Business is being established as a co-operative composed of local public bodies, social businesses and civil society, so that over the long-term, the support ecosystem in Greater Manchester is shaped and delivered through real public-social partnership.

In the North East, the North of Tyne Combined Authority are investing in the creation of three Community Partnerships with a focus on places with high levels of deprivation, low levels of civic action and an under-resourced voluntary, community and social enterprise (VCSE) sector. Co-ordinated by local authorities, but driven by partners from multiple sectors, each Partnership will have access to up to £1.5m to support activities that build social capital, strengthen the VCSE sector and support the community to play a stronger role in shaping and making local decisions.

And in South Yorkshire, the combined authority has used citizens' assemblies to bring together over 100 residents to address how the local response to climate change should be used to build a thriving and sustainable future for its communities.

What are we missing?

All of which is not to say that regional devolution is without its challenges. Indeed, rather than devolution, it is termed by some as delegation because of the relatively limited nature of the powers and resources that combined authorities have.⁷

In part, this is because the process thus far has been underpinned by a system of “deal making”, whereby combined authority areas individually negotiate with Whitehall and the Treasury and, often, end up signing agreements with only some

⁷ Pike, A., Kempton, L., MacKinnon, D., O'Brien, P., & Tomaney, J. (2019). Submission to HCLG Select Committee Inquiry on Progress on Devolution in England: a submission by the centre for Urban and Regional Development Studies (CURDS). Newcastle University. Retrieved from <https://eprints.ncl.ac.uk/260063>

decentralisation of power and resources. A charitable reading of this picture could interpret this outcome – a patchwork of varying but limited powers across the combined authority areas – as rightly reflecting geographical differences in ambition, aspiration and capacity for decentralised governance. But it is important to note these deals are struck between elites behind closed doors, with minimal public participation. A more critical perspective, therefore, argues that what has emerged is an unjust and unequal manifestation of devolved power and resource,⁸ which has implications for democracy.⁹

We must also consider the economic framing of these deals. Shaped by a strong directive from Westminster and the Treasury to boost economic growth,¹⁰ they limit the way in which combined authorities can use their resources to forge economic futures that recognise the individual strengths and aspirations of their regions. If the condition of devolution is to deliver narrow growth targets within a set time period, then this makes it more challenging to justify hardwiring inclusivity into economic development opportunities. Rather than being able to take the time to develop skills levels in the local population, for example, the rush for growth can encourage greater reliance on pulling in labour from other areas to plug any skills gaps. As a result, the opportunity to use employment to improve the fortune of existing local communities is lost and a significant part of the local population is locked out of the proceeds of growth.¹¹

The plight of councils also has implications here. With one in five councils now facing bankruptcy over the next year, local government continues to be hampered by inadequate funding settlements which in turn affects its capacity and ability to long term plan and contribute its resources to inclusive economic development programmes. Who, then, is able to break the mould and plan long-term for economies that reflect the needs of ordinary working people? Excellent work is indeed happening on the combined authority and local government level, as we can see above, but how can this be hardwired into the ethos of economic strategy and, crucially, how can we be sure that these approaches are reflective of what people want and need?

Amplification and scale

Challenges notwithstanding, the working premise of the RORE programme is that English regional devolution should be seen as an opportunity – to bake in

8 Ibid.

9 Bua, A., Lawrence, R., & Vardakoulias, O. (2017). *Understanding Devolution: A Critical Appraisal of the Greater Manchester Devolution Deal*. The New Economics Foundation. Retrieved from https://neweconomics.org/uploads/files/NEF_BULLETIN_DEVO-TO-THE-GMCA_E-version-21.02.pdf

10 O'Brien, P., & Pike, A. (2019). Deal or no deal? Governing urban infrastructure funding and financing in the UK City Deals. *Urban Studies*, 56(7). Retrieved from <https://journals.sagepub.com/doi/abs/10.1177/0042098018757394>

11 Bua, A., Lawrence, R., & Vardakoulias, O. (2017). *Understanding Devolution: A Critical Appraisal of the Greater Manchester Devolution Deal*. The New Economics Foundation. Retrieved from https://neweconomics.org/uploads/files/NEF_BULLETIN_DEVO-TO-THE-GMCA_E-version-21.02.pdf

economic inclusion and the voices of the people to this new level of democratic governance.

For over a year we have been working with combined authorities in three pilot regions to understand what good work is already happening and how it can be scaled and amplified to achieve greater impact. Our four organisations have spent the last year understanding what communities, local authorities and combined authorities would like to do differently to make sure that regional policy making builds better lives for everyone.

In the **West Midlands**, we will build on the region's strong inclusive economy ambitions, to pilot an Ownership Hub to promote the growth of worker co-operatives and employee-owned businesses in the creative and cultural sector, supporting the Combined Authority with their intentions to double the region's social economy. Alongside of this, we will work to develop a community-led approach to employment support in the East Birmingham and the North Solihull Levelling Up Zone and we will explore the economic role of the health sector and the way in which the actions of the Combined Authority could accelerate its impact. We will also work with the Combined Authority to convene networks of large public sector institutions in the region and explore how the evolving devolution arrangements could further develop the economic and social impact of their activity, particularly in relation to their use of land and their spending on goods and services.

In the **North East**, we are engaging with the Combined Authority's inclusive and social economy activity, including working directly with them to embed a wellbeing framework into its programme of work and facilitating its wider use by partners in the region. We are also supporting the Combined Authority's programme of business and financial support for social enterprise and democratic businesses and building alliances with community organisations to understand how Shared Prosperity funding and Levelling Up monies might be used to lever in additional funding to create opportunities and meet need. The team will also be looking at options for more community and public ownership in the housing and transport sectors.

Our work in **South Yorkshire** has been informed by extensive engagement with communities and will focus on facilitating a way for them to co-develop green infrastructure, to address climate change and bring equitable benefits to the regional economy. To do this, we are bringing together a group of people to form the People Led Approaches to Nature and Trees (PLANT) working group. The working group will co-design and test an approach to deliver a community-led policy process and we will also support the Combined Authority with the development of an impact framework that enables it to deliver against its Net Zero ambitions.

What needs to change

All of these projects have immense potential to change life on the ground for people in the West Midlands, the North East and South Yorkshire. But, more importantly, the lessons we hope to learn – about how regional policy can be co-created with communities and about how doing so can shift the dial on embedding a more inclusive approach to economic strategy into our regions – could have greater implications for how we do devolution in this country.

Those lessons could be the key to unlocking a new way of thinking about how we can embrace the opportunity of local trust and use it to build better lives. Instead of innovation and progress having to fight for space in the cracks of mainstream policy approaches, we want to understand what those same approaches would look like if they were to stimulate and drive inclusive and sustainable economic systems where people thrive equitably.

But there are some challenges that cannot be solved at the local level. The shortfalls of the devolution model we have identified above are prescribed by the government at Westminster and, therefore, much needs to be done to address them at that level too. That, too, is part of the role of the RORE - to advocate for national policy changes that would enable more unified action on inclusive and sustainable regional economies.

To this end, our learning to date has highlighted four emerging priority areas that the next government of the UK will need to address.

Fairer funding

The systematic underfunding of local authorities, which predates but has been worsened by austerity, has a knock-on effect for combined authorities and local communities. This needs to be remedied as soon as possible. Without a long-term view on funding, local authorities simply cannot carry out the kind of planning required to support and scale-up the examples of practice we have shared in this paper to reach their full potential. Rather than doling out pots of local based funding, competition-style, it should be allocated and devolved based on need, over a longer time frame.

Broader measures of success

The government at Westminster needs to set broader targets beyond Gross Value Added (GVA) contribution and the narrowness of Green Book appraisals should be reconsidered. A recent report to the Organisation for Economic Co-operation and Development (OECD) proposes that today's primary goals should be environmental sustainability, falling inequality, rising wellbeing and strengthening resilience.¹²

12 OECD. (2020). Beyond Growth: Towards a new economic approach. Retrieved from <https://www.oecd.org/governance/beyond-growth-33a25ba3-en.htm>

These kinds of measures should be taken as a starting point and augmented by local context.

Collaboration for innovation

Combined authorities should be given explicit permission to bring people together to innovate to find new solutions. Whether it's in transport, housing, health, economic development or any other significant area of public policy, regional economies should be encouraged to experiment in bringing together people and communities, involving them in the direct development and delivery of a vision for their areas.

Deeper democracy

We need to see public participation in local policy making. To move towards an economy in which all can flourish, it is vital to create more opportunities for ordinary citizens to shape the economies of the places where they live and work. Local and combined authorities should be allocated specific resources to enable greater public participation – through citizens assemblies, for example – as well as more resource to develop social infrastructure. With the right support, knowhow and tools for democratic ownership, communities can also be empowered to improve their own economic, social and environmental conditions. Similarly, the current process of devolution deals being done behind closed doors is not reflective of the kind of democracy we all wish to see and needs to be reconsidered. Locally elected politicians, including MPs and council leaders, should be able to play a greater role in developing the terms of new devolution settlements.

Conclusion

For over a year now, we've been working to understand what communities, councils and combined authorities can do to build more inclusive regional economies. As our work continues over the next four years we expect to share more insights as our understanding and depth of knowledge in these communities evolves. If you would like to keep up to date with the RORE and all that we are doing, please [get in touch](#).

