

THE CHAMBERLAIN LECTURE

THE CHAMBERLAIN LECTURE 2019 GIVEN BY THE LORD KERSLAKE

BRITAIN IS IN A VERY PERILOUS PLACE - INDEED MORE PERILOUS THAN AT ANY POINT IN MY NOW QUITE LONG WORKING LIFE.

The ostensible reason for this is of course is Brexit, but there are deeper issues involved here. Issues that have been developing slowly but surely over a long period of time and were brought to a head in the EU Referendum and what followed it. They are both economic and social, political and constitutional.

Since stepping down as head of the civil service, I have led and been involved in a wide range of independent commissions and reviews - from devolution to localism, from economic justice to the civic role of universities, from regional imbalances to tackling the housing crisis in London. It has felt to me that in the absence of much creative policy thinking in government to respond to, you had to make your own entertainment!

They have all involved travelling up and down the country and talking to people openly about the issues. Something that it was much harder to do as a senior civil service. Each one of them has given me powerful insights into the deep rooted issues that this country faces and how we might tackle them. I want in my lecture to talk about these insights.

What is clear to me is that a powerful and confident local government should form an essential part of the way forward. Michael Heseltine rightly talked last year about the importance of great leadership and of course Joseph Chamberlain was a shining example of that. But great leadership needs the right conditions if it is to survive and prosper. And for that to be the case we need to make some very radical changes.

But before I come to that, a few words on Brexit. Westminster and Whitehall are completely paralysed by Brexit, which has come to dominate the political and policy landscape in way that I could not have imagined was possible.

And yet, extraordinarily, we are three years on from the EU referendum and still no clearer on the way forward. It has been by common agreement, one of the most fractious periods in the country that anyone can remember.

The think tank, Britain Thinks has tracked the public mood over the last three years.

A few weeks ago, the Observer carried a survey undertaken by them which made for sobering reading.

Deborah Mattinson, an experienced pollster who heads up Britain Thinks said "The country today is as anxious and angry as I have ever known it". Less than six percent believed their politicians understood them. Seventy five percent said that UK politics is not fit for purpose. The conditions could not be riper for the surge in nativist populism that we have seen.

Now, I would like to reassure you all that this Brexit nightmare will soon come to an end. If I did so though, I would be lying. The political career of Theresa May was effectively ended by Brexit. The person most likely to succeed her as Prime Minister on the 22 July is Boris Johnson. Boris has placed at the centre of his campaign the commitment that we will leave the EU on the 31

October, deal or no deal. This is a complete hostage to fortune. I am more likely to climb the north face of the Eiger without the use of mountaineering equipment than he is to secure a significant renegotiation of the deal with the EU by the 31 October. At the same time Parliament has been clear, rightly in my view, that it will not countenance leaving the EU without a deal.

It is always a good maxim in politics not to enter a room unless you know that you can get out of it. Boris Johnson has not only entered the room but he has put on the straight jacket, padlocked the door and started the tap running. I should say that I worked with Boris on housing when he was the Mayor of London. I don't recall him having read any of the papers that I produced but he picked up the issues quickly and was good to work with. My strongest memory though of Boris though was something he said in jest after one his self inflicted mishaps. He said "Just remember out of every disaster comes an opportunity". He then paused and said "or in my case an opportunity for another disaster!" Boris, as PM may just be another an opportunity for another disaster.

However if we can bear to tear ourselves away from the daily psychodrama that is Brexit and rise above the clouds to look at the bigger forces that will affect Britain in the future, we can see ahead a 'decade of disruption' as the IPPR Commission on Economic Justice described it.

The Commission identifies three major drivers apart from Brexit. Firstly, globalisation and the continued shift of production east and south. The growing economic power of China and the development of urban middle class in Asia and Africa will shift trade towards emerging markets. Britain already has a worryingly large trade deficit. It will need to radically improve its competitiveness if this is not to further deteriorate.

Secondly, the demographic changes we face. By 2030, the UK population is projected to reach 70 million, exceeding that of France. Equally important, we will be more diverse and older. The working population (up to 65) will grow by just 1.4% whereas those over 75 will grow by more than a third. Of itself, this is not of course bad news. We should all be happy with people living longer. But we know that health expectancy does not match life expectancy and that particularly in deprived communities, people face a long period with long term limiting illnesses.

Thirdly in the list of big drivers comes the new wave of technological change of the fourth industrial revolution as some have called. This will radically change the patterns of work and the way in which wealth is

produced. Properly managed it could be a powerful driver of greater prosperity and wellbeing. But it could also dramatically increase inequality and division.

Fourthly and finally, the challenge of climate change and environmental degradation.

Without urgent action we could face a wave of catastrophic change. Theresa May has proposed that we commit to net zero emissions by 2050, a target that I would support. But we have barely begun to come to terms with the scale of change in our lives that it will take to achieve this.

These huge disrupters - globalisation, an ageing population, automation and environmental degradation - will affect all developed countries. These are shared challenges. But there are also some deep rooted and long standing issues in the UK that will make our ability to respond to these disrupters much more difficult.

The first of these is the significant structural weaknesses in the UK economy.

There are some undoubted strengths, for example our high levels of employment and some global success stories such as our creative industries. But we also have low investment, low productivity, until very recently wage stagnation, pressures on public services, enormous inequalities and poverty.

The Commission on Economic Justice argued strongly that we should aim for both prosperity and justice and called for a fundamental rethink in the way that our economy works. The final report set out a 10 part plan on how this could be delivered. The tenth of these ten parts was to create a new economic constitution to tackle our regional imbalances.

This is the second distinctive challenge of the UK that I want to highlight. A month ago, the UK 2070 Commission, of which I am chair, published its First Report. The UK 2070 Commission is an independent review of the deep rooted spatial inequalities in this country. It is consciously long game, looking back 50 years and forward 50 years. Hence the title. But it will of course want to make recommendations for the here and now.

The commission is made up of senior representatives from local government, business, academia and the policy world. We are supported by three universities, Manchester, Sheffield and UCL as well as the Lincoln Institute of Land Policy from the US. The conclusions of our report make sobering reading.

Firstly, on a comparison of the UK with 30 OECD countries across a broad range of 28 indicators, the UK comes 28th in terms of interregional inequalities. This is Eurovision Song Contest levels of performance!

Secondly, despite the efforts of successive governments of tackle this gap and the undoubted successes in individual places, it has grown wider. There has in effect been a decoupling of the London economy from the rest of the UK.

And thirdly, unless we take decisive action this gap will continue to grow with London and the wider South East taking over 50% of the jobs growth whilst constituting only 37% of the population.

The impact of these acute and growing economic spatial disparities is threefold:

- **Firstly**, it means that we are not taking full advantage of the economic opportunities that those parts of the UK have to offer.
- **Secondly**, it creates an imbalance of wealth and opportunity that in turn creates division. A poor child in Hackney is three times more likely to go to university as a similarly disadvantaged child in Hartlepool.
- **Thirdly**, it creates enormous pressures in terms of population growth, housing affordability, an overloaded infrastructure and the environment on the economically performing parts of the country.

IN SHORT, NOBODY WINS.

Our report does not pull its punches about the underpowered, fragmented and short term policies of successive governments.

It is certainly not a counsel of despair though. We cite the example of Germany, which started from a much worse place on reunification but has made considerable progress towards creating a single country.

By contrast, the UK is now more interregionally unequal than Germany was in 1995, in the immediate aftermath of reunification. Germany has taken two countries and by a conscious effort has moved towards becoming one. We have taken one country and are moving towards becoming many.

In our report we put forward four major programmes for action:

- Much greater devolution of powers and funding.
- Harnessing both the new and the local economies.
- It must be about Grimsby as well as Graphene.
- Aligning our ambitions through a National Spatial Framework and
- Establishing a substantial UK Renewal Fund of £250bn, to be invested over twenty five years in rebalancing.

The reaction to our report and particularly the comparison with Germany, has been considerable. On the..., 32 regional newspaper titles in the North all ran powerful front page stories calling for an end to the North South divide. The Financial Times ran an editorial supporting the general thrust of our report but calling

the reference to Germany 'provocative'. Provocative it may be but it also happens to be true.

I want this evening to focus then on the first of these programmes for action, the devolution of powers and funding.

It can't just be a coincidence that as well as being one of the developed world's most unequal countries we are also one of the most centralised. This is the third way in which the UK is distinctively different.

Whilst we have in recent years had some welcome devolution through the devolution deals linked to the creation of mayors, this approach has now definitively run out of road. We now need a more comprehensive and less piecemeal approach that goes much further than previous governments have been willing to contemplate. Greater devolution needs to happen to both Mayors of combined authorities and local government generally.

Lord Heseltine has been commissioned to do a report on greater powers and funding for mayors and I look forward to seeing that in the near future. However, whilst I strongly support the creation of mayors for some places, they are not the right answer everywhere.

Greater devolution should be linked to what benefits it can deliver for local communities not to an imposed mayoral model. Whilst I don't think mayors are right for everywhere, I do think that single tier unitary local government is. Indeed I think it is very hard to make a strengthened economic role work effectively in two tier areas. I don't know any area that has moved to

unitary local government that has regretted the change. An agenda for a genuinely reforming agenda for local government would finish the job.

In our first 2070 report we also support the creation of trans regional or provincial bodies in England to take the bigger decisions on infrastructure and the other issues that can only sensibly be addressed at this scale. North, Midlands, South East, South West are the suggested areas but there are other permutations. This is potentially controversial.

A return to the Regional Development Agencies.

We are seeking views ahead of the second report. But unless you want to leave these decisions to central government, to my mind there is no alternative. This does not need to be another directly elected tier of government but they must be local led.

On the agenda of greater devolution and sharing

[to add moving to PR for central and local government, reinvigorating localism, sorting local government finance, devolved nations, the vital role of local government in delivering post Brexit renewal, reform of the house of lords]

of power it is really important to say that it would benefit central government as much as it would local government.

They would be freed up to do the large scale, long term, strategic things that only central government can do.

It was clear to me when I was Head of the Civil Service that we currently have an overloaded centre and a disempowered places. We need to reverse that. And I'm convinced central government decisions would be better if they were genuinely taken in collaboration with a more powerful and respected local authorities.

Does anybody doubt that some of the grievous problems that we have had on NHS Reform and Universal Credit could have been avoided with greater local government input?

Moving beyond devolution, there are some other big constitutional issues that need to be addressed.

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Our purpose is to use the power of communications to make a better world. And making a better world - through improved community outcomes and local economic growth - is at the heart of local government as well. So it is fantastic to have the opportunity to co-host this Chamberlain Lecture, looking at the progress made with devolution and growth at a local level.



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