The outlook for supporting economic growth and regeneration across the UK

On 30th April 2021, IED Chair Bev Hurley delivered a keynote speech at the Westminster Social Policy Forum on 'Regional inequalities and assessing the Government's levelling up policy framework – priorities, funding mechanisms, implementation, and targeting need across the UK'. The title of her presentation was 'The outlook for supporting economic growth and regeneration across the UK'. Here you can read Bev's speech in full, and within it the IED's perspectives on post-Brexit funding, Shared Prosperity Fund, the future of town centres, social value, and support for businesses.

Good morning everyone. I am delighted to have this opportunity to speak to you today in my capacity as Chair of the Institute of Economic Development, the UK's leading professional body representing economic development and regeneration practitioners working for local and regional communities, and also drawing on my day-to-day role as Chief Executive of the YTKO Group. Both positions are very relevant to this session on the outlook for supporting economic growth and regeneration across the UK, and the context of this seminar on how we address regional inequalities and level up our economy, to which I will also weave in my personal perspective every now and then.

Post-Brexit funding is, of course, a major focus of discussion among economic development professionals. What we know following March's Budget is UK government has committed to at least matching EU receipts through the new Shared Prosperity Fund, reaching on average £1.5 billion a year, with investment from EU Structural Funds continuing to be spent by local areas until 2023. Its long-term vision, to be set out in the Shared Prosperity Fund Investment Framework later this year, is designed to "increase funding for projects that are supporting people and places across the UK, focused on our domestic priorities, growing local economies, and breathing new life into our communities".

What I want to see in that vision is a sharp and clear focus on two or three absolute priorities and needs, accompanied by a long-term commitment to sufficient funding to really target and turn the dial on inequality. Spreading funds across too many areas too thinly is not going to achieve the structural economic changes that are essential if we are serious about not leaving anyone behind. My personal view is that the outlook is gloomy, and it is getting gloomier. We are one of the most unequal economies in the developed world and it is far more complex than London and the South East versus the rest: intra-regional inequalities are frequently as stark.

The levels of inequality within the UK are high and are increasing on almost every measure, be that child poverty, housing, education, mobility, health, wealth and productivity. A third of our citizens live in the 10% most deprived places, where nearly one in four people suffer with a long-term illness, life expectancy on average is 16 years less than those in richer areas, and over a third have no formal qualifications. The proportion of GDP we spend on state education is exceeded by every country apart from Chile. 4.1 million children live in families earning less than 60% of UK median income (£16,380 per annum), yet two thirds of them are in working families. In Blackpool, one in 50 children is cared for by the state.

Pro-tem, and before the Shared Prosperity Fund arrives, we have the UK Community Renewal Fund – an additional £220 million of investment which will "help 100 priority places to pilot imaginative new approaches and programmes that unleash their potential, instil pride, and prepare them to take full advantage of the Shared Prosperity Fund when it launches in 2022". I absolutely welcome the focus on place, and admire the words about unleashing potential and instilling pride, to which I personally would have definitely added increasing ambition and providing hope and self-belief, especially for young people. We have to help them escape from expectation poverty.

But I suspect that given the six-month delivery timeframe, the reality is that a lot of the £220 million will simply be given out as grants in order to get the money out of the door. The community renewal fund is just the latest in a plethora of funds and bidding for these various pots of money, then managing and monitoring them if successful, puts an enormous additional strain on hugely stretched local resources and capacity. Short-term thinking and planning for the levelling up agenda has to be replaced by a single financial commitment and focus that spans generations. I am so frustrated that we are already nearly five years since the Brexit vote and still waiting for the vision of the Shared Prosperity Fund. I am sure there will be an active debate on these topics later on in today's seminar.

Informing this strategic context around funding and policy direction is a recent survey we undertook with IED members on their burning issues and therefore the priorities for our support work. Naturally post-Brexit funding/Shared Prosperity Fund is one of the top five priorities. The others were the future of town centres, Covid-19 economic recovery, regeneration and climate change/environmental issues. We will be getting into the nitty gritty of these topics at our own 'Understanding Building Back Better' conference on 25th-26th May. Our speakers include The Rt Hon Greg Clark, our new patron; The Rt Hon Lord Jim O'Neil; and Miatta Fahnbulleh, Chief Executive of the New Economics Foundation. I warmly invite you to join in the continuing debate.

The first of three aspects I would like to highlight around the outlook for supporting economic growth and regeneration across the UK is the future of town centres, **a challenge that is abundantly clear in all the towns and cities we live in.** Of course, this was happening well before Covid – high street shops are closing, and the pandemic has accelerated trends around online consumption and digital transformation in businesses. Boarded up and vacant shops are a feature of so many town centres. Charities and chippies provide stark visual indicators of the health of our economy and society. In Newmarket, where I live, I think how our high street has several vacant shops and two buildings already being converted into flats. Commercial landlords will undoubtedly use permitted development rights to the full when they cannot lease their shops. Is the daytime commercial economy of our high streets going to be overtaken by the residential and night-time economy?

We cannot rely on a future where people need to go into our towns and cities, we need to create a want for them to go in, and this is at the heart of the challenge for economic development professionals with responsibility for placemaking and placeshaping going forward. A recent paper from David Marlow, CEO of Third Life Economics, for the IED's local economic renewal workstream presented a case for what ‘good’ place-based economic strategy might look like in the shadow of a pandemic.

He wrote that town and city centres need to be redesigned and rebooted in the face of online retail pressures, increased home working, and public health impacts on leisure and other roles towns traditionally played. Housing density, access to parks and green breakout areas, how and where workplaces are organised, have major consequences for future models of successful urban living and the connections between where we live, work and spend our leisure time.

David calls for local leadership who really engage with their residents and businesses, to co-create a strategic plan for their cities, towns and communities for the long run. We have an opportunity to shape how we want the economy to change, especially in respect of the environmental and social challenges we face. Green technologies have a crucial role to play, and from a central and local government perspective, the commitments around climate change are a powerful lever to shape markets that facilitate this positive change to a more sustainable economy. Reconciling net zero goals with the levelling up agenda and economic growth is a key challenge for us all, and especially how this all plays out in our town centres and wider communities. It is a complex and challenging set of issues to which, particularly at local level, we should all have the opportunity and willingness to contribute.

The second aspect I would like to highlight – which I think will resonate with Lord Berkeley, and Stephen Dance speaking later this morning – is the IED's specific work on social value in the construction industry. Construction in its broadest sense is central to placemaking, economic development and UK employment. With the construction sector spend estimated to be £500 billion by the end of this decade, there is both a massive opportunity and a clear responsibility on buyers and suppliers to deliver tangible social impact and outcomes, especially for our disadvantaged and left-behind communities. Social value points have a significant and increasing part in the assessing of multi-million pound public sector tenders.

Our research report, available on the IED website, 'From the Ground Up – Improving the Delivery of Social Value in Construction', found there is much work to be done. There was clear consensus on one of the biggest barriers – the lack of understanding of what social value is and, more specifically, what activities should count. We found numerous examples of what should be seen as normal or internal good business practices being monetised as social value. It was also abundantly clear that substantial improvements need to be made in the monitoring, evaluation, benchmarking and reporting of social value impact – it was impossible to find and share what 'good practice' looks like.

There is no requirement to focus on improving the wellbeing of those who are most disadvantaged, there are a variety of challenges all the way down the supply chain, a fragmented marketplace of different frameworks, tools and models, and for infrastructure projects spanning different geographies, multiple project stakeholders competing for different social value outputs. Finally, almost all social value delivery is focused on outputs, not on outcomes and impact.

There are therefore huge opportunities and requirements for the public sector, industry and government to ensure that every one of those £500 billion construction pounds delivers additional tangible social benefit, and makes a major contribution to our most disadvantaged citizens and left-behind communities. Otherwise this opportunity to turn the dial at local level will be squandered, and social value will become the Emperor's New Clothes.

We made five recommendations to enable an immediate step change in social value procurement, delivery and most importantly, achieve more tangible impact. The significant interest in our research and findings continues to provide the momentum to achieve the most important, the establishment of a Centre of Excellence initially for construction, and then as a lighthouse of learning for other sectors to benefit from. I believe that social value (across all industries and sectors), and climate change/environmental issues, should be embedded as priorities within the government's levelling up policy framework.

The third and final aspect I would like to mention around the outlook for supporting economic growth and regeneration across the UK is the importance of tailored, quality support for businesses. Put simply, who else is going to create the jobs and apprenticeships for the millions of unemployed people we are going to have? This is not just about start-ups or scale-ups, but about our 5.8 million SMEs as a whole, the lifeblood of our economy. It is about improving our dismal business start-up survival rate, increasing resilience, unlocking and accelerating the growth potential in our ambitious businesses, encouraging and upskilling the less ambitious, and improving our poor productivity performance where we are 15% behind the G7 average. Both the challenges and the solutions are so well known.

Permit me to briefly share some findings from an independent economic impact evaluation of the YTKO Group's own public-funded work from 2006-19 and our learnings over that period which we launched in March. This has, I believe, some relevance for the levelling up and place-based agenda.

We are a 40-year-old SME. In 2006, as part of our diversification strategy, we had investigated the publicly-funded business support marketplace, and found it lacked innovation, delivered poor quality and low value for money. So we set out on our 2020 Social Mission. We are enthusiastic supporters of the voluntary and community sector in the UK, who are frequently in the pit face of dealing with the harsh day-to-day reality of our unequal society in our left-behind communities, and particularly during Covid. We launched our mission to show how a private sector approach and expertise, with an ethos focused on making a real impact, but similarly without the profit component, could transform outcomes for government spend.

Of the 30,000 individuals we supported, 47% were previously out of work, 44% in receipt of benefits and over a quarter had no or entry-level qualifications. Many of them lived in areas of high disadvantage. These are the people most in need of effective targeted national policies for the levelling up agenda and for inclusive economic growth. 51% of those clients were female and 20% BAME, compared to national averages of an estimated 23% and 5% respectively.

The evaluation also included our work helping 20,000 businesses to grow and create more than 10,000 new jobs for the UK economy. It concluded that the mission delivered a ‘conservative’ net impact of £282 million GVA, a £362 million triple bottom line impact and a ROI of £10.70 for every £1 invested.

We are incredibly proud of achieving such levels of improved skills, productivity and job creation, playing our tiny part in increasing the competitiveness of the UK economy during the longest period of economic uncertainty in the UK. Our work and approach robustly demonstrates that financial and social exclusion <u>can</u> be overcome, and that everyone can contribute to the levelling up agenda and left-behind places.

Future policy frameworks must be based on and informed by this and other examples of what works at the place and community level. It requires high levels of local leadership, collaboration, accountability and transparency, a willingness to take some risk and be innovative, and appropriate long-term funding and ceding of control by central government.

As a closing remark, I would encourage us all to consider how supporting economic growth and regeneration reflects this critical point: putting inclusive growth at the heart of all public investment. We need to ensure public spend leverages the maximum social, economic and financial return on investment for businesses, for communities and for individuals, and makes a measurable positive difference in tackling our inequalities. This is about improving outcomes by increasing access to, and uptake of, opportunities, removing all barriers to participation, and moving the dial.

It is also about making better efforts to include the excluded – a bottom up and top down approach is needed to build local legitimacy. Without involving those who currently have no voice, how can you understand their needs and experiences, and ensure they are taken into account? Inclusivity has to be mainstreamed, it is not a fringe activity. The left-behind are not ‘hard to reach’ – go where they go, and you will find them. And we <u>all</u> need to step up to the plate and do our part, as individual citizens, as employees and employers.

Thank you for the opportunity to talk to you. I am happy to take a few questions now, and to continue the debate at the IED conference in May where I hope we will meet again.