


# Peripheral Vision: Reimagining Regional Policy for a Greener Union

REPORT



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# Executive Summary

In December 2020 Cornwall Council and the University of Exeter co-convoked an online videoconference which brought together academics, policy makers, and industry to discuss and develop a new agenda for sustainable economic development in peripheral regions.

The event sought to re-frame the debate on regional policy in the UK, outlining the specific challenges and opportunities for building sustainable green growth in the periphery. It also aimed to identify the shared priorities amongst academics and policy makers around which new partnerships could be formed. The purpose of the event was to establish a new generation of thinking on spatial policy where the periphery is concerned, outlining the tools, strategies, and resources needed for peripheral regions to harness their full political and economic potential.

In terms of peripheral economic development, the conference highlighted important questions around unlocking and capturing new high growth trajectories. Speakers highlighted the importance of recognising the indigenous asset bases of peripheral regions, establishing an enabling environment that stimulates new paths of growth. Fostering development and regional resilience requires patient long term approach to enable success beyond short term election cycles. Key to developing resilience is building up and supporting natural, financial, social, and human capital to better prepare a region for risk.

The event stressed the importance of sustainability and resilience in the context of our natural resources. Our economic and social wellbeing is underpinned by a healthy natural environment that provides a range of direct and indirect services which support our way of life. Natural capital also represents a wealth of untapped opportunities for establishing new regional path trajectories. Overexploitation of the ecosystem services that nature provides may lead to irreversible damage and so it is crucial our current consumption does not exceed nature's natural limits and preserves them for future generations. It is also pivotal to communicate more widely to citizens, councils, government, and industry, highlighting the extent to which the economy and social wellbeing depend on the services nature provide and the beneficial opportunities for investing into our natural capital. Thinking green has enormous monetary potential and it is vital that environmental considerations are a fundamental pillar of policy within government and council strategies, not merely treated as an afterthought.

**Cornwall Council** has demonstrated the positive outcomes rural regions can achieve with gains in local control. However, peripheral areas remain restrained without true subsidiary of powers and funding to elicit change. The conference highlighted the disappointing progress of the devolution project and its failure to bring meaningful empowerment to local authorities. Discussions stressed how devolution is largely focused on metropolitan areas, neglecting rural and coastal communities, with significant variation in terms of the resources and responsibility passed down. It is essential that devolution encompasses the whole of the nation, offering a new framework for financial freedom beyond central control.

▶ Thinking green has enormous monetary potential and it is vital that environmental considerations are a fundamental pillar of policy within government and council strategies, not merely treated as an afterthought.





# Key Findings

▷ Local areas require the transfer of meaningful power in order to affect change, not just the transfer of responsibility.

## Development paths and natural capital

### Retain value locally

Political strategy for peripheral regions must ensure the spectrum of value from new activities is captured and retained locally. In the context of natural capital, policy must remain mindful of how resource extraction may be undertaken in destructive ways in the interests of national or global firms from outside the region, presenting challenges in asserting local control over the resources and profits. However, policy makers must also consider the benefits outside firms may offer in terms of investment, employment and stimulating growth along new regional development path trajectories.

Whether seeking to diversify the industrial activities of current firms, or bringing in experienced external companies, the key principle must centre upon the regional value retention of profits and resources so cycles of uneven development are not reproduced.

### Enable local actors

The road to net zero will require substantial structural changes to our society and it is vital the public are part of the decision making process moving forward. Levelling up, especially in the context of investing in our natural capital, must be led by local actors who experience first-hand the inequalities of their regions and understand what resources, mechanisms, and strategies are required.

Empowering local actors with a stronger voice and fostering trusting partnerships between government, industry, and local communities will lead to more harmonious and sustainable climate change solutions in the long term. A coherent framework which enables local actors also requires transparency. Successful collaboration must ensure decisions do not just include a comprehensive assessment of the social and environmental impacts, but that these impacts are made widely available to the local populations.

## Devolution and local capacity

### Develop a roadmap for devolution

Central Government needs to establish a longer term vision for devolution. This vision need to provide all regions with an equal opportunity to access the necessary devolved powers, funding, and resources to act on climate change and invest in their indigenous natural capital. The framework should be delivered with direct involvement of local leaders, enabling them to plan for the long term and have ambitious action met with the skills, capacity, and resources required. For local authorities, a culture of collaboration should be fostered, lobbying together and agreeing the commitments they can individually or collectively make.

Equally, central government must begin conceptualising devolution as a process rather than an event. This involves accepting that true subsidiarity will offer fresh dynamics of governance at the local level that will have a positive impact on the nation's path to decarbonising and investing in our natural capital.

### Transfer meaningful power

In order for devolution to be effective, subsidiarity must be the core principle around which the restructuring of governance is established. Local areas require the transfer of meaningful power in order to affect change, not just the transfer of responsibility.

Real subsidiarity will enable local areas to co-establish their own development paths in accordance with their own visions and capabilities. Crucial to meaningful subsidiarity is a flexible approach from central government, respecting that different regions have different institutional capacities and should be given the time to approach a full programme of devolution at their own pace.



▷ Britain's Leading Edge seeks to reframe the debate around city-weighted funding decisions and provide a powerful new voice for peripheral regions.

**Britain's Leading Edge** is a new initiative uniquely placed to answer many of these questions. A collaboration of 12 upper tier local authorities, **Britain's Leading Edge** seeks to reframe the debate around city-weighted funding decisions and provide a powerful new voice for peripheral regions. Taking a critical view of central government's narrow approach to place leadership and emphasis on cities, **Britain's Leading Edge** seeks to highlight the impact of historic funding decisions which have exacerbated the social and economic challenges facing many rural and coastal regions on the periphery. Yet due to their largely rural makeup, **Britain's Leading Edge** regions are rich in natural capital. In terms of clean renewable energy, **Britain's Leading Edge** offer secure supplies which will provided an essential component of a national move towards a decarbonised society.

As such, this event was an opportunity look beyond already established models of regional development, reimagining new spatially balanced policy solutions where the periphery is concerned. The conference drew on the work already done by the **UK2070 Commission, Natural Capital Committee, Britain's Leading Edge** and others, pulling together these key ideas into innovative solutions that work for peripheral areas. The conference also sought to challenge the narrative around the value of the periphery, highlighting the distinct issues faced by these areas as well as showcasing what peripheral areas have to offer to both the local and national economy. The following report articulates the key findings from the event, setting out the key challenges ahead for harnessing the natural asset bases of regions on the periphery.

# Peripheral Development

Within the context of economic geography, evolutionary path dependency offers a nuanced understanding of local and regional growth.

In terms of economic development, the past or present assets of a place shape its capacity to develop new paths of growth for the future. High growth regions are often more successful in diversifying to generate new market opportunities due to their advanced adaptive capacity, sustained through more progressive systems of R&D, finance, and innovation. Conversely, regions that lack an adaptive capacity are often characterised as being 'locked in' to certain sectors which are either declining, or lack a robust asset base. A challenge for peripheral regions is often the 'latent' nature of their assets bases which have yet to be capitalised. For policy makers this raises important questions around unlocking and capturing new high growth trajectories, harnessing the indigenous asset bases of peripheral regions. A key consideration moving forward involves creating an enabling environment, determining what mechanisms and actors are required to stimulate new paths of growth.

Central to effective regional development policy involves the retention of value within the region itself. For structurally weaker regions lacking

indigenous finance, and innovation, there is often a reliance on networks outside the region in order to establish a foothold. Peripheral regions are often dominated by SME's with few agglomerations of innovation activity, so there is a higher requirement to seek out alternative investment networks outside of the region. In attracting inward investment to connect with indigenous assets, the risks include the HQ and high level jobs, often being located outside the area and subsequently transferring value away. However, these risks can be mitigated by utilising locally based firms, diversifying the indigenous activities and decoupling from some of the wider national and international networks through which regional power and value often leaks. For Cornwall, lithium is rising on the agenda as a potentially new source of economic activity. It is therefore imperative that the coalition of leadership works to seize this profitable new economic opportunity for the region and include all the stages of value capture to ensure the money is not taken elsewhere and cycles of uneven development are not reproduced.

## Understand the context and challenges ahead

A major gap in political thought thus far lies in translating the distinct challenges peripheral regions face into sustainable policy solutions. Policy making has long been spatially blind where the periphery is concerned; convoluted often by the application of the term 'rural' which is often used interchangeably with 'periphery' to obscure the unique challenges affecting peripheral areas. A key feature of peripheral areas is their abundance of natural capital. In light of the UK's ambition to achieve net zero emissions by 2050, securing the nation's natural capital resources will play a central role in underpinning the transition towards more sustainable forms of green economic development.

**The Natural Capital Committee** have highlighted the enormous value of natural capital when managed correctly, leading to welfare and growth that runs alongside its role as an essential component of life sustaining ecosystem services. As such, it is right to now explore how the abundance of natural capital present in peripheral areas can be utilised to not just to promote national GDP or achieve emissions targets, but to act as the foundation for constructing a regional advantage. Moreover, in the context of sustainable development, many questions remain as to whether peripheral regions have the capacity, infrastructure, knowledge networks, investment and strategy to build resilience and sustainable growth through their abundance of natural capital.

Natural assets are distinct from people and organisations in that they are geographical fixed, thus proximity is an important factor. With many natural assets being either the reserve property of the state, or under strict regulatory supervision enforced by the state, harnessing and valorising these natural assets requires a mediation by the state in some form. However key questions remain as who has the strategic agency and vision to valorise our natural assets, and where the finances and resources to harness them should come from. Firms have a critical role to play, but the mechanisms by which these activities are conducted affect the propensity of the region to capture value. For example, can the harnessing of natural assets be undertaken by local firms that have successfully managed to diversify from their current activities? Or, should natural assets be placed in the hands of firms outside the region, or outside the country, offering investment, employment, expertise and growth? These choices need to be made and hold significant implications for the regional development trajectory paths which follow.

What is considered sound economic policy and what is good environmental practice are not mutually exclusive. Rather, green solutions to regional problems are effective in both generating new jobs and income, while also producing numerous health and wellbeing benefits. For example, the LGA has estimated that around 700,000 jobs could be created by 2030 through the renewable energy and low carbon economy. In turn, the CBI are calling for the UK to capitalise on their scientific expertise and ambition to become a world leader in green projects, specifically hydrogen and carbon capture. It is critical that this mutually beneficial relationship between the economic and green is communicated more widely to industry, councils, and citizens. Moreover it crucial that environmental issues become embedded into council strategy as a fundamental pillar of policy, rather than treated as an afterthought.

## Cumbria and the borderlands

Cumbria is an example where environmental thinking is connected to governance strategy at both a county and district level, with South Lakeland aiming to become carbon neutral by 2030 and providing carbon literacy for its 60 officers.

The **Zero Carbon Cumbria Partnership** recently secured £2.5 million worth of national lottery funding to finance a cross-county climate action work programme across all sectors for the next five years. The bulk of the funding will go towards working with community groups to make Cumbria the first carbon-neutral county in the UK. Moreover, last year saw the introduction of the **Borderlands Inclusive Growth Deal**, signed by both the UK and Scottish government and worth £550 million. The deal marked the establishment of The Borderlands Partnership which brought together a collaboration of five cross-border local authorities working together to promote economic growth on the English-Scottish border, and to make the region more attractive to visitors, residents, and inward investors. Crucially, £31 million of the deal has been set aside for investment in green energy projects.

## Offshore wind: The North East and the Humber

Key questions surround the offshore wind industry in the UK and its potential in leading to new paths of growth for peripheral regions. The UK's shallow waters and favourable wind speeds are valuable natural assets; for those regions in close proximity to wind farms, path creation opportunities have begun to open up. In a policy exercise the previous **RDA One NorthEast** mapped out the historical context, infrastructure assets, and industrial skills base of the regions, forecasting what new market opportunities there were and linking the two together. Offshore wind was identified as a promising emerging market opportunity where the required skills and infrastructure linked well with the region's historic maritime industry and shipyards. As such, many regional examples of offshore wind in the North East are rooted in old industrial port cities. Challenges to the industrial restructuring around offshore wind were initially focused on persuading investors to move the value added functions to the UK, from places in Europe where the industrial structures already existed. For the North East, this meant starting from an already weak position in attempting to establish a foothold and a new path of growth in an industry that had already developed elsewhere.

The advantage for the Humber region was its geographical proximity in nautical miles to where the large offshore wind farms were to be, thus becoming attractive to investors. The Humber differed from the North East in that regional involvement with the offshore wind sector occurred as a reaction to a burgeoning market in close proximity, as opposed to the high value added approach to path creation planned by the North East. However, the jobs that came to the Humber tended to be around operations and maintenance, with the high value engineering jobs being retained in Europe. In terms of value capture therefore, it is imperative that new path creations receive comprehensive government support in terms of procurement and supply chain plans, ensuring a certain percentage of the value is captured and retained locally. For offshore wind farms, vertical forms of governance and policy, especially around sector deals, are critically important. At the national level this involves embedding into these sector deals with a geographical footprint to ascertain the nodes through which resources and funding can be funnelled down.



## National policy alignment

In peripheral regions the state often has a more prominent role to play than in more central and urbanised areas. New path creations are often generated by being in alignment with national government policy across the horizontal, vertical, and spatial levels. The horizontal refers to state policy at the time concerning market regulation, education, skills development, and subsidies. The vertical refers to industrial policy and selective sector-based strategy with the importance of aligning with particular sector deals at the time. The spatial level concerns the geography of economic development governance. In the context of offshore wind, the once critical role played by the RDA's has become far more centralised over time and this evacuation of power at the local level has impacted the path creation process. Useful examples abroad include the German lander and associated institutions, where there is a more patient vision for longer term regional development progress that exists outside election cycles. For the Humber region, the politics at the time played a huge role in local success; right political pressure and strategic alignment at the national, regional, and local level succeeded in opening the region to a new market.

▷ A greater inclusion of local actors is also pivotal, for it is the local population on the ground that see and experience first-hand the problems of their regions.

## Alternative measures of development

Indicators such as income inequality, health, and social deprivation have long been alternative measures of regional development, providing a contrast to the focus on economic value. The reason economic value is so often adopted as the key measure in policy making by local authorities relates to the role of the Treasury in the decision making process. Larger projects where a substantial amount of finance is involved are often subject to Treasury decision-making, and their cost benefit analysis focuses on economic value. Urban bias and the favouring of projects in the South of England are some consequences of this system. These biases occur because urban centres and areas in the south tend to have higher wage and property prices, thus greater economic benefits are calculated as multipliers for each pound spent. As such, other measures of concern such as pollution, congestion, and impact on the environment are seldom taken into account with councils penalised for 'thinking green'.

For peripheral regions often characterised by social deprivation, connectivity issues, low provision of services, population loss, and poor job prospects, incorporating alternative measures of development presents an additional challenge. These geographical characteristics make it harder for peripheral regions to respond to the concentration on economic values like productivity, GVA gaps, and regional income inequality. A multidimensional solution is required that involves the government taking a wider and more nuanced perspective on the benefits and costs of development. The Treasury has begun to address these issues, with 'place blind' proposals no longer accepted and business cases encouraged to align with local development strategies as part of the 'Green Book' process. However, regional strategies are increasingly incorporating measures of sustainable economic growth and there is still an enhanced level of political acceptance required to operationalise these strategies in terms of policy support and funding.

## Enabling local actors

In terms of peripheral governance, increased decision making at the local level is critical to building robust, relevant, and sustainable policy solutions. Local authorities have the strategies and initiative to enable a greener environment, but what they lack is the funding and resources from government. Enabling knowledgeable actors at the local level with the right resources means empowering those who truly understand the context and challenges. The empowerment of local areas to lead on regional economic development has already begun through some decentralisation of funding and decision making with the establishment of the Local Enterprise Partnerships and the encouragement to set up more community groups. A greater inclusion of local actors is also pivotal, for it is the local population on the ground that see and experience first-hand the problems of their regions. Providing local peoples with a greater say in the decision making process leads to potentially more harmonious solutions that are more likely to be accepted in the long term.



# Natural Capital

**Natural capital may be understood in a similar context to financial capital: with a large enough deposit, a flow of services and interest will follow that can be used to change wellbeing<sup>1</sup>.**

Correspondingly, if the stock becomes depleted too much, then the flows of services and interest will be reduced which may negatively affect wellbeing. However, natural capital differs from all other forms of capital in two key ways:

- i) It occurs free of charge. Unlike all other forms of capital, natural capital turns up without cost and independently of human action. The curse of this system is how as a society we too often undervalue and overuse resources which are free.
- ii) Irreversible effects. Where stocks of money can be run up and down, stocks of natural capital hit tipping points after which a natural limit is exceeded and a collapse of the stock occurs.

It is critical that our consumption of the services nature provides does not exceed its natural limits, as overexploitation in many areas may lead to irreversible damage. It is therefore crucial that our use of natural resources is conducted in a way that preserves them for future generations. A useful mechanism involves thinking globally and imagining how policies, strategies, and actions at home may lead to negative environmental or social impacts elsewhere in the world. For example, halting an industrial process for

environmental reasons in the UK may push production abroad, if consumption of the products continues. Thus, when considering seemingly positive environmental change locally, it is also important to imagine what global impact this change may have.

At a national and regional level, building resilience is key for mitigating against future risk and allowing for a more sustainable form of development. When the unpredictable occurs, a resilient region or industry is in a much better place to cope. Resilience is a challenging foundation to develop, as picking winners in advance is in itself a difficult and risky response to declining regions and industries. However, better capital and education are tools which can aid in developing resilience. Building up and evenly distributing natural, financial, social, and human capital, for example, better prepares a region for risk. In turn, recognising that education is itself a form of capital is hugely important in preparing regional populations to understand the benefits of the change when it comes.

## Sustainability in Wales

The Well-being of Future Generations Act 2015 enshrined into the law the requirement for Welsh public bodies to consider the future impact of their decisions and work to prevent enduring challenges facing society. The Act issued a commitment to the objectives of the SDG's, providing a legal framework for long-lasting change covering poverty, the environment and climate change, health inequality, and the economy for future generations. In turn, The Environment Act 2016 provided legislation distinct from England, where the sustainable management of natural resources was prioritised. This involved connecting up the management of natural resources in a way that sustainably develops the economy and communities as well. Critical to better management is establishing resilience within natural systems to provide long term services, ensuring that our current usage does not deplete these systems so far that they are unable to provide benefits for future generations.

## Efficiency and equity

A more sustainable use of natural resources requires moving in a direction of improved efficiency of resource use. It is important to study all the benefits and costs, not just those that have prices and go through markets, but also those that appear outside markets yet still hold high value. Alternative investment is key to managing our natural resources, so too is considering other ways in which the resources can be utilised. Human capital and the natural environment are variable entities not always perfectly correlated, thus considering spatial targeting and alternative forms of investment has an enormous impact on the kind of costs and benefits which are generated.

It is also pivotal to understand who or what is affected by these costs and benefits, and how and where subsequent compensation should be directed. For example, at present biodiversity loss is recognised as a widespread impact, yet it is important to extend this thinking to consider a wider range of natural capital effects. Moreover compensation itself has so far predominately been framed monetarily and close to the site where the environmental impact took place. More nuanced thinking is required to better target compensation in areas that will offer the best return, not necessarily close to the original site.

## Identity and the environment

In England, identity often forms strongest at the regional level where places like Cornwall may feel a distinct identity from the rest of the country. On the other hand, through devolution the Welsh government has been able to cultivate the Welsh language and culture. Key to this has been people's connection with the natural environment to the feeling of being Welsh and belonging to Wales. The way in which the Welsh language is connected to the ways of life in rural Wales elicits a new dimension to the environmental policy debate for the Welsh Government. By placing environmental policy in the context of identity, the debate in Wales has distanced itself from the kind of conversations taking place in Westminster, but may be important for better understanding policy implications for peripheral regions.

<sup>1</sup> Natural Capital Committee. (2013). The State of Natural Capital: Towards a framework for measurement and valuation. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/516707/ncc-state-natural-capital-first-report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/516707/ncc-state-natural-capital-first-report.pdf)



## The art of 'narrative'

With the exception of those interested in finance, the terminology of natural capital often hinders its ability to connect with people. Natural capital can go by many terms, but what is important is using terminology which will engage the specific audience, decision maker, or member of the public and make it relevant to their lives. In business, for example, pitching natural capital in terms of investments, revenues, and supply chains is describing the concept in a language relevant for the audience. With the public, using the term natural capital is often counterproductive. More effective is to talk about the natural environment, or natural resources like air pollution, water quality, or habitat loss.

The phrasing of 'natural capital' is hard to connect with on an emotional level. The language of storytelling is key to engaging communities with the important concepts pertinent to natural capital. Presenting facts and information about the environment and leaving the rest to interpretation will only deliver the message so far. A crucial step is using creative industries to tell real stories that emotionally engage with people and motivate them to make a change. Language will also play a key role in the transition of industry as the green economy emerges. In the context of farming, mining, or other industrial activities that are declining, it remains crucial that we find other effective ways of communicating with people whose familial ways of life are changing. Many people will require retraining in new skills, relocating to different locations, or the rebuilding of a relationship with the natural environment that is completely distinct from their family industry. Language, narrative, and storytelling are essential tools in bridging these cultural barriers and framing natural capital in way that resonates with people.

## Georesources: green and blue, not black and brown?

Despite constituting a large component of our natural capital offering, as we enter the green industrial revolution traditional georesources have so far maintained a low profile. This is somewhat surprising, given the huge historical importance that geo resources like coal and the steel industry have played in developing our economy; non-renewables were the foundation upon which modern Britain was built. While the natural capital framework is not incompatible with georesources, it is crucial to consider how these valuable non-renewable resources can be sustained for future generations. It is possible to sustain non-renewable resources if we move towards thinking about the service provided and the different directions in which it could be potentially used.

Cornish lithium has so far been an example of a geo resource which has potential to bring incredible value for the UK and future generations. Supporting and investing in the service lithium provides will ensure that battery power service is sustained into the future. Georesources have long history in the development of peripheral regions. Combined with the growing research on geothermal energy, recovery of energy from waste, and underground coal gasification, there are huge economic benefits to reintroducing new georesource extraction into peripheral regions whose economies have shrunk with the collapse of old industries.

## System thinking for sustainable development

Like the economy, the environment is a system where everything is connected to everything else. System thinking becomes even more crucial when trying to map together two systems like the environment and economy. When considering what the value added and benefits to wellbeing could be for a region, there is an urgent need to think about the challenges and opportunities more laterally. For example, shellfishing in the UK has enormous potential, but the current gains in the southwest are trivial. The lack of benefits from this industry is in part a result of pollution within the system. Public money has been taken to incentivise actions on the land which pollutes the rivers and diminishes the returns of value in the sea. Adopting a system thinking approach would mean cutting subsidies for actions which negatively impact other parts of the system. In terms of aquaculture, subsidising farmers to use farming methods which reduce the pollution in rivers could allow for the economic development of coastal industries and communities.





# Governance and Policy Responses



## A disconnected devolution of deals

Devolution remains a disconnected project, resembling a patchwork of territorial fixes lacking a clear framework and vision. The system is currently only beneficial to some areas, showing significant variation in terms of the resources and responsibility passed down to combined authorities. While devised as a means to bridge territorial and socio-economic gaps, it has so far privileged predominantly metropolitan areas, excluding rural and coastal communities. In many ways, Britain's Leading Edge is a testament to the failure of devolution in delivering meaningful empowerment to local authorities across the country. Politics has driven policy in the devolution system so far, resulting in regions or central government being unable to achieve their democratic or economic objectives.

Moreover, the contractual nature of the present model is premised on negotiating 'deals' with central government. These deals are often agreed on the government's terms, fostering a culture of competition rather than cooperation. The competitive culture of the current devolution model is counterproductive to its positive objectives, producing both winners and losers, establishing new divides, and placing very little agency into the hands of local authorities. The result is a disconnected system further muddying an already complex network of multi-level governance.

▶ In many ways, Britain's Leading Edge is a testament to the failure of devolution in delivering meaningful empowerment to local authorities across the country.

## A devolution roadmap

There is an urgent need for the government to establish a longer term vision for devolution in order to move the agenda forward. This framework needs to exist outside the politically charged interests of Westminster, pitching itself beyond the term of one single government. The roadmap should set the objectives of a strategy whereby all areas have the fair opportunity to access the funding, resources and powers that devolution brings. Importantly, the roadmap should promote an ethos of inclusivity, rather than competitiveness. Without a long term strategy to work from, devolution will constantly fail to achieve its objectives and only serve to reproduce ineffective policy. This framework should be delivered with greater direct involvement of local leaders. So far, devolution has been controlled by the centre with limited input from the local level. While there have been negotiations, local authorities have often been left to choose from a set of options decided by central government. The government needs to cultivate a culture of collaboration, ensuring that devolution is not imposed upon local areas from central government, but instead reflective of local capacity and diversity.

## Subsidiarity and flexibility

In terms of progressing a strategy that empowers local authorities, subsidiarity needs to be the core principle around which devolution revolves. Acting on this principle involves the transfer of meaningful power, not just responsibility. Real subsidiarity allows local areas to co-establish their own system of sustainable governance structures that truly reflect local needs, visions, and capabilities. Subsidiarity should therefore also be coupled with a flexible approach to devolution, respecting the fact that different areas possess different social and economic assets. In appreciating that different areas have different levels of institutional capacity, the government should allow for local areas to come to a full programme devolution at their own pace.

This system of subsidiarity and flexibility offers a foundation for levelling up that requires a long term vision to endure outside of governments and election cycles. Conceptualising devolution as a process rather than an event is crucial, so too is accepting the process itself generates fresh dynamics of governance and policy that can't be fully controlled by the centre. Levelling up must be delivered by local agents who have an understanding of what drives the inequalities in their areas, and what tools, resources, and strategies are required to bridge the inequalities that have so far left them behind. Empowering local areas with the authority to set their own priorities for regional development will better ensure levelling up is a success in the long term.

## Metropolitan focus of devolution

Since 2014, devolution has predominately been limited to major cities and metropolitan areas, with places like Cornwall being the exception rather than the norm. To understand this city bias, it is important to look at the origins of devolution project which circulated primarily around economic considerations rather than democratic, or constitutional issues. Devolving greater power to local authorities was devised as a means to boost economic growth in areas which were already most productive, thus improving national economic growth figures. Conceptualising devolution in terms of economics and allowing metropolitan areas to get further ahead has been the established thinking in government for a long time, and is not something unique to the Conservative Party. Local areas wishing to pursue greater devolution have historically been forced to juggle the emphasis which must be placed on the economics, while at the same time pushing for a more nuanced and relevant offer of decentralised power.



## Accountability: paying the piper

The pursuit of government to hold devolved areas to account for the funding and resources provided has laid a foundation for highly bureaucratic and onerous reporting requirements. Recent devolution deals often have a higher level of reporting requirements and public accountability than local authority funding, or grants to administrations in Wales, Scotland, and Northern Ireland. At present, there are large numbers of bid-based grants in circulation which local authorities are expected to bid for, competing against other local areas. This reflex response is challenging, not least because if not addressed it could tempt government into a mentality where levelling up is pursued without devolving power. Strong political leadership at the local level will be required to encourage the government to take a more flexible approach to accountability, relaxing the reporting requirements for local areas.

## Funding

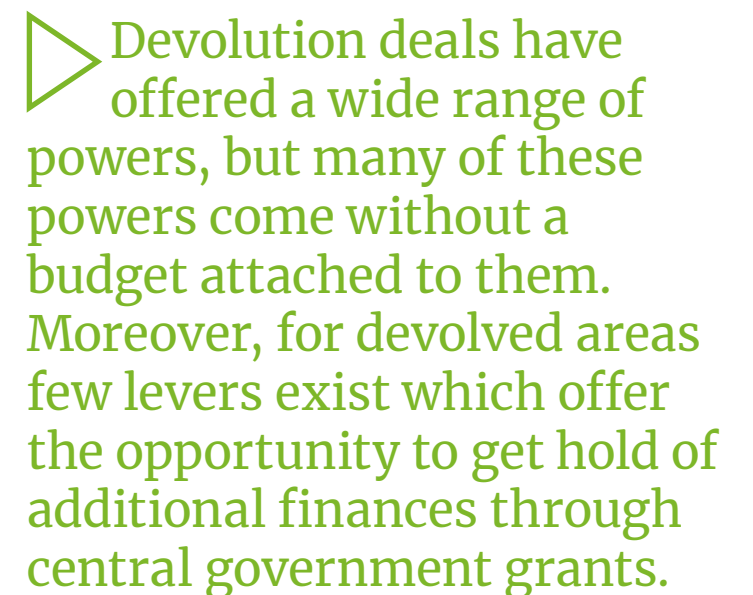
The existence of money represents an equally important challenge for local areas as the existence of power. Money is essential in order to exercise legal and regional powers, yet the issue of funding has too often been disregarded in the devolution debate. Very little in terms of regional development can be achieved without the finances to make it happen. Legal frameworks since the 1980's for example, have eroded independent finance and financial management power for local areas. Devolution deals have offered a wide range of powers, but many of these powers come without a budget attached to them. Moreover, for devolved areas few levers exist which offer the opportunity to get hold of additional finances through central government grants. As such,

since the dawn of devolution we've witnessed local leaders finding creative and innovative ways of improving the provision of services and tackling issues in their region. The issue of money is important because it reveals the thinking of central government towards devolution. Passing responsibility to local areas without providing the appropriate funding shifts the blame of things like austerity down the chain without providing a substantial opportunity to achieve a meaningful difference.

The issue of fiscal devolution is crucial to get right. Without some form of fiscal devolution we risk a perpetual allocation of centrally based funds, which will always carry a degree of accountability to the centre. The key issue in establishing a functioning system of fiscal devolution involves considering for whom the devolution is for; a question still underexplored in political decision making. Fiscal devolution is a complicated process, especially in the context of restructuring tax systems which can be immensely difficult and time consuming. In Scotland, while fiscal devolution was first conceived in 2014, substantial progress has only really been made in the 18 months. Taking for example devolved income tax, the better part of an entire parliamentary term is required to untangle a system that for the centre offers little political payback. Fiscal devolution requires a vision which encompasses the entirety of the UK in order to circumnavigate issues of equity and time, to offer a new framework of financial freedom for local areas outside centre controlled strategies of public accountability.

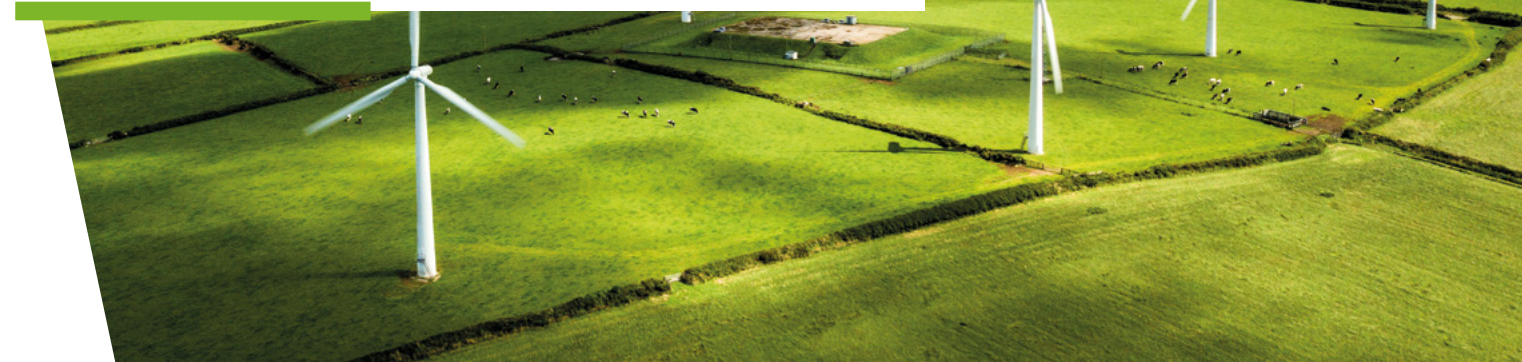
## Conflating devolution policy with unitary local government

In recent months the framework for devolution has become conflated with unitary local government agenda. However, devolution and unitary local government are distinct forms of governance, both provide answers to different questions of power and authority. Moreover, there exists little reliable evidence to suggest unitary local government leads automatically to better local performance or reliable savings. In the English context, the restructuring of local governance has often produced negative effects. For example, the enormous political unrest which follows restructuring not only causes a loss of time, capacity, and funding to undertake the restructure, but often activates feelings of resentment from those involved. The adverse effects associated with transitioning to a unitary local government may be a price too high for some local areas, which is a critical consideration for the government to take on in the devolution debate.



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# Britain's Leading Edge and beyond



## Renewable energy

In order to meet our 2050 net zero targets, the UK needs to rapidly increase its production of renewable energy. Despite the challenges of the national debt, over 300 local authorities have committed to taking action on the climate crisis. However, the lack of a national framework that enables local areas with the powers and resources to act on climate change presents an enormous issue. Central government has provided too few areas with the money, skills or capacity to take forward effective action on the climate emergency. It is critical that central government better enables local authorities to plan for the long term on the environment, rewarding ambitious action with the required levels of finances and resources. Local authorities themselves must work together to lobby for this change, focusing specifically on what support they require and what commitments to change they can individually or collectively make.

Areas outside of major towns and cities are often on the frontline when it comes to climate change impacts and action. In particular, rural communities have a key role to play in the national transition towards net zero. The Countryside Climate Network amplifies this rural voice in terms of national policy advocacy and supporting rural areas in their ambitions to deliver climate action within their communities. Likewise, Britain's Leading Edge areas produce almost 37% of the nation's renewable energy, four times more than major cities. National support which provides enhanced levels of resources, funding, and infrastructure will enable peripheral areas to harness the true capacity of their natural resources. With the proper empowerment of place leadership, local areas like those involved in Britain's Leading Edge can make an enormous contribution towards securing a sustainable supply of renewable energy within the nation's borders.

## Devolution: Cornwall and the periphery

Though Cornwall remains the only rural area with a devolution deal, it has demonstrated the positive impact which rural regions can achieve even with narrow gains in local control. The EU convergence funds have enabled Cornwall to generate new local economic growth opportunities and development paths, which may not have been prioritised under national programmes. The deep geothermal wells at United Downs for example, are pioneering innovative techniques for generating power from hot rocks deep underground. Moreover, greater control over local funding has permitted the development of projects which not only benefit Cornwall, but are a benefit for the whole nation. The exploratory research into mineral rich waters under Cornwall for example, has led to the discovery of globally significant stores of lithium. For peripheral areas, greater local control is particularly important as little strategic vision for rural regions exists at the national level. Central government has historically shown a significant lack of awareness of the challenges rural regions face, as well as the contributions they have to offer. In Cornwall, 2 in 3 people say too many important decisions affecting local areas are made outside of the region. Thus far, regional devolution has had limited effect in altering the power balance between local areas and the centre; correcting this imbalance could offer innumerable benefits for all.

## Levelling up: the world as could be seen from a remote island

Britain's Leading Edge emphasises the fact that levelling up is not simply an urban agenda. Levelling up should address the nature of inequality, something which is as true for issues of marginality as for issues of wealth. Inequality is an often overlooked aspect of development, but in order to effectively tackle it, fairness must run to the heart of all things. The work being done by Britain's Leading Edge is helping to inform the debate around levelling up across all regions, with Cornwall's remoteness being an essential component. It is important we step back sometimes in order to see the depth of the challenges ahead. Moreover, making progress on levelling up will involve the fostering new alliances of common interest with unusual suspects, taking a greater level of ownership of other issues with which we share ground in relation to shared goals.

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## Resource extraction and localities

A major challenge for peripheral areas in the context of resource extraction involves the location of the firms doing the extracting. Often extraction firms are not locally based, so challenges surround the ability of the area to assert local control over the resources and profits which follow. Modern global firms have the capability to cross all boundaries, many having greater resources than some countries. It is important for Cornwall that firms like Cornish Lithium are home-grown Cornish companies, aware of Cornwall's unique industrial and mining heritage. Companies like Cornish Lithium are committed to the area and operate with consciousness of how Cornwall's historic industries initially created jobs and wealth, before industrial competition and decline. Public investment is key to reducing the risk of wealth leaving the region as well as creating the conditions for innovation and wealth creation. In Cornwall, political strategy reflects knowledge of how public investment can grow not just local businesses, but Cornwall's collective wealth, community and community assets as well.

## Local Leadership: building partnerships and networks, listening to local citizens and setting out a vision

The results of Cornwall's large scale resident listening project point toward a population hoping for a more sustainable Cornwall that regrows nature and tackles the climate crisis. The listening project shaped Cornwall's 2050 vision to become a leader in sustainable living. The spirit of 'Gyllyn Warbarth, Together We Can' invites national government to partner with Cornwall on this vision of green growth and sustainability, providing places on the periphery like Cornwall with the powers to accelerate progress. Bringing the public along with decision makers is crucial. Collaboration also requires transparency, ensuring that decisions are well informed by assessing the social and environmental impacts, and these impacts are made visible to the public.

For Cornwall, bottom up pressure has become the genesis for much work done locally on decarbonisation. For example, Kate Raworth's model of doughnut economics has recently been turned into a published operating model for the Council, founded in research conducted by the University of Exeter, where each decision is now supported by an assessment of its social and environmental impacts. The road ahead to net zero will require enormous structural changes to our society and these changes require public consent. Fostering a coherent framework and trusting partnerships between local authorities, communities, central government, and industry will be key to making people feel part of the journey to net zero, while creating sufficient space for regions to create new priorities.





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