

## Consultation on ending Pan-Regional Partnership Core Funding

### Response to the Consultation from The UK2070 Commission and The Productivity Institute

#### Context

##### The importance of Core Funding:

1. Government has provided core funding for pan-regional partnerships throughout the current Spending Review period. This has supported six pan-regional partnerships, with £5 million provided in 2022/23, £6 million in 2023/24 and £7 million allocated for 2024/25.<sup>1</sup> This is key to their operation.
2. A major argument in favour of maintaining these pan-regional partnerships is precisely the fact that they are so inexpensive to maintain, and they are still so new. While there is scepticism in many quarters as to the value-added of these arrangements (including amongst mayors of northern mayoral combined authorities), it is essential to recall the fact that they are very recent bodies, most of which were established in the years immediately prior to the covid-19 lockdowns, where face-to-face interactions were largely blocked due to national restrictions. They have had no time to seriously establish themselves. Cutting them would be easy, but short-sighted unless they are to be replaced by something better.
3. As research at The Productivity Institute has made clear<sup>2</sup> a key weakness of the UK economy is an almost total lack of scale-related agglomeration effects outside of the South East of England, and regarding this lack of agglomeration effects, the UK is a unique case amongst OECD countries, The building of agglomeration-related productivity-enhancing scale in human, physical, technological, institutional, knowledge capital arenas as well as in supply-chain and knowledge-diffusion arenas, is central to the UK's national economic growth challenge. Moreover, in the emerging global order of mercantilist and transactional competition between the USA, China and the EU, the need for the UK to build scale-led global regions is critical, and especially more so since the UK has lost so many scale-building possibilities due to Brexit.
4. Pan-regional partnership offer a low-cost pilot agenda for trialling such activities and have not been given the time to prove themselves. In contrast, arguing that if these pan-regional partnerships are really valuable then they can be funded by private-sector initiatives falls into exactly the same trap that Eric Pickles used to justify the dissolution of the RDAs and the creation of LEPs faced, whereby long-term structure and strategy was replaced by short-termism and ad-hoc-ism. Such ad hoc initiatives cannot provide the requisite coordinating platforms for innovation-led governance, unless there are explicit mandates and funding built into the institutions in advance.

---

<sup>1</sup> <https://questions-statements.parliament.uk/written-questions/detail/2024-09-02/3881>

<sup>2</sup> See: <https://www.niesr.ac.uk/wp-content/uploads/2023/01/261-McCann-Productivity-Challenge-of-Levelling-Up.pdf>

### Government's view on the importance of the regional dimension:

5. Although the regional dimension is not explicitly referred to in the PM's recent speech, the Deputy PM stated,  
*"With the regional inequalities people face now, not only will you do better at school and get a better job, and better wages and have a healthier life if you live in the south-east of England. You will also live longer – on average ten years longer - as a man living in Hampshire, near the south coast, than in Blackpool, on the north-west coast."*<sup>3</sup>
6. The consultation on Pan Regional Partnerships should be seen as a part of the Government's Plan for Growth by creating new local strategic institutional capacities. This includes building on and out from the success of the established Combined Authorities and Unitary counties. If these wider reforms are to be successful however it needs to be recognised that wider geographic impacts and interdependencies in terms of the scale of action, and their significance for growth, for example R&D and connectivity.
7. This will require locally driven regional collaborative mechanisms that foster and enhance effective collaboration and strengthen the local capacity for action. Therefore the principle that Government is adopting, of building on and out from what exists where possible, should be adopted in relation to the existing Pan Regional Partnerships. In some cases, existing institutions might need to be reformed rather than abolished. In others, they may need to be built from the ground up. Whatever is appropriate should be decided within the context of the wider package of reforms and not pre-empted prematurely the current proposal for the immediate withdrawal of funding.

### The Importance of the Regional Partnership:

8. In its document Power and Partnership<sup>4</sup>, the PM draws a distinction between regional and sub-regional issues – the latter being referred to as the scale of the Combined Authorities<sup>5</sup>. In this context it stated:  
*"As part of our commitment to partnership working, a Labour government will also look at ways of deepening and enhancing cross-combined authority working on areas like industrial strategy, transport and energy that span across borders and benefit from collaboration and scale."*
9. The currently available material published by government, including the industrial strategy green paper, make no firm commitments in this arena beyond broad and rather vague intentions. There are no concrete suggestions published regarding legal frameworks, fiscal frameworks or resources aimed at encouraging or facilitating such cross-jurisdiction actions. In terms of the scale of sub-central devolved governance in England, at population scale of some 3 million, the largest institutions which are in Greater Manchester and West Midlands are still only at the very smallest end of the OECD-wide range of these bodies, which is between 3m and 7million. The rest of the devolved governance administrations in England are only of the order of less than half of the minimum scale observed across the OECD. Moreover, the vast majority of the jurisdictional boundaries of these bodies display both no co-terminosity and also differ between policy areas.

---

<sup>3</sup> <https://www.gov.uk/government/speeches/deputy-prime-minister-speech-at-the-pontignano-conference>

<sup>4</sup> <https://labour.org.uk/wp-content/uploads/2024/03/Power-and-partnership-Labours-Plan-to-Power-up-Britain.pdf>

<sup>5</sup> E.g. page 21 para 1 of Document

10. These issues have been explicitly mapped by the Data Lab of The Productivity Institute.<sup>6</sup> As such, many of these scale-related issues cannot be addressed simply by the decisions of mayors, who do not have the requisite competences, administrative and jurisdictional boundaries, or technical competences in many different technological arenas. Mayors have competences regarding service design and delivery, but they have few if any, competences, regarding investment attraction. The reason is that the factors determining private-sector investment choices typically traverse the economic geography of multiple sub-central governance jurisdictions, and as such, are inherently beyond the legal or operational remit of individual mayoral authorities. While commuting patterns are appropriate economic geography framings for solving local transport challenges, as well as aspects of educational, social care and health services provision, they are rarely a good guide for framing major investment decision which are based on much larger strategic perspectives.

#### The Proposals for Establishing Regional Councils:

11. Reference has been made in recent letter<sup>7</sup> from the HCLG Minister to PRPs to the establishment of *Regional Councils* as a means of driving collaboration between mayors and their local devolved arrangements. It is not clear yet what these will be, and we await the Devolution Bill to have any insight into these but as expressed, it does not appear that it will address wider strategic geographic relationships.
12. If regional councils are representative bodies broadly along the lines articulated in the *Commission on the Future of the United Kingdom* chaired by Gordon Brown, then these will play an important governance role ensuring that regional issues are treated as national issues. However, these types of bodies of themselves are not necessarily well-equipped to foster or facilitate investment or policy coordination across administrative boundaries and borders aimed at building scale and coordination, unless there are explicit coordinating mechanisms and mandates already built-in to the design of the councils. Otherwise, regional councils could inadvertently lead to the growth of local political and policy fiefdoms, with few, if any, countervailing incentives or powers aimed at fostering cross-jurisdictional scaling-up, unless on an ad hoc basis driven by short-term local political incentives.
13. The regional council set-up is not guaranteed to be an institutional framing which encourages technology and supply-chain coordination aimed at encouraging large-scale investments in economically weaker parts of the UK, unless such mandates and mechanisms are inherent in their design from the outset. Further governance devolution is an essential element of promoting local and regional growth in the UK but fostering cross-jurisdictional pan-regional coordination is essential for building 'global regional' scale.
14. Further evidence for this challenge arises from work at The Productivity Institute which demonstrates that interregional knowledge transmission is not guaranteed unless it is explicitly mandated<sup>8</sup>. Again this underscores the importance of empowering and mandating regional councils to build in such coordinating mechanisms, because without such mandates, knowledge transmission cannot be assumed to move beyond the strongest regions. Maintaining the pan-regional partnerships or replacing them with some institutions which have similar remits while linking to the devolved mayoral combined administrations, would appear to be essential.

---

<sup>6</sup> See: <https://www.productivity.ac.uk/news/devolution-the-importance-of-scale-and-coterminosity/>

<sup>7</sup> <https://bit.ly/4gatEgT>

<sup>8</sup> See: <https://www.productivity.ac.uk/wp-content/uploads/2024/04/WP046-UK-Research-and-Collaborations-300424.pdf>

## The importance of a Regional Perspective: The UK2070 Reports

15. The UK2070 Commission's report '*Make No Little Plans*' and its successor documents and supporting reports have highlighted the importance of the regional dimension. The UK is facing a 'tipping point', particularly from climate and technological changes. This future is not inevitable. How it unfolds will be shaped by the decisions we take about where, when and how government marshals resources and directs investment.
16. A key means for coordinating and reconciling policy in most advanced nations is through explicit national and regional spatial frameworks which:
  - Set out explicit long-term strategic priorities for development linked to budget allocations, e.g. the successors to the regional development funding;
  - Hold together wide-ranging, diverse and multi- agency programmes of action given that these operate at a larger than sub-regional, CA or county level; and
  - Provide the context for, and link to, sub-national spatial frameworks.
17. The current de facto regional policy in the UK can be characterised as giving priority to maintaining London as a global centre for financial and other services. It is not articulated nor is there any forum in which it can be interrogated or influenced. This situation is not only undesirable in principle (i.e. in terms of resilience to major risks such as flooding and terrorist attack by putting all eggs in one basket), but it has also resulted in the failure to meet the stated objectives of all political parties – namely '*a country that works for everyone*'. Those affected by change often feel excluded from having a voice in decisions. This gap needs to be remedied, amongst other things, by regional partnerships.
18. The relationship between national and sub-national planning is key. The long-standing gap in local strategic planning capacity in England is now starting to be filled, This is different from unitarisation the process of moving to a one-tier system of local government and the importance that the geography for strategic planning has to serve the socio-economic functions being planned), to be extended across all of England, for all metropolitan and city regions, and rural counties.
19. Even with unitarisation there will be issues which require a regional framework wider than individual city regions or unitary councils focussed on those matters which can only be, or are best, defined at a regional level, in particular, to cover the metropolitan areas and their functional hinterlands. If they are not, decision making will continue to default to Whitehall. This does not necessarily need another layer of government, but through effective regional arrangements for horizontal and vertical coordination between local and national government and their agencies
20. . This relates to such matters as:
  - Climate Change: Priority actions to respond to the climate change emergency including an indicative renewable energy framework;
  - Competitiveness: The balance between the global role of London and the major cities and economic centres in delivering Industry 4.0 and shift in R&D investment;
  - Core Infrastructure: Investment priorities in the Connectivity Revolution, including transport, energy and digital infrastructure, to all cities, towns and regions;
  - Wellbeing: Priorities for meeting universal standards of services, environmental quality and accessibility for communities at risk;
  - Natural Ecosystems: Priorities to support and harness vital ecosystems and to enhance Green-Blue networks, agricultural productivity and forestry; and
  - Relationship to national decisions and priorities, including issues of national security and resilience.

21. There are however policy areas in which regional collaboration and integration would create added value in terms of effectiveness, efficiency in use of resources and agglomerative impact, and ensure strategic issues are dealt with holistically and not sectorally, with linked spatial frameworks. These are:
- Inter-city connectivity to develop clear 'transport corridors' which cut across local regional boundaries.
  - Innovation, R&D and supply chain development which extend beyond regional geographies and would be nurtured and supported by regional collaboration.
  - Trade relations and inward investment within global markets, where even larger cities are relatively small and is enhanced by pan-regional collaboration.
  - Natural capital management schemes and energy assets cut across regional boundaries where regional co-ordination is essential e.g. estuaries and natural watersheds or with government agencies which operate across wide geographies.
22. There are international examples of the benefit of pan-regional scales of collaboration, as a complement to regional and sub-regional governance structures. In comparison with other similar-sized EU nations, the average spatial area of pan-regional partnership areas are not too different from that of France, Germany or Spain in terms of the range of scales, for example, ranging from the Nordrehin-Westfalen and Bayern in Germany or Ile de France in France to many which are the size of the South West.
23. In the UK a key example of this is the UKRI-funded Strength in Places Fund<sup>9</sup> which is a £316m programme aimed at fostering pan-regional collaboration in key areas of research, technology transfer and commercialisation, in which different programmes are anchored in different parts of the UK, but building pan-regional networks across different parts of the UK. This programme demonstrates the enormous potential and benefits associated with both intra-regional and pan-regional coordination, but only because they are explicitly set up to foster such relationships.

---

<sup>9</sup> See: <https://www.ukri.org/what-we-do/browse-our-areas-of-investment-and-support/strength-in-places-fund/>

## Implications for Proposed withdrawal of Core Funding for the PRPs

24. Without the anchor of core funding, businesses, local authorities, and research institutions would likely experience tangible setbacks. For example, consider a regional manufacturing cluster: it might currently benefit from inter-regional programs that connect suppliers, provide specialized workforce training, and encourage shared research and development efforts. If these coordinating mechanisms lose their financial base, access to broader markets could narrow, innovation might slow, and transportation costs could rise, ultimately undermining the cluster's competitiveness and appeal to investors.
25. Local authorities, without a stable platform for multi-area cooperation, could find it more challenging to implement integrated infrastructure or transport plans. A long-term public transport upgrade designed to link several neighbouring cities, for instance, might lose momentum without pan-regional support. As a result, public service improvements could stall, local economic growth could flatten, and the promise of new investment could dwindle, leaving each authority to navigate vital initiatives largely on its own.
26. Research institutions, especially universities engaged in cross-regional innovation networks, might also be weakened. Collaborative projects in energy storage, sustainable agriculture, or digital connectivity that span multiple regions often depend on shared resources and joint planning (an example is the biotech development between the universities in Manchester and Liverpool and the industries in Cheshire). Without the coordination and funding that pan-regional partnerships provide, research teams may struggle to secure long-term support, hindering the development of transformative technologies. This loss of collaborative capacity would not only limit knowledge exchange and slow the translation of research into commercial and public sector benefits, but it could also deter future investment and reduce the overall vitality of the regions involved.
27. The implications of the proposed withdrawal of core funding are therefore as follows:
  - a. The proposal sends out a damaging message that such scales of collaboration are not seen to be of value. This is contrary to the stated position of the government in other fora, relating to tackling regional inequalities and increasing partnership working.
  - b. The proposal can be seen as throwing out the baby with the bathwater. If the current mechanisms are not seen to be working effectively then the response should be to review and strengthen them.
  - c. The proposal runs the risk of being another example of fragmented governance, if the proposal is part of a more comprehensive approach to devolution. In this case no decision should be taken until the whole framework of institutional arrangement is on the table and the decision can be made in context.
28. In sum, the end of core funding for pan-regional partnerships risks more than administrative inconvenience. It could undercut the very networks that enable regions to pool expertise, plan cohesively, and respond collectively to economic and societal challenges.