



APPG inquiry into levelling up

Session 2: Levelling up economic outcomes

Economies that work: creating, retaining and spreading wealth in local communities

Date: Wednesday 13th July 2022

Time: 3.00pm – 4.45pm

Venue: Jubilee Room, Westminster Hall

Expert witnesses:

Peter Tyler, Professor in Urban and Regional Economics, University of Cambridge. Author of foundational research into areas identified as 'left behind'

John Angell, Dover Big Local, instigators of 'Destination Dover' and the Co-Innovation project developing fledgling businesses

Ben Franklin, Director, Centre for Progressive Policy, host of the Inclusive Growth Network

Sacha Romanovitch, CEO, Fair4All Finance and member of the Levelling Up Advisory Council

Anna Bradley-Dorman, resident and community activist, Ramsey Million Big Local, Cambridgeshire, pioneering improved local community access to transport and opportunities

Contents

1. About the Inquiry	1
2. What this session will examine	2
3. Biographies	3
4. Background	4

1. About the inquiry

The Levelling Up White Paper sets out the government's plan to spread opportunity more equally across the UK. But if this national project is to become a reality, transformational improvements will be required in those communities that need them most. This inquiry will assess the likelihood of the government achieving this goal by considering the extent to which the White Paper's policy programme aligns with the needs and aspirations of people who live in the most deprived or 'left behind' neighbourhoods.

The work of the APPG to-date has shown that these areas face unique and intersecting challenges, including low levels of community capacity, depleted civic assets, and poor connectivity, which can reinforce their socio-economic challenges. Sessions will build upon this existing evidence base, with new research, written submissions and expert testimony used to judge the potential of current proposals and their planned implementation to regenerate 'left behind' neighbourhoods across the country.

Each line of inquiry is structured around the levelling up focus areas and medium-term missions. Sessions will consider research measuring current performance in 'left behind' neighbourhoods on these focus areas and missions and identify key issues on which the White Paper is silent or could contain more impactful proposals. On completion of evidence gathering and analysis, the APPG will recommend additional measures to support a long-term, positive programme of change for communities with the most need.

2. What this session will examine

The second session of the APPG's inquiry into levelling up will examine the White Paper's four missions relating to living standards, research and development, transport infrastructure, and digital connectivity. These are grouped together under the levelling up objective of "boosting productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging." This objective will see development of and investment in all capitals, particularly physical and intangible capitals.

Focus area	Mission
<i>Boost productivity, pay, jobs, and living standards by growing the private sector, especially in those places where they are lagging.</i>	
Living standards	Mission 1: By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing.
Research & Development (R&D)	Mission 2: By 2030, domestic public investment in R&D outside the Greater South East (GSE) will increase by at least one third. This additional government funding will seek to leverage at least twice as much private sector investment over the long term to stimulate innovation and productivity growth.
Transport infrastructure	Mission 3: By 2030, local public transport connectivity across the country will be significantly closer to the standards of London, with improved services, simpler fares and integrated ticketing.
Digital connectivity	Mission 4: By 2030, the UK will have nationwide gigabit-capable broadband and 3G coverage, with 5G coverage for the majority of the population.

3. Biographies

Peter Tyler, Professor in Urban and Regional Economics, University of Cambridge

Peter is Emeritus Professor in Urban and Regional Economics in the Department of Land Economy, University of Cambridge and Emeritus Professorial Fellow and former President of St. Catharine's College. He has been Project Director for many major research projects for governments relating to urban and regional development. He has also been an Expert Advisor to the OECD, European Commission and HM Government, including serving on the National Evaluation Panel for Sure Start.

John Angell, Dover Big Local, instigators of 'Destination Dover' and the Co-Innovation project developing fledgling businesses

John is a retail jeweller and has worked in and managed his property and retail business across Kent for fifty years. John was born in Dover and has been active in the local voluntary sector for over 40 years, serving as Chairman of Community Services at the Rotary Club, Chairman of the Dover Town Team and as an active Committee member of Dover 'Big Local' since its inception, helping to run the 'Co-inex' and 'Go Dubris' projects supporting local business and innovation. John has been involved in a successful grant from the Coastal Communities Fund to improve and develop the Dover Market Square area with Dover District Council.

Ben Franklin, Director, Centre for Progressive Policy, host of the Inclusive Growth Network

Before becoming Acting Director, Ben ran the Centre for Progressive Policy's (CPP) original research programme. The CPP hosts the Inclusive Growth Network - an incubator for new ideas that will help deliver change for local communities. Ben was previously Assistant Director of Research and Policy

at the International Longevity Centre, exploring the economic implications of demographic change, and before this undertook economic and policy analysis for the FCA, Chartered Insurance Institute and HM Treasury.

Sacha Romanovitch OBE, CEO, Fair4All Finance and member of the Levelling Up Advisory Council

Sacha is CEO of Fair4All Finance, which has been founded to increase the financial wellbeing of people in vulnerable circumstances through access to fair, affordable and appropriate financial products and services. Sacha is also co-chair of the Inclusive Economy Partnership, co-convened by Cabinet Office and DCMS which brings together government, civil society and business to address big societal challenges. Sacha has a background in driving purpose led change in business through her previous roles as CEO at Grant Thornton and Chair of Access Accountancy. She is on the Levelling Up Advisory Council and is also a non-executive Director at Leapfrog Investments.

Anna Bradley-Dorman, resident and community activist, Ramsey Million Big Local, Cambridgeshire

Having volunteered and worked as part of Big Local in Ramsey, Cambridgeshire, for over 10 years Anna has first-hand knowledge of the Big Local programme and the difference it makes to residents at the hyper-local level. Anna has been a Ramsey Parish resident for over 30 years, raising her family and working in the area as a primary school teacher and latterly as a Big Local worker. In addition to representing Ramsey Million Big Local on committees and working groups at local, regional and national levels, Anna has also brought in additional funding of just under £750,000 and raised the Big Local profile through positive publicity and networking.

4. Background

This section examines the Levelling Up White Paper's policy programme and current performance in 'left behind' neighbourhoods, as well as providing the broader context for existing government initiatives. For further information on the performance of 'left behind' areas across the 12 Levelling Up missions, see the accompanying research commissioned for the APPG and inquiry session 2, 'Missions 1-4: Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging'.¹

Levelling Up Mission 1: Living Standards

The Levelling Up White Paper states that "a well-functioning and productive economy in every part of the UK is essential to levelling up."² The focus is on improving economic outcomes to increase productivity, lift wages, and provide more high-quality jobs across the country in order to raise household outcomes and living standards.³

White Paper Policy Programme

Small and medium-sized enterprise finance

- British Business Bank: £1.6bn in next generation of Regional Investment Funds
- £150m commitment to Regional Angels Programme early-stage equity finance
- Reforms to banking license applications, £425m Capability and Innovation Fund

Unlocking institutional investment

- Asking Local Government Pension Scheme (LGPS) funds to publish plans to increase local investment: aim of up to 5% assets invested in local area projects
- UK Infrastructure Bank to support capacity of local authorities to deliver infrastructure. Co-investment, guarantees and debt, equity and hybrid products
- Consultation on changes to cap for DC pension schemes to unlock investment

- Unlocking globally mobile investment, harnessing UK's independent trade policy
- Freeports; tax interventions (super deduction, Enterprise Zones, R&D tax reliefs); Global Investment Fund; Office for Investment; export strategy and trade policy

Adoption and diffusion

- Innovation Strategy, Help to Grow; technological adoption in business support Manufacturing
- Sector support; Made Smarter Programme; transition to Net Zero policies and opportunities (Carbon Capture, Utilisation and Storage; Hydrogen; Automotive)

Performance in 'left behind' neighbourhoods

Analysis of living standards in 'left behind' neighbourhoods (LBNs) for the APPG shows:

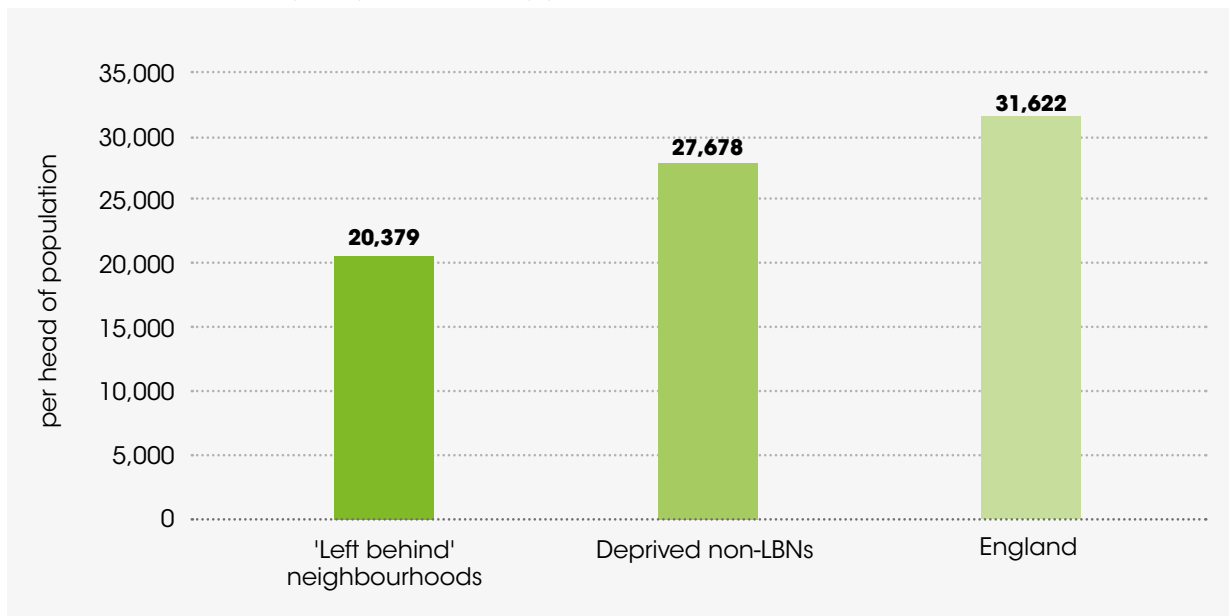
- LBNs have lower levels of economic productivity than other equally deprived areas, both in terms of Gross Value Added per hour worked and per head of the population
- A higher proportion of people living in Local Authority areas containing LBNs (LA-LBNs) are paid below the Living Wage Foundation rate, and all 225 LBNs have a lower proportion of people working in skilled employment compared to the national average
- All 225 LBNs have higher rates of worklessness than the national average
- LBNs have lower household income estimates than the national average across all measures
- LA-LBNs have both a lower proportion of working-age people who are economically active and a higher proportion who are economically inactive compared to other deprived areas and across England as a whole
- There are notably fewer jobs located in the local area, compared to other deprived areas

¹ OCSI, 'Left behind' neighbourhoods: Performance on the 12 Levelling Up Missions, Missions 1-4 (PDF), June 2022

² Levelling Up the United Kingdom (PDF, hereafter 'White Paper'), p.24

³ White Paper Technical Annex, p. 13

Gross Value Added (GVA) per head (£)

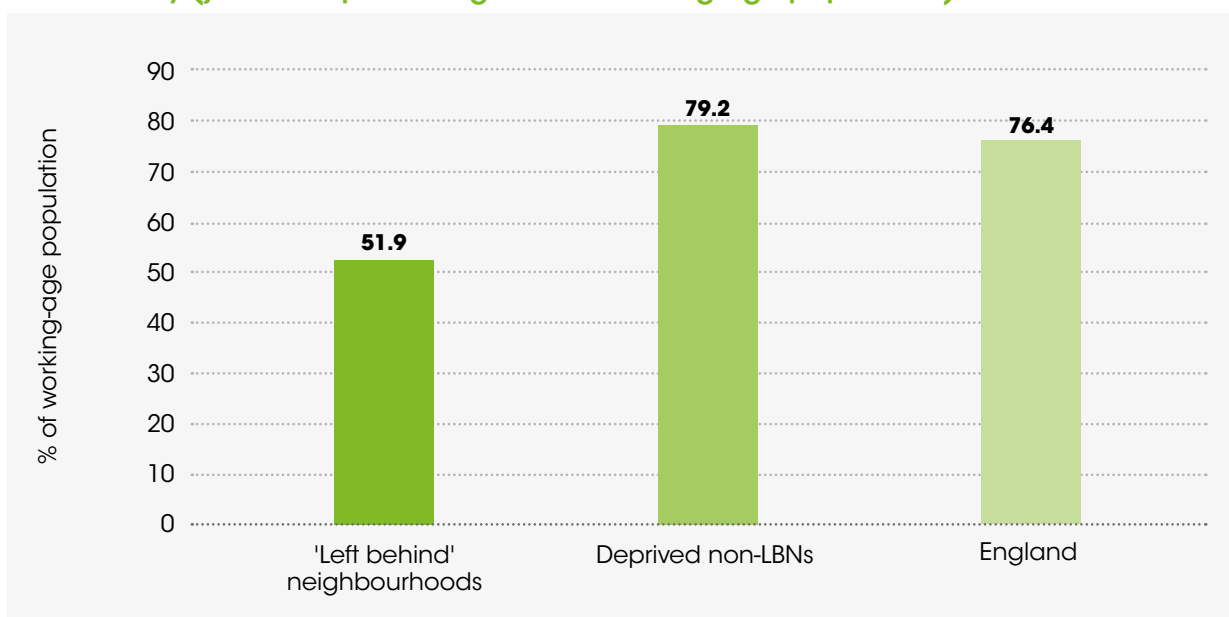


Source: Office for National Statistics (ONS) 2019

Gross median weekly pay in pounds (£)	LA-LBN	LA-other deprived	England
Gross median weekly pay	478.7	491.0	513.8
Gross median weekly pay by place of work	480.6	487.8	509.7
Full-time Gross median weekly pay by residence	572.0	589.0	613.3
Part-time Gross median weekly pay by residence	212.6	212.0	215.1
Male Gross median weekly pay by residence	562.3	572.7	600.8
Female Gross median weekly pay by residence	398.0	412.2	420.8

Source: Office for National Statistics (ONS) 2021

Jobs density (jobs as a percentage of the working age population)



Source: BRES 2020

Pressures from the cost of living crisis on living standards in 'left behind' neighbourhoods

Millions of households across the UK are facing a 'cost of living crisis'; with real disposable incomes falling due to rising inflation and tax pressures.⁴ The Government has announced a £15 billion package of support for those struggling to stretch their incomes to cover the rising cost of living, in addition to the £22 billion announced previously, ranging from the Energy Bills Support Scheme to one off cost of living payments, and the expansion of the Household Support Fund.⁵ An estimated three quarters of the total support package will go to vulnerable households. However, an Institute for Fiscal Studies response to the support package noted that "the flat rate nature of payments to benefits recipients [means] the package is less generous to poor families with children than to those without."⁶

Analysis by the IFS has also indicated that inflation disproportionately affects poorer households.⁷ Based on the share of budgets spent on different broad product groups, the annual inflation rate for the poorest 10% of households was 10.9% in April, compared to 7.9% for the richest 10%. This is likely due to rising energy costs – the driver of recent inflation, making up a greater proportion of overall spending in low-income households.

Research conducted for the APPG for its inquiry has identified that the residents of 'left behind' neighbourhoods are uniquely vulnerable to the current cost-of-living crisis, with households showing the highest rates of financial, food and hardship vulnerability than other deprived areas and the average across England.⁸

APPG research found that people living in LBNs saw an 8.8% rise in fuel poverty between 2011 and 2020, compared to 2.3% across England as a whole. LBNs are often located in areas with a relatively high default tariff cap and have higher levels of pre-paid electricity meters, which can be subject to higher costs. These factors mean LBNs are likely to be particularly affected by the 12% rise in the Ofgem energy price cap in October 2021.⁹

Indicators	'Left behind' neighbourhoods	Deprived non-'left behind' neighbourhoods	England
Financial vulnerability index rank	35,578.0	35,089.9	20,347.2
Food Vulnerability Index Score	274.1	243.3	198.0
Hardship Fund Vulnerability Index Score	189.4	188.7	131.0
Female Gross median weekly pay by residence	398.0	412.2	420.8

Source: British Red Cross, 2020

⁴ The Institute for Government, [Cost of living crisis](#), 1 June 2022

⁵ UK Government, [Cost of living support factsheet](#), 26 May 2022

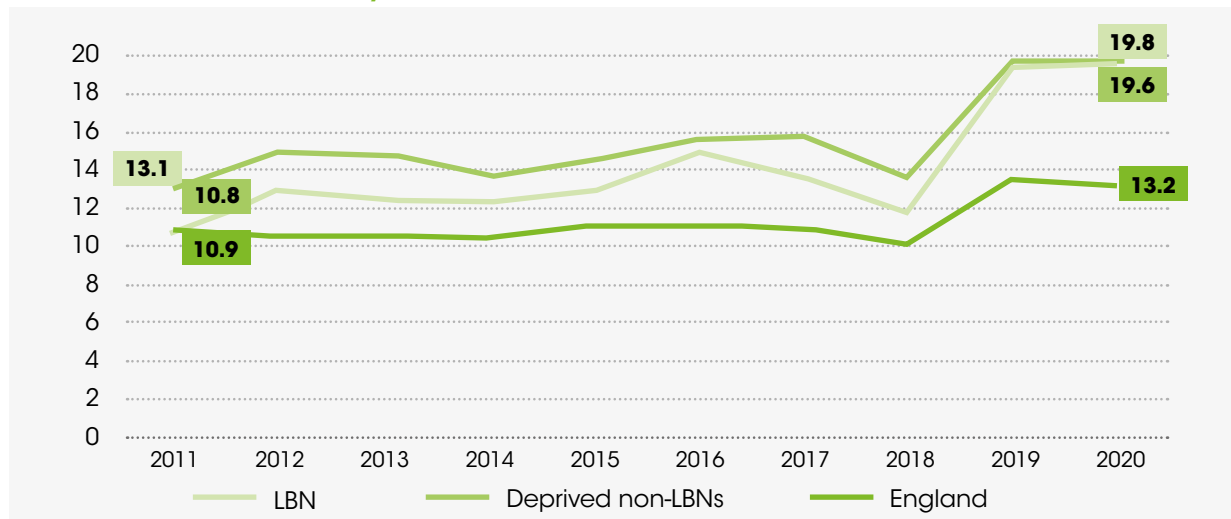
⁶ Adam, S. et al., [IFS response to government cost of living support package](#), Institute for Fiscal Studies, 26 May 2022

⁷ Ibid.

⁸ OCSI, [Financial vulnerability in 'left behind' neighbourhoods](#) (PDF)

⁹ OCSI, [Child maintenance and fuel poverty in 'left behind' neighbourhoods](#) (PDF), May 2022

Households in Fuel Poverty



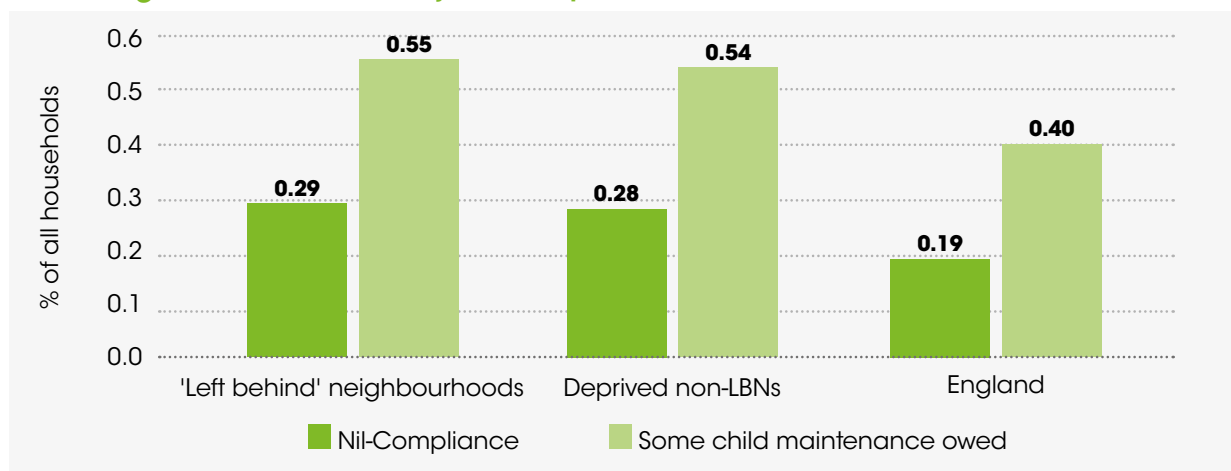
Source: Department for Business, Energy and Industrial Strategy

The cost-of-living crisis in LBNs is compounded by specific factors driving poverty in these areas. People living in 'left behind' areas are more likely to be income deprived (26.7%), higher than other deprived areas (25.9%) and more than double that of England as a whole (12.9%), with children living in 'left behind' areas twice as likely to be experiencing income deprivation (34%) compared to the 17.1% across England.

Academic research has found that for children of single parents, who are both in poverty and not receiving child maintenance, receiving child maintenance

payments would lift them out of poverty in approximately 60% of all cases.¹⁰ A greater proportion of households in LBNs are characterised as lone parent households with dependent children (11.9% compared to the national average of 7.1%). Data from the CMS additionally shows that more children in LBNs live in households with a Child Maintenance Service arrangement (7.7% compared with 6.4% across England) and significantly, that a higher proportion of households in LBNs are in nil compliance (not in receipt of child maintenance) or are owed child maintenance payments.¹¹

Percentage of households subject to unpaid child maintenance



Source: Department for Work and Pensions (DWP) 2021

¹⁰ Gingerbread, *Child Maintenance*, October 2020

¹¹ OCSI, *Child maintenance and fuel poverty in 'left behind' neighbourhoods* (PDF), May 2022

In addition, 'left behind' neighbourhoods record a higher proportion of people facing financial difficulties and higher rates of personal debt than other deprived areas and England (despite lower levels of mortgage debt and small-business debt on average).

Broader policy context

The socio-economic duty

There have been calls for England to introduce a public sector duty to address socio-economic inequalities, using Section 1 of the Equality Act (2010). According to the Equality Trust, this duty would require public bodies "to adopt transparent and effective measures to address the inequalities that result from differences in occupation, education, place or residence or social class."¹² The duty has been implemented in both Scotland and Wales,¹³ as well as Combined Authorities in England.

Build Back Greener

As part of its Net Zero Strategy the Government has committed to raising living standards by supporting jobs and attracting investment in green industries, as well as supporting individuals in high-carbon industries who will be impacted by the transition.¹⁴ Commitments included:

- Supporting up to 440,000 jobs across net zero industries in 2030
- Facilitating a wider pivot to green industries which could support 2 million jobs in green sectors
- Greening existing sectors by working with businesses to grow green industries, supply chains and skills in the UK

Levelling Up Mission 2: Research & Development

The White Paper outlines an aspiration to "deliver economic, social, and cultural benefits from research and innovation to all of our citizens, including by developing research and innovation strengths across the UK in support of levelling up."¹⁵ This is particularly pressing due to a strong regional imbalance, with the South East, East of England and London receiving more than 60% of total R&D expenditure, likely due to the concentration of the knowledge economy around London and the Oxford-Cambridge Arc.¹⁶

Mission 2 aims to make domestic public investment in research and development more equal across the regions of the UK, with BEIS committing to invest at least 55% of its R&D funding outside of the South East by 2024-25.

White Paper policy programme

Build on research and innovation capacity and strategies

- Universities, Public Sector Research Establishments, network of 9 Catapults across 40 locations
- R&D Roadmap, Innovation Strategy, Integrated Review for science and technology

Increase in public R&D spending

- Increased public funding, and increase in share of funding outside GSE
- Support growth of R&D hotspots and greater focus on innovation

BEIS to support research and innovation outside GSE

- Factor levelling up into investment decisions for R&D infrastructure and facilities
- New organisational objective for UKRI to support levelling up across country
- Pilot 3 new Innovation Accelerators, support their development of UK innovation clusters and local consortia

¹² Equality Trust, [Socio-Economic Duty](#)

¹³ Equality and Human Rights Commission, [Evaluating the socio-economic duty in Scotland and Wales](#), March 2021

¹⁴ UK Government, [Net Zero Strategy](#), October 2021

¹⁵ White Paper, p. 205

¹⁶ OCSI, ['Left behind' neighbourhoods: Performance on the 12 Levelling Up Missions](#), Missions 1-4 (PDF), June 2022

National Institute for Health Research (NIHR)

- “Bring clinical and applied research to under-served areas and communities in England with major health needs to reduce health disparities”
- DfT to decarbonize transport
- Defra focus on innovation
- MOD to increase spending outside GSE

Performance in ‘left behind’ neighbourhoods

Analysis of research and development in ‘left behind’ neighbourhoods for the APPG shows:

- LBNs are generally concentrated away from higher levels of R&D expenditure, with only 16% of LBNs located in the three regions with the highest expenditure
- LBNs lag behind other deprived areas and the national average in terms of the presence of private sector businesses and net FDI earnings
- The nine regions with net inward FDI greater than £1 billion contain just 5.3% of LBNs
- LBNs are also disproportionately likely to be located in areas with low levels of business innovation (classified by NUTS2 region)

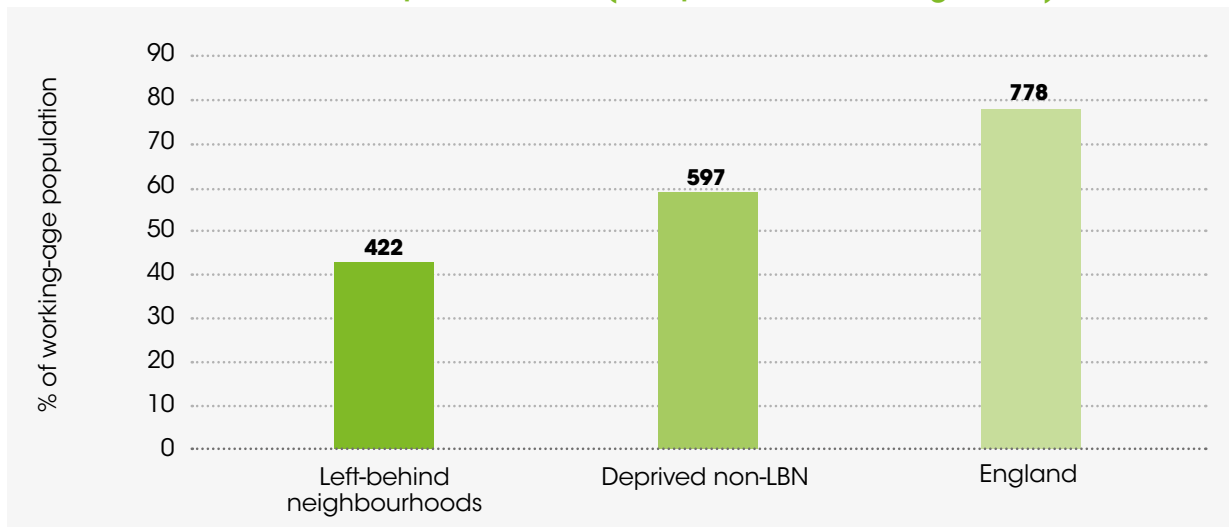
Broader policy context

UK Research and Development Roadmap

In 2021 the Government committed to increasing UK investment in R&D to 2.7% of GDP by 2027 and to increase public funding for R&D to £22 billion by 2024-25. The roadmap acknowledged the crucial role of R&D in building a more resilient, healthier, fairer post-COVID future and included plans to:

- Support entrepreneurs and start-ups and increase the flow of capital into firms carrying out R&D enabling them to scale up, attract and retain talent
- Take greater account of place-based outcomes in R&D focussed decision-making.

VAT based local units in the private sector (rate per 10,000 working adults)



Source: ONS 2021

Levelling Up Mission 3: Transport Infrastructure

The Levelling Up White Paper recognises that transport infrastructure investment has traditionally been directed to places where transport is under the greatest strain as opposed to the least extensive; with 30% of all investment flowing to London, large swathes of England have been left with under-developed transport systems.¹⁷ Mission 3 aims to make public transport connectivity across the UK more equal and closer to the standards in London, by improving services, costs and ticketing.

White Paper policy programme

Local transport

- Increased bus frequencies and reduced fares and new forms of demand-responsive transport to places “not well served by linear bus routes”
- Piloting new Superbus network in Cornwall; bus transformation schemes in Mayoral Combined Authority areas and improvements in other local authorities
- Introduction of contactless ticketing across regional community networks
- Improvements to cycling and walking infrastructure, with new Active Travel England to work with local authorities on detailed design of schemes

Empowering local leaders

- More devolved model of local transport funding through City Region Sustainable Transport Settlements for eight English city-regions to simplify funding landscape
- Greater powers for Local Transport Authorities (LTAs) and plans; offer of multi-year integrated settlements; regional centres of excellence for supporting LTAs
- New partnership agreements with Great British Railways to ensure local input

Connectivity between economic centres

- Reconnection to rail network of towns “left behind by rail closures”, i.e Beeching; opportunities for transport-led regeneration, including HS2

Performance in ‘left behind’ neighbourhoods

The APPG report ‘Connecting communities: improving transport to get ‘left behind’ neighbourhoods back on track’¹⁸ found that:

- 84% of LBNs have worse overall connectivity than the English average and 57% are more disconnected than other deprived areas
- 50% of all railway stations in LBNs were closed by the Beeching cuts in the 1960s
- Communities in LBNs are more dependent on bus services, with 13% more bus journeys per head made in 2019/20
- People in LBNs must travel an average 2km further to an A&E and 34% of LBNs have further travel times by public transport to a hospital than the English average

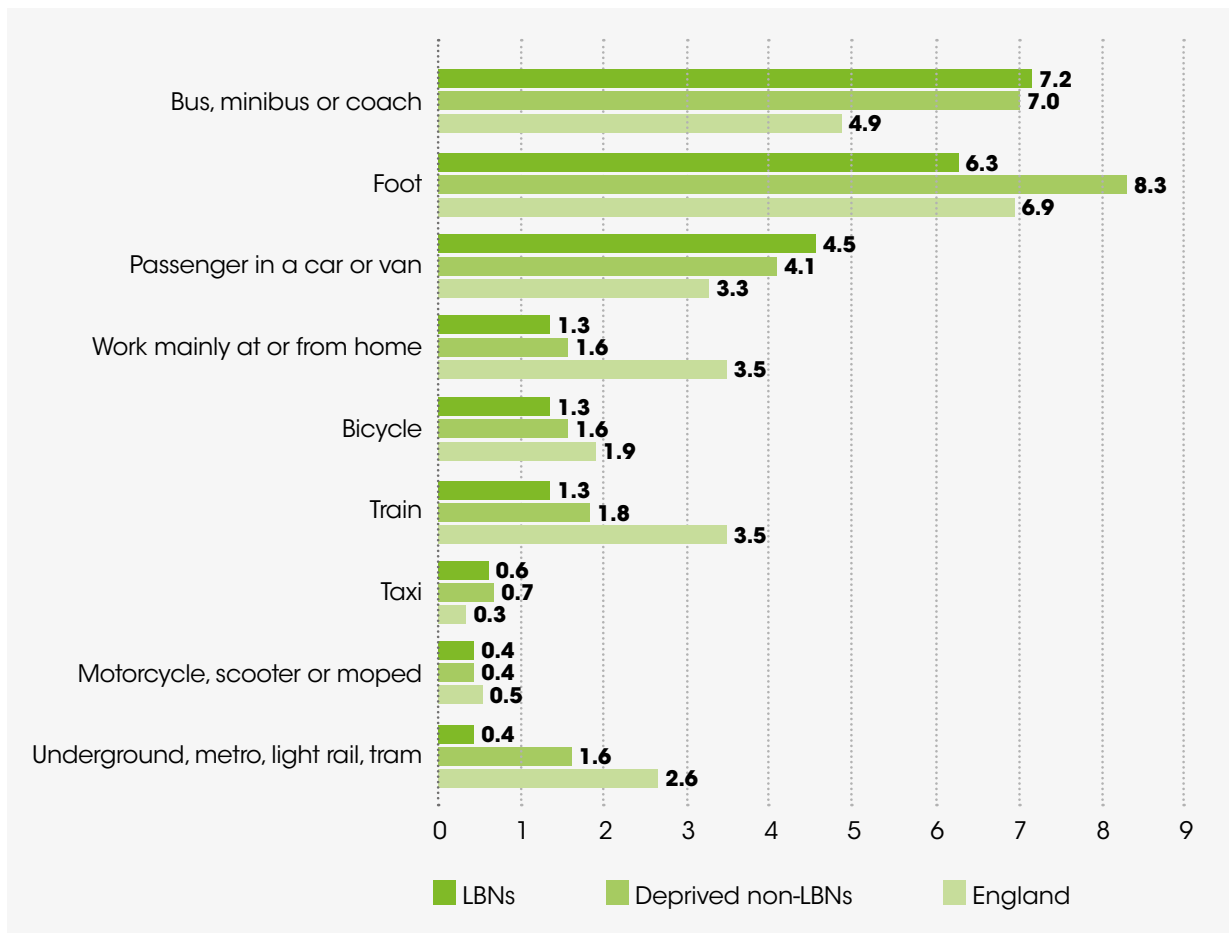
Further analysis of transport infrastructure in ‘left behind’ neighbourhoods shows:

- People living in LBNs are more likely to depend on private transport to access employment, with two-thirds of employees travelling to work in cars, compared to 58.8% in other deprived areas and 62.9% across England
- Less than half as many jobs within one hour travel time by public transport exist in LBNs compared to the average across other deprived areas and England as a whole, which is linked to a lack of available jobs and a lack of transport provision in these areas
- The difficulty of travelling to work for people in LBNs is compounded by low car ownership levels, 39.7% of households don’t own a car, compared to the English average of 25.8%

¹⁷ White Paper, p. 104

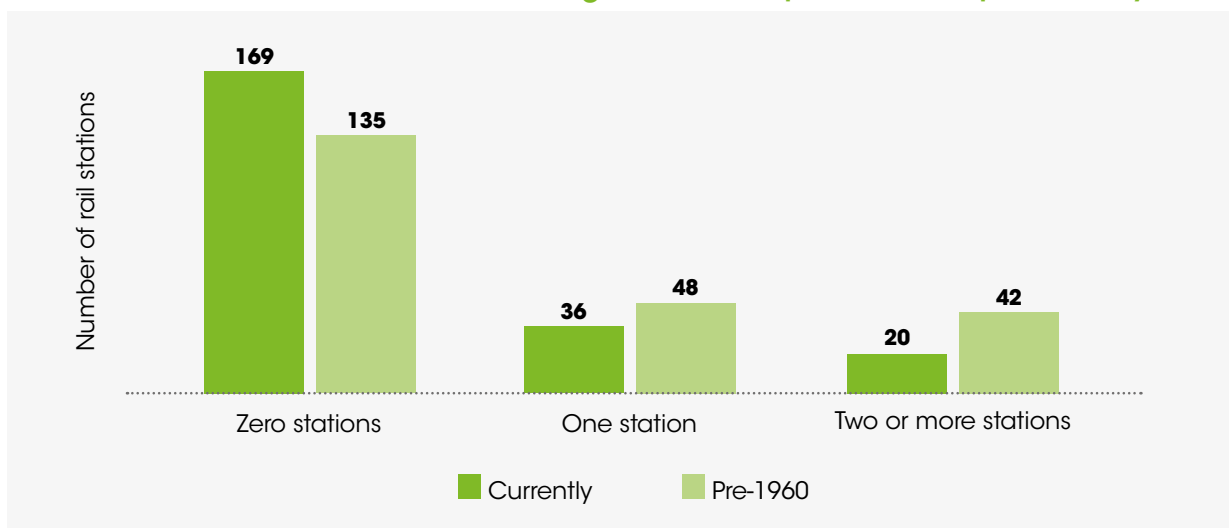
¹⁸ APPG for ‘left behind’ neighbourhoods and the Campaign for Better Transport, [Connecting Communities: improving transport to get ‘left behind’ neighbourhoods back on track](#) (PDF), March 2021

Travelling to work by method



Source: Census 2011

Number of rail stations in 'left behind' neighbourhoods, pre-1960 and present day



Source: Campaign for Better Transport analysis of railway routes and stations using GIS

Average number of jobs available by public transport/walking	LBN	Deprived non-LBN	England
Average jobs within 15 minutes travel time	3,306	7,388	5,957
Average jobs within 30 minutes travel time	24,275	47,946	44,968
Average jobs within 60 minutes travel time	215,287	481,547	518,470
Average jobs within 90 minutes travel time	705,169	1,203,942	1,427,064

Source: UK Onward 2021

Broader policy context

Transport Decarbonisation Plan

In July 2021, the Government published a plan to decarbonise UK transport, committing £2bn to creating additional cycling and walking routes, reshaping the bus networks and accelerating the process of electrifying railways.¹⁹ The plan also pledges to consult on the end of sale of all new, non-zero emission cars by 2040.

National Bus Strategy

In March 2021, the Government published the long-awaited National Bus Strategy, which reforms the way local bus services are planned and delivered. The plan was backed by £3 billion over the course of this parliament. Each Local Transport Authority (LTA) across England has submitted a Bus Service Improvement Plan, totalling a combined funding request of over £7 billion.²⁰

Supporting travel innovations

In 2019 the Government committed £300 million to develop cleaner, greener forms of transport.²¹ The package includes £125 million provided by the Government and £175 million provided by industry co-investment and is designed to support the development of new travel technologies, including flying urban taxis, electric passenger planes and freight-carrying drones.

Five new transport research networks led by the University of Leeds, the University of Durham, Cardiff University and University College London and the University of Birmingham also received a cash injection of £5 million to support their work on technologies for greener fuels and to reduce emissions.

¹⁹ Department for Transport, [Decarbonising Transport: Setting the Challenge](#) (PDF), March 2020

²⁰ Campaign for Better Transport, [The National Bus Strategy one year on](#), March 2022

²¹ UK Government, [PM accelerates towards greener travel with new £300 million investment](#), August 2022

Levelling Up Mission 4: Digital Connectivity

High quality digital infrastructure can drive growth and productivity, as well as improve local labour markets by facilitating remote working. The White Paper recognises that there are spatial disparities in the quality and coverage of broadband and mobile networks, with rural areas significantly worse off.

Mission 4 is intended to introduce national gigabit-capable broadband technology by 2030, providing the majority of the population with access to 5G coverage.

White Paper policy programme

National Infrastructure Strategy

- Public investment to target “premises that are hardest to reach and which would otherwise not be provided for by private sector, ensuring no areas are left behind”

Increasing 4G coverage

- Delivery of Shared Rural Network programme

5G coverage

- Ambition for majority of population to have access to a 5G signal by 2027; 5G Testbeds and Trials to better understand how to use it for new solutions and services

Wireless Infrastructure Strategy

- Review of private sector delivery of wireless infrastructure, including 5G, to determine any market failures and how to address them

Digital Skills

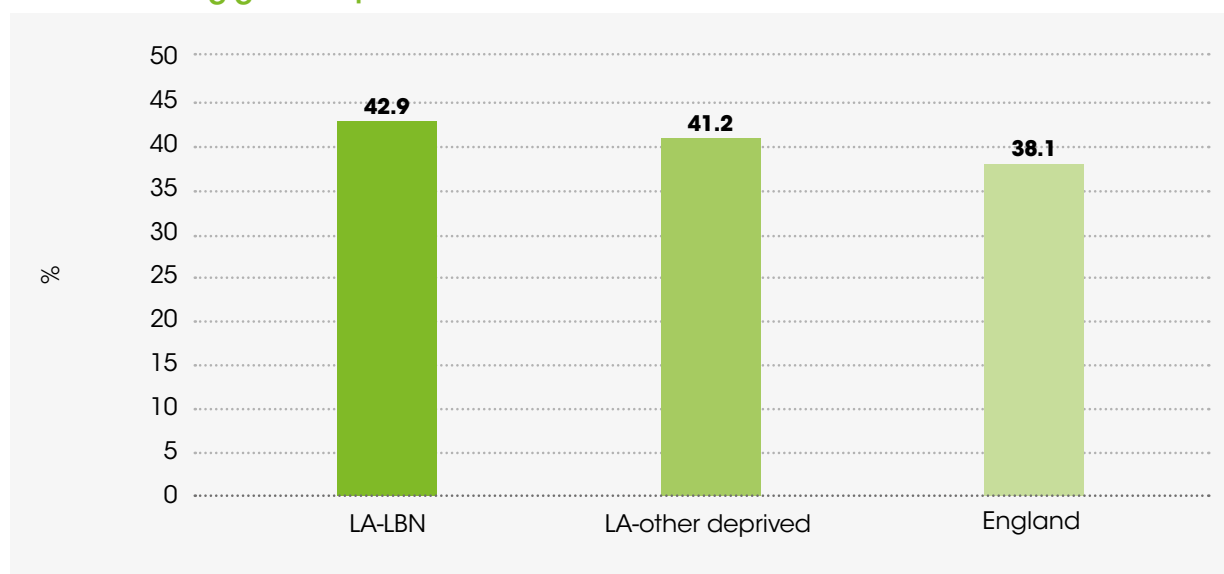
- Digital skills entitlement enabling adults with no/low digital skills access to new digital skills qualifications
- Development of Local Digital Skills partnerships with local leaders

Performance in 'left behind' neighbourhoods

Analysis of digital connectivity in 'left behind' neighbourhoods for the APPG shows:

- The relatively urban location of most LBNs means that broadband speeds and infrastructure are generally on par with the rest of England
- However, a different picture emerges when digital exclusion is considered alongside digital connectivity, with 96% of LBNs having a lower digital connectivity score than the national average

Premises with gigabit capable broadband



Source: Office for National Statistics (ONS) 2021

	LBNs	Deprived non-LBNs	England
Digital Exclusion Index rank	33,049	29,304	19,682

Note: The Digital Exclusion Index brings together information on broadband speed, buying online, managing online current accounts, mobile phone ownership, internet usage and people reacting to the statement "computers confuse me, I will never get used to them". A higher rank on this measure indicates a greater risk of digital exclusion.

Broader policy context

Department for Digital, Culture, Media and Sport's 'No Longer Optional' report

This report found that digital skills are becoming "near-universal requirements for employment", with higher-skilled jobs requiring specific digital skills. It also found that digital skills are listed as a requirement in at least 82% of online job advertisements, with having these skills key to career progression and higher wages.²²

²² Department for Digital, Culture, Media and Sport, [No Longer Optional: Employer Demand for Digital Skills](#) (PDF), June 2019