



Levelling Up, Housing and Communities Committee

Oral evidence: Funding for Levelling Up, HC 744

Monday 12 December 2022

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Members present: Mr Clive Betts (Chair); Bob Blackman; Ian Byrne; Mrs Natalie Elphicke; Kate Hollern; Paul Holmes; Andrew Lewer; Mary Robinson; Mohammad Yasin.

Welsh Affairs Committee Member present: Rob Roberts.

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Witnesses

I: Tracy Brabin, Mayor of West Yorkshire; Andy Burnham, Mayor of Greater Manchester; and Andy Street, Mayor of the West Midlands,

II: Vaughan Gething, Minister for Economy, Welsh Government.

III: Tony Simpson, Director of Strategic Policy and Reform, Northern Ireland Department of Finance; Maeve Hamilton, Head of EU Fund Management Division, Northern Ireland Department for the Economy; Dominic McCullough, Director, European Union Division, Northern Ireland Department of Finance; and Laura McDonald, Deputy Director, European Union Division, Northern Ireland Department of Finance.

Examination of witnesses

Witnesses: Tracy Brabin, Andy Burnham and Andy Street.

Q92 **Chair:** Welcome, everyone, to this afternoon session of the Levelling Up, Housing and Communities Select Committee. We will be looking at funding for levelling up, which is a budget priority policy for the Government, to see how it is working in practice. We have three panels today. The first panel has three elected mayors who will introduce themselves in a minute. Then we go on to a panel with the Welsh Government and then one with the Northern Ireland Executive.

I ask members of the Committee to put on record any interests they have that may be relevant to the inquiry. I am a vice-president of the Local



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Government Association.

Mohammad Yasin: I am a member of the Bedford Town Deal board.

Ian Byrne: I employ a councillor in my office.

Kate Hollern: I also employ a councillor in my office.

Bob Blackman: I am a vice-president of the Local Government Association and I employ councillors in my office.

Mary Robinson: I employ a councillor in my office and I am a member of the Cheadle Towns Fund board.

Mrs Natalie Elphicke: I am a vice-president of the Local Government Association.

Paul Holmes: I am a director of Eastleigh Bid, which is focusing on levelling up in the city.

Andrew Lewer: I am a vice-president of the LGA and I am a board member of Northampton Forward.

Chair: Thank you very much for that. We will go over to our witnesses now. We have one of our mayors present with us. Would you like to introduce yourself, Tracy?

Tracy Brabin: Hello, it is great to be here. Tracy Brabin, Mayor of West Yorkshire.

Chair: Then we have two mayors online.

Andy Street: Good afternoon, everybody. Andy Street, Mayor of the West Midlands.

Andy Burnham: Hi, everybody. Andy Burnham, Mayor of Greater Manchester since 2017.

Q93 **Chair:** We will come to questions in a minute but, before we do that, Andy Street would like to say a few words about the tragedy in Solihull.

Andy Street: Mr Chair, you kindly invited me to do so. It is obviously literally a tragedy—there is no other word for it. It was a genuine accident, which is a horrible risk with ice. If there can be a good thing in this situation it is that the emergency services across fire, police and ambulance in the West Midlands have conducted themselves with great heroism over the last 24 hours. Of course, our thoughts are with the bereaved family and the community today is in some shock.

Q94 **Chair:** Thank you for that, Andy. I think that the whole of the Committee want to put on record our concern at this awful loss and our thoughts are with the family at what must be the most awful time for them. We feel for their loss on this tragic occasion.



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We will move on to the issue of the inquiry we are conducting. I will begin with Tracy in the room and then I will come to the two mayors online. We had Levelling Up White Paper, which was well publicised and well spoken about by the Ministers who introduced it. Did the White Paper and the subsequent proposals in the Bill go far enough to support devolution as you would like to see it in your area?

Tracy Brabin: Thank you, Chair, for asking me to speak first. If I may also say condolences from the people of West Yorkshire to Andy's constituents. It must be absolutely horrendous.

The Levelling Up White Paper was very welcome. It is absolutely necessary, if we are going to improve productivity and our economy nationally, that we level up across the whole of the country. It was a well-written document—good bedside reading. The problem is that it needs to be attached to finance and to money. We collectively across the mayors are very positive that Michael Gove is back in post. He is a man who you can do business with and wants to get things done. However, we have all said—and I strongly believe—that it cannot be just a one-man operation. It has to be across the whole of Government, across education and transport. You cannot level up, for example, if you cannot connect people to jobs and colleges and opportunities.

There is a job of work to be done. There are challenges with what we have so far. The brownfield fund is welcome but it is challenging because of our land values. We are powering through and doing our best. However, in Bradford, for example, where land values are low, it is hard to make that economic argument. We have gone back to Housing and said, "Is there a possibility we can cluster sites so we can get that BCR, make it work?" Unfortunately, that has not happened, so that is a real challenge for us. While we were also very grateful for the extra £22 million, that was given to us a year in and we have to deliver in a year less timeframe than brownfield fund housing. We still have the same red tape, the same processes, and we have a particular difficulty that is very much associated with the north, which is the value of land.

If I may be positive and say one good thing, one of many: the adult education budget has worked. I was looking at the figures just before I came to give evidence and it looks promising that we are managing—because we know our communities—to reach those furthest away from education, to make a difference to those furthest away from jobs and skills and employment. We can be agile as well.

When the bus operators were telling me that the reason that the bus did not come was because they did not have enough drivers, we could put on driver training. We can be agile with businesses and also widening access, which is important to levelling up. Where free training was for those on minimum wages, we could widen it to the real living wage. It is about opening that up to further opportunities so that we can get good skills and a great skilled workforce for the businesses that want to flourish in West Yorkshire.



In conclusion, there is good and bad. It is a step in the right direction but Michael Gove needs the support of the whole of Government.

Chair: Just to get a plug in, I think that the driver training programmes, which have been very welcome in West Yorkshire, are being co-ordinated by a firm called Realise that is based in my constituency. I visited them the other day, so I will get that plug in at the beginning.

Tracy Brabin: I am hardly surprised, Chair.

Q95 **Chair:** Andy Street, do you agree with the view that some things are working but others still need a bit more effort to make them work?

Andy Street: Yes, that is fair. Your inquiry is very well timed because the White Paper—I think this is the front view of the mayors—was incredibly well intentioned but there are some outcomes that we still need to see. The White Paper talked in the funding area, which is the critical issue—will this lead to sufficient cash for doing what we have to do—in respect of funding simplification. That is definitely right, and after that we have seen the Chancellor talking about a consolidated funding settlement for mayoral combined authorities in future Spending Reviews.

There is very clear evidence that the drive is in the right direction, but we still need to see some devolution of the taxation power. It is about retaining existing tax, that elusive point of fiscal devolution. That is very necessary and I think it is under consideration by the Chancellor at the moment.

On what has gone well and what has not gone well, some Departments have embraced devolution with powers and cash. We find the Department for Transport pretty good on that overall and the recent city region sustainable settlement is a good example. There are other areas where we still have to win that kind of confidence and we might come to some of those later.

Q96 **Chair:** Andy Burnham, have things moved on since the White Paper? Are we making progress practically?

Andy Burnham: Yes, I think they have. The White Paper promised what it called a trailblazer deal with the West Midlands and Greater Manchester. Andy's team and my team are very much in productive conversations with the Government at the moment. I think that there is a timeframe of the end of January that we are loosely working to, to see if that can be signed off. A new devolution deal early in the new year would be a real boost for devolution in England and the Government are looking at other devolution deals in other places as well.

I agree with Andy and Tracy: the White Paper was good. If you remember the criticism pre Michael Gove's arrival, it was that levelling up had never been properly defined. He did define it and we could all get behind the White Paper, but it is words and translating the words into deeds is more difficult. Andy and Tracy have touched on this. I think that



the trailblazer and the nature of what we agree with the Government at the end of January will determine to what extent the Government as a whole are wedded to devolution.

I will pick out two areas of skills and transport. If we don't devolve more quickly on both of those areas, I think that the regional economy will be at risk. It is clear that the economy in the north of England is very much at risk through inadequate transport at the moment. You can see that and feel it. It is not good enough and, therefore, we need more control over that whole system so that we can protect ourselves from some of the risks that we are facing.

Similarly for skills: the call we all hear from our businesses is the concern about lack of talent and we need to be able to ensure that we have a talent pipeline as strong as we can make it. Skills is an area where we have to see progress; otherwise the regional economy will be at risk going forward.

Those are the two acid tests of the trailblazer deal as far as I am concerned. We are hopeful for a positive conclusion but we still don't know yet quite what the Government will put on the table.

Chair: One of the issues that has been raised with us is the whole issue of competitive bidding as opposed to simple funding allocations. Andrew Lewer wants to explore that with the mayors.

Q97 Andrew Lewer: As Clive said, we have touched on this quite a bit as a Committee. Could all three of you tell us how much you have spent, financially and in time terms, on competitive bidding processes over the years? Has there been good or not good feedback from the Government Departments in question for those that you have been unsuccessful in?

Tracy Brabin: I think it will be interesting when the Secretary of State comes to your Committee in the new year to also ask the Secretary of State how much has been spent by Government on assessing bids. It is hard to quantify because hours are spent on various things—running programmes that are already up and running while also preparing competitive bids—but there are a couple of strands to that. One is that devolution and the erosion of local authority budgets has meant that fewer staff have to do more bids.

There are bids, for example in the levelling up three—which we will come to—where our MCA is encouraged to bid in for transport. We have CRSTS and so it is unlikely we will get it, but we are spending time because we have to bid. We prepared suggestions for the investment zones and then obviously Government's minds were changed. There is a whole sequence of competitive bidding pots that are taking up far too much time, are inefficient—for example, having to bid for £2.5 million for the rural element of the UKSPF, and that has to be signed off by three Government Departments. This is just a waste of our time.



I think that there is the whole opportunity from Government on the back of the trailblazers for giving funding settlements to MCAs to just get on with it. We know our communities and we know what needs to be delivered. We can be held to account, as we are doing today, in front of Select Committees, the Public Accounts Committee—however you wish us to be held to account—but this is just not working. It is a waste of money and time, and also the areas of deprivation, the local authorities whose budgets have been absolutely slashed, are behind others in the queue because they don't have those resources. It is just not working.

When we got the city region sustainable transport settlement, which we had to bid for, we were also then held to account by No. 10 advisers coming 200 miles from London to my office to tell me whether we could have a grass roof on a bus station and what colour the bins are. We got through the bidding process and still there are hands meddling. Fortunately, that person is no longer in post but I still am, so we continue doing the good work to deliver for the people of West Yorkshire.

One thing that the Committee could take away from this session is that the bidding process is ineffective, inefficient, expensive, it does not deliver and it is also subject to ministerial changes in the weather. That is not good for the north and it is not good for the UK.

Q98 **Andrew Lewer:** When you have not been successful with a bid for one reason or another, have you felt that Government Departments have come back to you to explain why or just said, "No, sorry, you don't get that one"?

Tracy Brabin: If I may use an example, the Mayor of South Yorkshire is not here but when Dan Jarvis was the mayor they put in for the improvement plan, the BSIP. We were really lucky—we got £70 million—and they did not get a penny. I asked what was the feedback and there was very little feedback. People just move on. It is not good enough and the goalposts are changing all the time, as we saw with the investment zones. We know our communities, we know how to deliver on the Government's pledges and the Government's commitment to levelling up; give us the power, the tools and the money to do it.

Q99 **Andrew Lewer:** Thank you. The same question to Andy Street now. Can you tell us how much you have spent in money and time on competitive bidding over the years you have been in office? When you have been unsuccessful, have you had any useful feedback from Government Departments?

Andy Street: Andrew, I will try to be brief because there are lots of questions. Tracy has covered the efficiency piece but I want to take your question from a philosophical point of view, if you don't mind. The point at stake here is: what is the principle of devolution? Surely the principle is that there is a direct election in I think each of our cases among nearly 3 million people. We are put in place, we lay out our plans before but then what happens, despite all of that, is that the decision making still



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rests in London. That is not devolution. It goes against the principle of better decisions are taken closer to the scene of the action. I think the real issue here is: if you trust people with these roles and then you hold them to account with the electorate directly, you need to entrust them to take the right decisions, not have their proposals marked by civil servants and Ministers in London.

This might seem a cheeky thing to say but I feel this very strongly. It seems to me that there has to be better value added from Government officials looking at issues that are of much greater significance to the country than, frankly, how relatively small sums of money are spent across each of our regions.

Q100 **Andrew Lewer:** I think that philosophical point is a very important part of what all this is about. On value added, I am reading slightly between your lines there, Andy, that you have not particularly had much added value with feedback.

Andy Street: If I am very honest—and I don't mean this to be critical, I just mean it to be descriptive—I suspect you might have the wrong witnesses for this point. We all lead authorities that have sophisticated executives and we have done very well from the competitive bidding process. I can add up the total value that we have brought in, but I was with members of the LGA last week and they were joking at me that, "The system suits you at the moment, Andy." That may be true. I personally cannot complain about how we have done from it. When we have not had a good outcome, the feedback has been reasonable, but I think there is a much broader point than that.

Q101 **Andrew Lewer:** Thank you. The same questions to Andy Burnham.

Andy Burnham: I will say something similar to Andy because it probably is local authorities that feel the frustration of this more than us. As Tracy said, there is an example of a combined authority losing out on a bidding process but by and large we would return from having submitted a bid. I don't have the figure that you are looking for but I do have a figure from the University of Sheffield, who did some analysis across local government. It found that 90% of bids for competitive bids were prepared by outside consultants. The bill, without having a figure, is massive and it is money that goes straight out the door with not a huge amount of benefit for the residents of those areas, particularly where the bids are not successful.

For me, as somebody who was in national Government but now working more in the world of local government, it implies a very poor mindset on the part of Whitehall—a lack of awareness of what has been done to local government over the years. Local government have lost funds, so their capability has been reduced and all the councils are finding it harder and harder to have the capability within to bring schemes forward. Then they have to use that reduced resource to bid when they are not guaranteed that it will be successful and, as I have just said, incur huge financial



costs as a result of that without providing a service necessarily or a result for residents. Then there is the opportunity cost, all the time that is spent on that.

I want to point to what is a solution. In the Autumn Statement the Government very helpfully pointed to the idea of a single settlement that it is considering for Greater Manchester and the West Midlands Combined Authority as part of the trailblazer deal—in effect a block grant similar to Scotland and Wales, where there is much greater flexibility to use that funding. As Tracy said, it absolutely should come with strong accountability and I would be more than happy to attend any Select Committee of the House to account for delivery against the outcomes that we hopefully will jointly agree with the Government.

It is exciting if Whitehall is showing its willingness to change and move towards funding of that kind. It would mean that we are more focused on delivery rather than bidding, and that can only be a good thing, and we do public money better. At the moment, Whitehall is making town hall waste money and that is what bidding does, whereas we need to be working towards a system where everyone does not have to plead for money. Everywhere should get funding based on needs and I think that is a big change that should come through.

I hope with this Select Committee inquiry—the timing of which is very welcome, as Andy Street said—we can all together on a cross-party basis move towards a system where national Government trusts local government more and gives it the ability to deliver rather than tying it up in all of these endless competitive processes.

Q102 Andrew Lewer: If we do see that, that will be extraordinary, I have to say. We look forward to it. In that world, if we do end up getting to a single-pot grant, would there be any place for bidding-type pot announcements from central Government? Or would it be better to get away from that altogether?

Andy Burnham: I guess at the margins for an exceptional decision. Channel 4 is an example, but I don't think any of us found that a particularly productive process. We would rather a decision was made and it was just given, because it takes a lot of time. You could look also at the headquarters of Great British Railways, a long drawn-out process where a lot of money is spent on campaigns by various places and it is not necessarily the best use of resources in these times. I would not say that there is no role but we need to get away from this idea of winners and losers in a bidding contest.

I want to make the point today that to start thinking about levelling up becomes a long-term, permanent mission that is enshrined in the way the country works as opposed to it being a bit ad hoc and one area wins and another one loses. I have been looking at the German constitution recently where there is something called the basic law. That requires that there is an equivalent of living standards between the Länder—the



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regions of Germany. Can you imagine if we had such a provision in this country how different life would be for people in the north of England? It would be very different indeed.

We have to move levelling up now to a more permanent, long-term mission that the country works towards where local government and combined authorities are trusted to deliver as part of that. I think that the country would benefit from a long-term approach where all areas get an amount of funding that they can work with over the long term to plan for the economic and social regeneration of their areas. The country would be in a better place if we had that.

Q103 **Andrew Lewer:** Thank you. Andy Street, no role for bidding, continued role or just on the margins, as Andy Burnham said?

Andy Street: I agree with what Andy said. It is just on the margins. As you have given me the microphone back, I will mention one other thing that I think is a very important point on what is expected of combined authorities for making the big step towards this single-pot settlement, which is really the utopia that we have been talking about since Michael Heseltine did his first paper. People think we want to rob the bank and run away; it is not so. We are absolutely up for, as Andy B said, the accountability framework.

To give you a good example of something that has worked very well for us, our housing deal, which we struck in 2018 when Sajid Javid was Secretary of State, had performance criteria in it and we only got the second, third and fourth tranches if we delivered then. The cash was all there, the decisions on how we spent it were with us, but the outcomes had to be subject to scrutiny. I think that is a mature model that we are very willing to develop for other areas.

Tracy Brabin: I agree with both Andys, on the margins, 10% potentially where you could see innovation, excitement, a bit of new thinking, and R&D, yes. It cannot be the way forward though. We have to have, as the two Andys have said, that funding pot. I welcome the report that came out a couple of days ago that Government are looking at widening trailblazers, because we have been around for a while as a combined authority. I may be a new mayor but the combined authority has been proving it can spend on budget and to time for many years. I am hoping that will be widened out to MCAs that deliver.

Q104 **Mary Robinson:** The criticism from local authorities very often is about funding—that it is never enough for their needs. If we were to move towards a single-pot settlement agreement, what would be the criteria for that single pot to be agreed?

Andy Burnham: To be agreed with the Government, I imagine that we would have agreement across a range of outcomes that we would commit to deliver as part of the funding agreement and then we would be held to account. As I said before, and Tracy said the same, we would be happy to



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go before any Select Committee to account for that. I think that the outcomes would be more sophisticated than some of the silo-based outcomes that you get from Whitehall. You could have broader things that you were hoping to achieve for the area or, if Whitehall wanted specifics, again we could be trusted to deliver.

An area that I am interested in is skills, which I mentioned before as part of the trailblazer discussion. We need to move towards a very different skills system and a system as opposed to a very fragmented landscape. I believe to make this work we need to give all young people an offer at 16 and that should be A-levels, T-levels or apprenticeships. We need to bring together the system, which we can do from our perspective. As part of that, if the Government wanted to give me a target for increasing the number of T-levels, which have a very high level of support in Greater Manchester, that would be absolutely fine.

This is where devolution adds value to UK plc, because we can drive the things from this level, which we all agree as a country are the things that we need to do. In the context of public transport, it could be to increase patronage on public transport and set a very clear target for that.

I am up for the discussion about it. I don't fear any of that accountability at all. In fact, I think we would all find it quite helpful to have a very clear set of things that everyone could judge us against rather than sometimes in our roles people say, "You have done nothing." It would be better to be, "Here is what you said you would do," and then judge us against it. I am confident now that there is a majority in all of these systems—Greater Manchester, West Yorkshire and the West Midlands—that means we don't fear that at all. We are ready to get on and do it.

Chair: We will move on to look at the Shared Prosperity Fund.

Q105 **Kate Hollern:** There is limited flexibility with the UK Shared Prosperity Fund. Do authorities run the risk of a cliff edge?

Andy Street: Thank you for your question because we have been in correspondence with the Minister on this very point in only the last few weeks. Obviously it is good news that all the authorities represented—and indeed across the whole country—have had agreement to our proposals so the cash will be coming soon.

However, there is a real issue, for example, that we cannot move cash between different years and we have only a very few months of this year left, but, perhaps more significantly to your question, we cannot spend money on the skills and communities' element of it until the third year. That is precise and is quite a detailed point, but it is a practical point. We seek further flexibilities in the fund, as you describe.

Tracy Brabin: I agree with what Andy has said. I also reiterate that the issue for us is that we are losing a third in comparison to what the Government have promised when the Government said that no



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community would lose money in comparison to EU fundings. In the UKSPF for West Yorkshire, we have lost over a third, which means our cliff edge is deep and dangerous. We will certainly lose organisations that work in communities that work with migrants, which is particularly important given the Ukrainian situation is not getting any better. It is important for us. The public feel they have had their pocket picked. I will be frank: they do not feel that the Government have been honest and this cliff edge is damaging.

We have tried, with gainshare and other powers, to teem and lade to try to particularly support the employment hub employees. We do not want people to lose their jobs in a cost of living crisis. We do all we can, but we are definitely looking at 18 out of 33 live projects potentially going to the wall.

Andy Burnham: The principle here should be that the Shared Prosperity Fund should not be in any way worse than what it is replacing, but I am afraid it probably is in a number of respects. Tracy and Andy have touched on a couple and so I will introduce a new element as well to complete the picture. One of the funds that it replaced is the European Structural Investment Fund, or ESIF. That was a seven-year funding programme. The Shared Prosperity Fund does not give that level of timeline.

If I could give you a relevant example from Greater Manchester as to why the seven-year horizon was helpful, if you look at building an innovation economy, you need that timespan if you are to bring projects forward. ESIF was important in bringing through the National Graphene Institute in Manchester and the Graphene Engineering and Innovation Centre, which is coming into its own, but it was done because of that long-term timeframe.

The Shared Prosperity Fund needs to develop a similar long-term approach with the amount of funding, as Tracy said, at least at European levels and without this impact on the people and skills element, as Andy Street was saying. I guess it is good that we are getting to the point now where allocations are being approved, but there are still some structural deficiencies in the Shared Prosperity Fund compared to what it is replacing.

Q106 **Mary Robinson:** Thank you. If I can come back to Andy Street again, Tracy was saying that she will lose a third. What sort of impact do you expect?

Andy Street: The numbers are the same across most of the country. The argument from the Government is that in time it will come back to equivalence with the collective European funds, but certainly in the initial period of the transition the numbers are fairly similar. Like Tracy described, we have been trying to use other funding that we have to make good some of those gaps as well. I agree with what Tracy said about the numbers.



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Q107 **Kate Hollern:** Does that put at risk some of the partnership working with organisations within your area?

Andy Street: Not at all. It is the converse. Whether it be the LEP integration into the CA, whether it be some of the funding that local authorities allocate out, people are all trying to work in a collaborative way. Co-operation locally on how we use this cash has been good and we have cross-party unanimity on how we try to do that.

Tracy Brabin: There is one strand of the UKSPF that is given from the centre, which is Multiply, which seemed to be in answer to a line in a budget somewhere from maybe the Chancellor, who is now the Prime Minister. It is a lump of money, £12.5 million, which is welcome. Thank you for that.

However, it is completely controlled from the centre. It is to teach numeracy to those furthest away from education. That is not an easy task. People will not walk into a classroom to learn numeracy. You have to surround those students with a different sort of offer. We know what type of support they need and we can give. We do our bit and we try, but this feels like another example of devolution being controlled from the centre.

If you want numeracy number to improve—and we all do—give us that money and we can deal with it and handle it locally and we can get those great outcomes for you.

Kate Hollern: Once you are dealing with numeracy or literacy, there is a level of confidence-building beforehand.

Tracy Brabin: Indeed.

Q108 **Kate Hollern:** Each of you has commented on expecting to lose a third. What will you have to cut to compensate for losing that third?

Tracy Brabin: As I was mentioning, it looks like 18 of the 33 live projects are at risk. We do everything we can. There is the stronger families project and the migrant project community grants. We do everything we can to mitigate that.

There is an economic difference between what was promised and what has been allocated to West Yorkshire. From the £120 million we were expecting, it is £83 million. I am sure you will have an opportunity to speak to the Secretary of State about this as well when he comes before you next year.

Q109 **Kate Hollern:** Andy Burnham, what will you have to cut to cover this shortfall?

Andy Burnham: It is a hell of a reduction, Kate, in the level of activity. We do have some concerns around the people and skills element and a reduction in availability of support and also, potentially, scaling back some of our infrastructure ambitions.



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It is a challenge, but we are looking at how we can use some benefits within the funding. One of the benefits could be that the lack of a requirement for match funding, which did exist before, does allow it, potentially, to be used more flexibly. It is not all bad, Kate. There is some benefit here.

However, at this time, we should see more investment in skills and infrastructure. We are planning on a reduced horizon, basically, as a result of some of the changes that have come through. Then you add in the shorter-term nature of the funding. It works against that longer-term planning.

Andy Street: We need to be precise about what this word “cut” means. Let me explain what is happening. While I agreed with Tracy earlier on that it is about equivalence of money, schemes that had a finite end that were European funded—and they always knew they had a finite end date—are running to that end date. They are not being cut prematurely. It is not likely that there will not necessarily be an equivalent replacement for them. That is what the question is. There is no cut to an existing project. This is tough love but it is true that if you take on a contract, even in the old LEP days when the LEPs were responsible for this, there was no guarantee of that project having a new funding round. All the European funds had a finite time window.

It is true that there is not the same amount of money, particularly in the skills area, to commission new projects and so that is the risk. We are trying to look at other budgets—for example, other skills funding—to be able still to commission them. That is the practical issue: the projects are running to their agreed end date.

In our case, we do not find it difficult to have infrastructure because other funding is coming to more than make up for the infrastructure element. The real question is: where is the funding for the skills projects coming from?

Chair: Can we move on now to the Levelling Up Fund, Paul?

Q110 **Paul Holmes:** Thank you, Chair. When Michael Gove recently appeared before our Committee and gave evidence, he noted that he had an intention to have a third round of the Levelling Up Fund. First, should there be one? Secondly, what should it focus on? Give us your Christmas wish list.

Tracy Brabin: Thank you. Currently, we are still waiting for the outcomes of the Levelling Up Fund’s second round. More money for our region is incredibly welcome, but we face a cost of living crisis. It does feel slightly eccentric that local authorities have to bid into the Levelling Up Fund to deliver what they used to deliver.

For example, in Halifax, they were successful in a Levelling Up Fund bid for a new leisure centre, which now they have to pause because costs



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escalated to such a point that they could not deliver on Government timetables, which are always incredibly stretching. The Department has been good in working with Halifax and Calderdale Council to try to find a solution, but this cannot be the way forward. We are just bidding in for EV charging points, for leisure centres and for toilets.

To Andy Burnham's point, the cuts to local government have been so deep over decades that there is no fat level and so they have to bid in against each other for money that should be already in their budgets. Kirklees, for example, has lost 60% of its funding since 2010 and so of course their focus is on adult social services and children's services. They have to bid for the stuff that they would normally offer.

My Christmas wish list would be certainly to index-link gainshare, because at the moment that is not index-linked. Every year that goes by—and of course with rampant inflation—it is worth less and less. Top of my Santa list is: please give us those allocations of funding. Hold us to account on the outcomes. In West Yorkshire we already have three scrutiny committees, which is unique for MCAs across the country. We are held to account continually and we will continue to be so, but we have to get out of these funding-pot bids.

Q111 Paul Holmes: Thank you. Andy Burnham, a third round, yes? No? What would you use it for? What should it focus on?

Andy Burnham: If I could play back to you the main frustration that I hear—and I am sure Tracy and Andy hear—from local authorities, it is sometimes the lack of alignment between the Levelling Up Fund and other funds such as the Towns Fund and the High Streets Fund. All of this gets confusing. At least consolidate all of those things.

I would go further and do exactly what Tracy has proposed: put this funding back within core local authority funding. Here, people bid for things they used to be able to do. In an example Tracy gave, there is a changing places toilet programme. Why is there a national bidding fund for that? Surely local authorities should have the money within their capital budgets to make those kinds of changes to their local areas.

We did see a trend. I do not know why exactly it was all done like this. Perhaps the awarding of a bid allows a press release to be issued and an MP to say that they got this money out of the Government. It felt like some of that was behind this bidding culture. Rather than accept it as part of the landscape that we are in, we need to start to challenge it. Local government needs to be trusted to get on with the job a bit more rather than pleading all the time for scraps off the table and for the money that it used to have anyway to build leisure centres or public toilets. We would see quicker and better delivery.

In my experience, from my time in Whitehall to the five or so years I have done this job, I am clear that Whitehall has no real right to do this to local government. Making everybody bid implies a lack of trust. They



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constantly make people prove themselves. In my experience, national Government—under all colours, by the way—wastes more money than local government. Local government is lean and uses things. Because it is closer to where things will happen, it makes better decisions about local projects.

While we can improve the Levelling Up Fund and integrate it with the Towns Fund and the High Streets Fund, for instance, we should not accept that this should be a permanent part of the landscape. We have to get back to a point where local government in England has more capability to do more for itself and deliver more quickly rather than always having to jump through Whitehall hoops.

Andy Street: In a sense, you have heard it from the other two. This is almost the textbook example of the principle that we were talking about in the first round of questions. There have been some welcome investments here and nobody will sniff at that, but you come to: is it the right way of doing things? Categorically not. We need to get to the trust that a settlement for a region or a local authority would bring about.

Let me try to explain one other feature that we did not pull out earlier as to why. Levelling Up Fund bids are incredibly random, from colleges in Wolverhampton to swimming pools in Birmingham to high streets. It is all sorts of things. Of course, the local authorities have reasons why they bid for that. However, is there a real strategic plan behind these either locally or centrally? There is not.

Surely we should look for a strategy around how a revival of a city or a region can come about that brings together the different elements and has one plan. Different funding streams lead into that plan. My strong argument is that the local authority working with its combined authority can do that if it has sufficient funding to enable it to do this. This random approach will not get the best bang for the buck.

Q112 **Paul Holmes:** Thank you very much. I am conscious of time. I want to ask a quick question to the three of you. Tracy mentioned the example in Halifax with costs going up. If you have been successful in bidding on any of the previous rounds, can you give any examples in your area where there has been pressure or risk due to the inflationary pressures we currently have. You mentioned Halifax, Tracy; could I ask you to come in?

Tracy Brabin: Yes, Halifax is a perfect example. There was £4 million of escalation but the timetable of delivery stayed the same. It just cannot be done. I know that there is some flexing, but if we are sold on this bidding process we have to work as partners rather than the man in Whitehall knowing best and we have to hit that deadline or the project does not get the money and can be withdrawn almost overnight. That is a good example that, hopefully, will be resolved.

Q113 **Paul Holmes:** Thank you. Andy Burnham, any inflationary pressures on



your bids?

Andy Burnham: I had the leisure centre in Calderdale as my example as well in my briefing and so I do not have an example in—

Tracy Brabin: Do not steal my leisure centre, Andy Burnham.

Andy Burnham: We are not trying to annex West Yorkshire just yet, Tracy. Maybe one day.

I can give you the figure that came from an IPPR report. It said that, as a result of inflation, the Levelling Up Fund is effectively reduced by £340 million by 2025-26. You will find that—maybe not as devastating as putting a whole leisure centre on hold—it will be a bit up in the air because they will have to find a bit of extra local resource to meet that gap and possibly a slightly longer timeframe. I am sorry. I cannot give you a direct tangible example from Greater Manchester.

Q114 **Paul Holmes:** That is absolutely fine. Thank you. Andy Street, please?

Andy Street: As far as I know, none of our projects have been put on hold, but the process that Andy has explained is what is happening in every single project, whether it be the Levelling Up Fund, CRSTS—you name it. We have inflationary pressures in each one of them. The local authorities and the CA—we got a paper on it on Friday and I know Tracy has already taken one—are all having to look at additional resources to supplement every grant that we have had.

Chair: Let's move on to metrics and data and how need is assessed. Mohammad?

Mohammad Yasin: Thank you, Chair. Andy Street, I will come to you first because I believe that you are leaving in a few minutes.

Andy Street: Yes. Thank you for reminding everybody. I am sorry.

Q115 **Mohammad Yasin:** There has been a great deal of discussion around the use of metrics and what data should be used and how need can be judged. Evidence so far has noted that need, according to some, is not being measured fairly and effectively. Barnsley Borough Council in particular questioned the current use of data. Can you tell us what metrics should be used to determine need and why?

Andy Street: It is a precise question around the metrics for the Levelling Up Fund. What I have already said to you rather implies that that is not the right way of going about it at all. The overall approach should be much more strategic.

In preparation for this question, I have looked at the way in which the data was taken for the Levelling Up Fund and I find it hard to criticise in principle. I am sure others may disagree with it, but it was tried to be done around a basket of measures. That seemed particularly reasonable to me.



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If you do not mind, I would like to make one other point about the way that data works. This is what appeared to us to be a harsh judgment of some urban areas that were judged in categories 2 or 3. Coventry was originally 2; Solihull was originally 3. Both have within them communities that are among the most deprived in the country. We felt that the way they were effectively excluded from funding was harsh. The basket idea was not too difficult to come to terms with.

Andy Burnham: We strongly welcomed the recommendation in the Levelling Up White Paper to improve the provision of subnational data to combined authorities and local authorities. There was a suggestion of creating a statistical service subnational data strategy, but we are still waiting on that. There was an idea of a spatial data unit. All those proposals were welcome, but we are not aware of any progress on them. If the Committee could push on that, it would be beneficial for everybody. There is data held in Whitehall Departments that we need to know about and yet we do not at the moment. It was an important commitment in the White Paper but, as of yet, we do not think there has been any tangible progress on it.

Tracy Brabin: I agree with Andy Street that the basket idea is sensible. We have our own intelligence team in the MCA and we have a *State of the Region* report. It uses a basket of 40 different headline indicators. However, there is a lack of clarity about the purity of decision making around who gets what and when. Whether that is looking at it again around indices and multiple deprivation, is that one that should be used more widely or taken into account more deeply? When it comes to data, we all have to be data driven and evidence led. Politics often gets in the way, but data gives us the truth of the situation. We should respond to deprivation and to opportunities to deliver on the Government's expected outcomes. We are on the ground and we can help the Government do that.

Q116 **Mohammad Yasin:** If the correct metrics are not used for future Levelling Up Funds, what impact will this have on communities across the UK?

Tracy Brabin: It erodes trust in politicians. It erodes trust in society. People do not feel heard or valued. This is why devolution is so powerful. Local leaders can speak as the voice of the public that they represent. When it looks like there is some sort of behind-the-scenes decision making that is not clear, people lose faith in politicians and anger builds. That is when you have problems with lack of democracy. People feel disengaged from politics. It is an opportunity, if you get it right, to show that you listen to the public and you respond to need.

Q117 **Mohammad Yasin:** Andy Street, do you agree with Tracy?

Andy Street: Yes, I have already said that, frankly. I have nothing to add. Not necessarily on everything, before you get—



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Tracy Brabin: No.

Andy Street: We do agree on a lot, though.

Tracy Brabin: We are all in the M10 together. We all share particular problems. We all feel the pain.

Q118 **Mohammad Yasin:** Andy Burnham, would you like to add anything?

Andy Burnham: I have a quick point, picking up on the trust and fairness point. As I understand it, the difference in per capita funding between the best funded local authorities in the country and the lowest is getting on for £200 with £909 per head in the best funded and £691 of available funding per capita in the lowest funded. That is quite a gap. It gets worse the more that council tax is expected to bear the strain of local funding. Some of the poorer areas have less ability to raise funding through council tax. It is quite a gap and it is getting to a point where it is becoming way too big, from my point of view.

Chair: All right. I want to move on now to the issue of funding and equalities. Andy Street, do you have to leave us now or can you stay a little bit longer?

Andy Street: I should leave you, if you do not mind, Clive. I did say 5 o'clock. Rather than breaking the rhythm of the next question, I should probably go. They are fascinating questions but I have to take my leave. Thank you for your inquiries.

Chair: Yes. Thank you very much. All right. We will move on to the issue that has just been raised: funding and equalities. Natalie?

Q119 **Mrs Natalie Elphicke:** Thank you, Chair. I want to build on those remarks that you made, Andy, in relation to the extent to which council tax is now bearing, effectively, a financial transfer from national to local. Within that context—and both of you have touched on this a bit but I wanted to explore it a bit further—to what extent is the funding for levelling up intended to meet some of that shortfall in funding for local government? Or is it additional? I know we have mentioned toilets and leisure centres, but transport might be different in your minds in terms of whether that is additional or replacement. Who wants to go first? Andy?

Andy Burnham: It is a good way of thinking about it. There are basics that all councils should be funded to provide and they should not be discretionary: funding for leisure, culture, toilets and those kinds of things. There should be enough in the budget for all areas to provide.

I go back to the point I made near the start, Natalie, the point about equivalence of living standards in the German constitution. We need to get our own version of that. What is the British version of the German constitution where we can guarantee an equivalence of basic infrastructure and standards in all parts of the country and not have what



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can be quite a massive difference from one part of the country to another?

When it comes to things that are additional to that basic infrastructure, that would be a more appropriate use of levelling-up funding and bidding, if that makes sense. We have a confused picture when it comes to local funding in this country and it does not produce a fairness across all the different regions. We cannot go much further without unpacking this.

The frustration for me is that we have not seen as many visible signs of levelling up as we would have liked. I support the agenda but I would like to have seen more progress. However, putting levelling up front and centre, as the Government did, has unlocked a cry for regional fairness that will not go away and, if anything, will only get louder and louder.

The message you get from all three of us this afternoon is that you are more likely to achieve a levelling up of living standards across the country when funding is not discretionary or competitive but when it is baked into what local areas have and is there for the long term. That is how I would say we would start to erode some of the inequalities in health or in other areas if you want to look at it that way. Levelling up was the right theme at the right time and I give the Government credit for that but it has to become a long-term national mission. We have to move it from the space where it has been, which is a bit discretionary and a bit hit-and-miss and ad hoc, to something that is much more hardwired into the way the country works.

Tracy Brabin: I agree with what Andy has said. To build on his point, what is levelling up? Is it not about giving everybody across the UK the same basic offer of access to a library, access to decent transport, access to a leisure centre where you can exercise or take your kids? We all should have the expectation that, wherever we live, those basic needs will be fulfilled.

We have seen, particularly across the north with the cost of living crisis and inflation, what used to be that safety net is now absolutely a thread. It used to be that local authorities would provide services. If you were out of work, you could go to the leisure centre and have a swim and the local authority would support you. You could go to the library and have a course. Now it is bed banks. It is energy banks. It is food banks. It is people living day to day. We have a job as locally elected leaders to reset that balance. Working with the Government, we are up for this, but it is in the landscape.

I have some numbers. Leeds has lost £263 million each year from 2011 to 2023. Calderdale has found £120 million of savings. Bradford has a budget reduction of £310 million. It has been eroded year on year. Now these pots are supposed to fill that in. We have the city region sustainable transport settlement and a large chunk of that is funding to fill potholes. Local authorities used to do this as part of their bread and



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butter. Now we are bidding to provide that infrastructure. When we talk about levelling up, it is about fairness and dignity.

Q120 Mrs Natalie Elphicke: Building from that, my area is covered by Kent County Council, which put in concerns about potentially facing bankruptcy. My area in Dover and Deal also has significant areas of deprivation that have not benefited from some of the funds that you have described in the same way. I am keen to understand.

As mayors, all three of you have set out how successful you have been in bidding and how effective your particular authorities are in being able to bid. Andy, you have been mayor since 2017. Tracy, you are a newer mayor. Over the period that we have had the mayoral combined system, we have seen those inequalities get worse, according to the IPPR, particularly around health and sickness in the north-east. I wondered to what extent the ambitions that you have set out as mayor are achievable within the context of the levelling up vision that you described for your single part and alternative funding.

Tracy Brabin: Of course it is possible, but we have to have that arm that is tied behind our back untied. We have to be able to deliver. We are wasting time coming back to Whitehall with a begging bowl. We could get on and help to deliver.

I know devolution is way to try to resolve some of the problems of inequality, but it cannot be that you erode the finances of a local authority and then you expect the mayor to patch it up. It has to be a 360 approach from the Government. Their commitment to levelling up is an opportunity to be incredibly bold and to have a new contract with the public and say, "We believe in devolution and we will make sure that wherever you live you get the same life chances as somebody who lives in the south."

Mrs Natalie Elphicke: Not all of the south.

Tracy Brabin: No, of course not, but, for example, on transport, three times as much is spent per head in the south and in London compared to the north. That has been happening for decades. We have such a long way to go to get that equalisation that you so need for your area.

Q121 Mrs Natalie Elphicke: Yes, not all parts of the south. We need more transport investment. Andy, you have been a mayor a long time. What is it that you need to drive this equality agenda?

Andy Burnham: It is that long-term approach that I was talking about before, Natalie, and the single settlement and the block grant would help us. The reason is that the potential of devolution is to join the dots on the ground between the Whitehall silos. We can make sense here because we can bring it all together into a coherent whole.

If you look at health devolution in Greater Manchester because we had that five years ago, we have shown that we can move the dial. A study in



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the *Lancet* recently of the first five years of health devolution in Greater Manchester concluded that life expectancy had increased here faster than expected and had increased most in our most deprived communities. It said that the reason why that had happened was the high degree of alignment both between public bodies and, also, between public bodies and the community and voluntary sector.

We are adopting a mission-based approach to things. For instance, we have massively reduced the level of rough sleeping over the last five years with plenty of support from the Government, which we are grateful for. It is that ability here to join the dots around people and places and make it all make sense. You get a much more efficient use of Government funding in that scenario rather than the old way of working.

We have definitely moved faster on things. I have funded things here that are outside of the Whitehall system completely, such as a free bus pass for our 16 to 18-year-olds, which is hugely raising aspiration across Greater Manchester. I mentioned before about all young people having a pathway at 16, A-level, T-level, apprenticeship; that free bus pass is their means to getting to those opportunities at the end of school.

This is working. Devolution in England is a success story, but it is in its earliest days. It could be so much more. If you look at Leeds, Birmingham and Manchester, there is an energy and a confidence in these cities that we have not seen in a long time. If you look at the skyline of Manchester city centre, it tells a real story about confidence, a place that is going somewhere—going upwards, actually. There is so much potential in these places. The more you back them, the more they will deliver back to UK plc. I am absolutely sure about that, Natalie.

Chair: Thank you. Let us move on to the important issues that have already been mentioned of infrastructure and transport. Ian Byrne?

Ian Byrne: Thanks. I will stay with Andy because he forgot to mention Liverpool there in the major cities. I am sure Steve Rotherham will be on the phone in the next five minutes.

Tracy Brabin: He has just texted me and he has cut him off. He has cut him out of his will.

Andy Burnham: He is still smarting from losing a DJ battle a couple of weeks ago.

Q122 **Ian Byrne:** We were on the thorny subject of transport. Part of ensuring the success of levelling up is, arguably, dependence on maintaining and improving infrastructure across the country. The White Paper states that better transport will attract people, business, finance, culture and also physical infrastructure that is vital for improving productivity. Transport networks will also be co-drivers of this mission.

In your experience, does this ring true? How do we achieve the transport network the north deserves and not the shambles we have now? We will



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not mention the trains.

Andy Burnham: Ian, I will answer that in two parts: one positive, one less so. The positive is that the White Paper correctly set a goal of London-style public transport for all parts of England by 2030. The reason why I say “correctly” is because we have been calling for that and I know Steve in Liverpool has called for the same. We are perhaps a little bit ahead of Liverpool and Leeds on this but we all work together on it. We all work to that goal.

I have taken the decision to put buses back under public control. The reason that is so important is because you can then start to integrate bus, tram and hire bike and introduce that daily cap over all transport. That London-style vision is just a couple of years away now. We will have integrated the buses with the trams by the start of 2025. All of it will be back under public control by that point. Then you have a different offer for the travelling public. The aim as part of the trailblazer is to then get more control over overland rail, as TfL did in London, where we then have commuter rail services inside that daily cap, if you like, Ian. There is like a TfGM rail service that people then can use to get around. All of that will make public transport much more competitive when it comes to the cost of travelling around by car and will finally break the domination of the car in large parts of the north-west.

This is a difficult journey that we are on at this particular moment in time. Greater Manchester is right in it. My message to the Government is: please work with us as a partner on this. They are, largely—we have had a positive response. We need that support as we go through this because, if we successfully do this in Greater Manchester, we will help create the template that others will then use: you in Liverpool, Tracy in Leeds. We all want the same thing and we all want to help each other get to the same place.

I guess then the slightly less positive point is to talk about the state of railways at the moment because, in many ways, they drag us down. If you look at city centre Manchester at the moment, look at our five train stations—Piccadilly, Oxford Road, Deansgate, Salford Central, Manchester Victoria—they have seen barely any investment for the last 20 or so years. The infrastructure between them is absolutely at saturation point. It is creaking Victorian infrastructure.

The services, as we all know, have gone completely backwards. We are coming up a decade since George Osborne’s Northern Powerhouse speech kicked all of this off and he said that rail had to be at the heart of a vision for the Northern Powerhouse. In that decade, rail services have gone backwards and it is hurting us at the moment. As Tracy was saying, the fragility of the northern railway system means that we suffer more than other parts of the country. There is a template for how you could build a better future but it is frustrating when, at that same time, parts of our transport system are going backwards.



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Ian, the motto of the story from Merseyrail, where you have a railway under more local control—and I hope you agree with this—is devolved local control of transport systems delivers better systems because it brings an accountability that is not there in the national railway system and it allows an integration of that transport with other modes of transport. For me, this is absolutely the way to go, but the Government need to back it, as Tracy said. We cannot do it without subsidy. London did not build its transport system without subsidy over the years. The north of England will not be able to do it without subsidy as well. We do need the Government to come in as a partner.

Q123 **Ian Byrne:** Thanks, Andy. Tracy, would you like to build on that? You have been brilliantly vocal on this. That last answer was fantastic. Everything you have said there about investment was absolutely spot on. Well done.

Tracy Brabin: Thank you. Andy and I and the mayors are all in agreement that you cannot level up without having access to jobs and opportunities and that is all about transport. The Government get that we need a better transport network but it does not feel like there is one guiding mind delivering, particularly around buses. We have staggered from one cliff edge to another with the bus recovery grant. We were grateful that the Government extended it, but we are back again in April, when there will be a cliff edge.

While I have been able to introduce Mayor's fares, which is the £2 cap and the £4.50 daysaver, which is increasing patronage, I cannot stop bus companies from cutting routes. People can say, "Great fare, but there is no bus for me to get on." We are investigating. We have started the process in the first week of me becoming mayor. We kicked off the process to look at public control and the decision for that will be in 2024. It is a long process. It is Government timetables. It is important for us to have that integrated London-style transport network.

I thank the Secretary of State for Transport for meeting the northern mayors to talk about the situation but, since the timetable changes on Sunday, it has got even worse. How it is possible to be even worse from TPE and Avanti I do not know, but we will continue to be the voice of the travelling public because you cannot level up anywhere without a transport network to get people to jobs, opportunities and colleges. I hear stories of people missing funerals and not going for job interviews because they cannot get there. Students say, "I want to go to this university but I will have to cross the Pennines, so I will go somewhere else, somewhere I did not want to go." These decisions are people's futures. Every single person who cannot get that train is impacted. We will continue that campaign.

Andy Burnham: Quickly, to back up what Tracy is saying, today is the first day of the new timetable. A lot is riding on this. Tracy and I were promised at Transport for the North that this would be the route to get more stability into the system. The figures I have from midday today



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were that the TransPennine Express had 44% of trains on time and they cancelled or removed last night close to 100 trains. Even then, they were running at 44%. Avanti West Coast at midday today had 12% on time. They may run more services today out of Manchester to London, which is welcome, but 12% on time? These figures are unbelievably bad.

Q124 Ian Byrne: Yes, absolutely. I want to touch on the desire to improve health, Tracy. How important is it that transport in places outside London receives the funding it needs so that we can decarbonise transport and reach net zero? Also, there is a general desire to improve health, as Andy touched on before, by taking cars off the road. The air pollution in my constituency is appalling at times. It is a key driver. What do we need to do?

Tracy Brabin: Thank you. The Levelling Up Bill could do with a greater focus on the climate emergency. We will not level up our communities, for example, in Hebden Bridge, when communities and homes have been washed away. You cannot level up when one in 20 in West Yorkshire die from something related to air pollution. We have to act swiftly and at pace. That is why a London-style transport system to get people out of their cars and on to buses and trains is so important. Getting freight off the road and onto the rail network is so important.

In West Yorkshire, while the Government say £96 billion has been spent on upgrades, £50 billion of that is coming to Birmingham. What is being spent in the north is not good enough. That is why I am making the case that we need that new line from Manchester to Leeds with that important through stop in Bradford. We need fast trains from Sheffield to Leeds. A year and two months now after the IRP, we were promised a plan from the Government on how we will get fast trains from Sheffield to Leeds. We have not even had the terms of reference. We need a T-shaped station in Leeds. There is so much we need that will get people out of their cars and on to the trains, but we need the Government to back us. It is important.

I do not have responsibilities for health in the same way that Andy does, but I know that better mental wellbeing, lower stress and opportunities for better health will come from access to jobs and the ability to have training so that you can get a better-paid job. We know that this is a public health approach. It is not just health over here and transport, skills and housing over here. It is completely integrated. That is where a strategic plan from mayors does help to have that vision.

We could go further in levelling up and talking about the climate emergency. We are happy to work with the Government to do that. In my Green Jobs Taskforce, I pledged 1,000 green jobs for young people. We have already hit that target halfway through the term. I know there is an appetite for it. We are ready to deliver for the Government.

Andy Burnham: What you said in your question is absolutely right, Ian. The more public control you have of the system—transport, or you could



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broaden this to energy or housing—the more you can dictate the pace of decarbonisation. You cannot do that in a deregulated transport system.

As we move towards the B network, the first reregulated services will start in Wigan, Bolton and parts of Salford next September. On that day, 17 September, which will be the day that reregulated services return to parts of England outside of London, we will introduce 50 electric buses into service in that area in those franchises. They are currently being built in the north of England and Alexander Dennis. That is a great levelling up story. We are building electric buses in the north of England that will enter service in the north of England next year.

There is a pipeline beyond that, Ian. We have a plan for a zero-carbon public transport system within a decade and that will be the UK's first. Our trams already run on renewable energy. That is a success story of the city region. If you then add into that quadrupling the size of that tram system by supplementing it by hundreds of electric buses, as we will in time, then as Tracy said before, you will have a public transport system by the end of the decade that is cheaper to run and brings a huge amount of health benefits to our residents. It will be superior. There will be no need for people to travel in cars to the extent that they do today.

It is about the public control in the system. If you apply the principle more broadly, you would speed up the decarbonisation of the energy grid and you would speed up the retrofitting of housing if more of it was under public control or at least if there was stronger regulation of those sectors.

Chair: Thanks. We all want to see levelling up become a success. To pursue that issue, Mary Robinson.

Q125 **Mary Robinson:** Thank you, Chair. The National Audit Office has reported that there has been a great deal of local government policy churn since 1978. I have over 50 different initiatives here, which include city challenge, English partnerships, neighbourhood management, pathfinders and so on. To what extent are new initiatives helpful and essential? Or is a period of stability more likely to enable sustainable long-term investments?

Tracy Brabin: Mary, I completely agree with you, but often those projects are because there has been a funding opportunity. We have seen the precursor of levelling up, whether that is the industrial strategy, the Northern Powerhouse, the plan for growth and now levelling up. Certainty and continuity is incredibly important. The churn that we have seen over the last few years and in the 20 months that I have been mayor, whether that is Prime Ministers or plans or projects, has been destabilising and not helpful. We were talking about the prosperity fund and the three-year funding. We need long-term political backing and strategic planning.

That is why I have been making the case to the Government that mass transit, which is a real game-changer for West Yorkshire—Leeds is the only city in Europe without a mass transit system—has to go beyond



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many different colours of Government and will be a decade-long project. £200 million has been allocated. We need to say to the Government and to the Labour party as well, "You have to commit. Everybody has to get behind this," because this will be a real tool to level up our communities with that integrated transport system that Andy was talking about, where you have mass transit in the city of Leeds that reaches out to areas that have been disconnected for centuries and that will be opened up by that exciting transport plan. We need certainty and stability and we need a strategic plan that we can all buy into.

Q126 **Mary Robinson:** You will say to the Government, "No new initiatives, please. Let's get on with these"?

Tracy Brabin: I would say, "Give us a five to seven-year funding settlement so that then we can strategically plan with you to help you deliver on your outcomes and our local outcomes. We can bring that stability to our region."

Q127 **Mary Robinson:** In terms of the UK's best interests, do we need to make sure that the levelling-up agenda works?

Tracy Brabin: It is absolutely critical for regions that have suffered over the last couple of decades. It is absolutely critical for West Yorkshire and of course the wider north.

Andy Burnham: Mary, that question you asked is absolutely the right question. It is critical if we are to bring the country through this period and bring it back together. The whole notion now of regional inequality is out there. It is at the top of the political agenda. In many ways, I have waited all my political life for this moment when we get more serious about regional inequality. It is out there.

The positive is that the cry for fairer and more equal treatment for the north of England will not go away. It will only get louder. Let's work then on a cross-party basis to put in place what is needed, truly, to bring the north of England closer to the living standards of the south of England and the transport standards.

The way that is done is not via initiatives. There is nothing wrong with the odd one here or there, but the way it is done is if you rewire the way the country works and you put in place long-term funding that goes to the areas that need it most. That is the German model that I have referenced a couple of times in this session. You have to make it a national mission rather than the source of a few press releases around the Levelling Up Fund. That is not levelling up. What they did in eastern Germany after the wall came down and when they worked towards reunification was levelling up. That was a proper long-term funded programme to deliver equity across the whole of the country.

We have hit a moment here when we need to do the same. If we don't, the fractiousness in our politics will only grow. The sense of unfairness and neglect will only get deeper. Yes, there is cross-party agreement



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here. We need more of that sometimes. Combined authorities are working. Devolution in England is working. It is making a difference, as we have said today. Now is the time to back it. We have hit this end-of-the-beginning moment. Now is the time through this trailblazer and also what is coming beyond. We need to back it now and let this growth be created across all parts of England.

Q128 Mary Robinson: Thank you, Andy. I believe it has been estimated that halving the productivity gap between the north and the south will add about £83 billion to the UK GDP. Is that what this levelling-up agenda is about, too?

Andy Burnham: Absolutely, it is. It is about the whole country benefiting from an area that is firing on all cylinders. Often we describe the UK economy as though it is firing on one cylinder. Imagine if all parts of the country were punching their weight.

To echo Tracy, the Northern Powerhouse concept, which was first put forward a decade ago by George Osborne, was a valid concept in terms of bringing the cities together and better connecting them and, by doing that, helping them punch their weight. That railway line across the north of England, from Liverpool through Manchester Airport, Manchester, Bradford, Leeds and beyond is critically important. I still believe in the concept of the Northern Powerhouse. We have to stop chopping and changing and just get on with it.

When we say something as a country, let's do it for once rather than constantly changing our mind and trying to rewrite the script. We know what we want. We all want the same thing, hopefully. Let's just get on and do it.

Q129 Mary Robinson: Thank you. I have a final question. Tracy, one of the themes of this inquiry so far has been the challenges surrounding deliverability of funding for levelling up.

What is the one thing that needs to change or improve to ensure the delivery of the levelling up agenda? What is the one thing that you would say? I am guessing that a block grant and the single pot would be Andy's answer.

Tracy Brabin: Mary, you have guessed right. To end the funding pots and the bidding and to have that block funding, which will hold us to account to deliver on outcomes and will be there, would be a real game-changer, for the speed at which we can deliver levelling up as well.

Chair: Thank you, both, and thank you to Andy Street—who had to leave us a few minutes ago—for coming and giving us what was an excellent review of what is happening with devolution and what more could be achieved if that devolution went further and levelling up was delivered. Thanks. You have thrown out a lot of challenges both to this Committee and to the Government and, indeed, to the Labour Opposition as well, about where we go to in the future. Thank you all very much for coming.



That has been an interesting and informative session for us. Thank you.

Andy Burnham: Thanks for the opportunity.

Tracy Brabin: It has been a pleasure. Thanks, everyone. It was good to be back.

Chair: Thank you.

Examination of witness

Witness: Vaughan Gething.

Vaughan Gething: My name is Vaughan Gething. I am a member of the Senedd for Cardiff South and Penarth in the Senedd Cymru—the Welsh Parliament—and I am the Minister for the Economy in the Welsh Government.

Q130 **Chair:** Thank you very much for joining us today to talk about the whole issue of levelling up. One of the issues for the devolved Administrations is the extent to which they get consulted on by the UK Government on funding arrangements for levelling up. Would you like to indicate your view of those consultations? Have they been adequate? Or in what way have they been inadequate?

Vaughan Gething: The area of levelling up is an area that has been devolved for more than 20 years. Economic development is smack in the middle of my portfolio. Skills and other areas are also in my portfolio and others. They are all devolved.

When the levelling-up agenda and the Shared Prosperity Fund were conceived, we were clear that they should involve us. We had regular attempts to have conversations with UK Ministers. There was no substantive engagement around the reality of the predecessor funds like the Community Renewal Fund, for example. We had no engagement in that. Indeed, on the Shared Prosperity Fund, just before the local government elections in this calendar year in April, we had a little less than two weeks when Neil O'Brien was one of the then junior Ministers in the levelling up Department.

During that time, we managed to have a step forward on agreeing that the geography for bidding areas should be the same as economic regions that we have in Wales, which also map over the city and growth deals, but after that we had a difficult conversation trying to persuade the levelling up Department to have an approach based on need. What we have ended up with is something that takes need and broadly shifts it towards sparsity. Concentrated areas of need—if you take Caerphilly, for example, or Neath Port Talbot as county areas in Wales, with relatively high levels of need—then are getting less per head than they would have done under the previous formula.



To say it has been significantly imperfect I think is polite. It has been a poor exercise, I think. In contrast, on the freeports programme, we did eventually, after some frustration, get to a point where there is a shared decision-making process with Ministers from both Governments being involved and a joint prospectus. That simply has not happened when it comes to the Shared Prosperity Fund, so it is definitely an area that I do not think the UK Government can look back on with a great deal of pride, unless it is a deliberate attempt to simply take away devolved functions and responsibilities.

Q131 **Chair:** We will come on and explore the details of the Shared Prosperity Fund in a minute but, on levelling up, one of the issues has been the creation of the Multiply Fund, which was just about welcomed by the mayors we talked to earlier from the combined authorities. Whether they welcomed the way it was done is another matter, but they welcomed the emphasis on adult learning. How was the Multiply Fund developed as far as you are concerned and do you think there is a detraction there from devolved policy?

Vaughan Gething: It is a big problem. No one disagrees that you should do something about adult numeracy, but the way that the fund was conceived of in the Treasury, essentially, and then done to us, not with us, in an area that, again, is plainly devolved is a real problem. Not only is it an area that should be devolved, not only is it an area that was sprung on us without any prior consultation or engagement at all, but the funds allocated to Wales are ones that we do not think can be spent in a way that would be successful. We think that the fund is going to be underspent—that is Welsh local government as well—across different political leaderships.

It goes back into what the challenges are of the design of all this. It is not just the aggressively parking your tanks on areas that are plainly devolved after two referenda and six elections in Wales. The design of it does not take account of what you are going to need to do. If you want to take part in Multiply you have to agree to put yourself on the hook for creating infrastructure to deliver it in two and a bit years with no certainty about what happens afterwards. What is happening now is that the certainty of grant awards does not extend for the full time of the programme.

One of the other problems in the way that Multiply and the Shared Prosperity Fund have been conceived of is that you have to spend the money within the financial year. From the awards that were recently announced by Dehenna Davison, as one of the Ministers in the Levelling Up Department, you have three and a bit months to spend your money. With the best will in the world, everyone around this table will know from their own life in Parliament and before that giving people three and a bit months to spend money before the end of a financial year, you can spend it sometimes, you can spend it quickly, it does not mean to say you spend it well, and you do not get to roll over the money in the



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programme. If you have unspent money, at the moment that will come back to the UK Treasury. The value of the funds will decrease if you cannot spend the money.

Whatever people feel about previous European programmes, they were multi-year, multi-annual, and you had time in a run-off to spend all the money. This I think will guarantee that not just in Multiply but in the broader Shared Prosperity Fund as well money will be spent poorly at the end of financial years or it will be returned to the Treasury. I do not think that could be in any way what people think of as a levelling up mission.

Chair: Okay, let's move on to the Shared Prosperity Fund, which is clearly one of the big elements of it.

Q132 **Bob Blackman:** Vaughan, can you cover for us what the difference now is going to be for Wales, given that we have moved from the European Structural Investment Fund to the Shared Prosperity Fund? I think that there is probably an issue about both local projects in local authorities within Wales but also the national position in Wales. Can you expand for us what the implications are?

Vaughan Gething: Overall, the total amount of European funds that are not going to be spent in Wales over I think the three years that we are in the middle of is about £1.1 billion. That is the UK Treasury's own figures. We have used its figures and its way of calculating it. A written statement has been issued on that and we can make sure the Committee has it available.

In this space, we make up about three-quarters of a billion pounds over three years in the loss to Wales in terms of funds that should be available. What that then means is that local authorities have to design investment plans trying to gear up how to spend that money and, of course, they had a long time before decisions were made. They now have to spend that money very quickly. They do not have a great deal of certainty because they do not have a legal grant offer process for years 2 and 3. They go through a memorandum of understanding process and I don't think that is a sensible way for them to be able to engage in binding arrangements with other people to deliver the programmes themselves.

It comes back to the design as well as the challenge in the money. That is of course before you take account of the relative inflation, which is reducing the headline total.

Q133 **Bob Blackman:** In terms of decision making, does this mean that local authorities and the Welsh Government are looking at spending money quickly, as you have said, to get the money spent as fast as they possibly can and, therefore, prioritising those short-term expenditure programmes rather than the longer-term programmes that might be more beneficial?

Vaughan Gething: Local authorities in their investment groups will be looking to spend money this year. That is absolutely right. They may be looking at shorter-term points when they are setting up infrastructure to



do this. You can spend some money up front. The challenge is, and you will probably know with some previous multi-year spending arrangements, you are more likely to spend money after your first year as you gear up to spending money. My concern is that they may be able to spend some money in the shorter term but they have investment plans that are supposedly about spending money over three years to achieve broad outcomes.

The Welsh Government are not part of spending money in this area because we have been excluded from the decision making. Again, that is not a mistake; that is a choice.

Q134 **Bob Blackman:** Do you have any feedback yet from local authorities about the decisions they are making on how they are utilising the money that has been allocated to them?

Vaughan Gething: To be fair, they only just had the press release last week.

Bob Blackman: I understand that, but there are certain things that were known to be coming in how this was going to operate. Do you have feedback already on what they were planning to do?

Vaughan Gething: My feedback initially from local government across Wales is they are going to find it difficult to spend full allocations within this year. They will do their best to do so but they are genuinely worried. In fact, local government think that on the Multiply side of it, there could be an underspend of up to about 50%, so it is a significant sum of money that could not be spent.

We have been discussing with LUHC on Multiply—apologies, I meant to say it in response to Clive Betts, the Chair—about potentially broadening that programme to think about adult literacy and numeracy and digital skills, which are all part of people engaging in the world of work. We think that there is a more rounded offer that would work well with the way that we spend money in devolved areas and it is what employers are saying they are going to need to help people get back into the workplace.

Q135 **Bob Blackman:** Apart from the total amount of money, which we can obviously have issues about, your one big ask of the Department, presumably, is to spread the money over an extended period of time so there is greater certainty over levels of funding and to make sure it is used as effectively as possible. Is that fair?

Vaughan Gething: It is fair to say they should both give certainty, so not an MOU but a clear grant offer for the total time, and allow the money to be spent and carried over more than one financial year. Otherwise, money will be lost or spent poorly. Don't take my word for it: I am sure in your own experience of scrutinising public spending you have good examples of money not being spent well at the end of a financial year.



Q136 **Chair:** Getting back to the amount of money, everyone we talk to says, “We have less than we should have.” How can you convince us that the Welsh Government have a factual basis to say that?

Vaughan Gething: We have set this out in a range of statements we have made, but essentially under previous programmes we got on average £350 million a year out of European funding programmes. Of course, the manifesto pledge and the Government’s reiterated pledge was that this would be worth at least as much for nations and regions.

What we are getting is nowhere near £350 million a year, not only because there have been a couple of years where there has been no money in new programmes, but in the first year of shared prosperity the overall total is about £400 million, so Wales does not get £350 million out of £400 million to spend. There is definitely a deficit and when the UK Government say spending will ramp up to the full amount in the third year, that is when there is a possibility of us getting a full £350 million. Even on their own basis, there are years when no additional money is being spent. There is then one where they acknowledge they are not spending the full amount.

I think that the UK Government and the Treasury’s argument is that when you add in the run-off of the European programmes it is all about the same. That just is not how previous European programmes worked. They know that; everyone else knows that as well. You can either say they just do not understand the rules or cannot add up or that it bears less of a good-faith explanation as to why the same amount of money is not being provided to nations and regions, of course, right across the UK.

Q137 **Chair:** Can you explain why it is unfair, then, to count the run-offs from the EU funds, which are still being spent in the first years of the Shared Prosperity Fund? Why cannot you add them in? It is still money being spent, isn’t it?

Vaughan Gething: Because if we were still part of those programmes we would have had £350 million of new money and we would have been spending that money already. You would still have the run-off money and then the new programmes if you are entitled to benefit from them. Claiming you can count that off against what happens is just not comparable.

Equally, you cannot know how much is left in the run-off. If you are saying when you add the run-off together with what you are getting now, that will all equate to £350 million, if it did neatly add up you might have some sympathy with it, if you are prepared to ignore the fact you would have had £350 million of new money to spend each year. Even with that, that is simply not what is happening. If you want to give credit for a previous decision you could try to do that, but it is not an honest way to compare like with like and it is certainly not what was published in the manifestos or the pledges that UK Ministers made repeatedly about what would happen.



Chair: Okay, let's move on to how we can deliver on levelling up in Wales.

Q138 **Ian Byrne:** I think you have answered most of this, Vaughan, but I am going to give you the opportunity now, for the purpose of the report, of outlining what your overall assessment is of funding for levelling up in Wales. If it is not on track to achieve its aims, what could guarantee the success of levelling up?

Vaughan Gething: It is not on track to achieve the stated aim of having the same amount of money because it is over £1 billion less than the broad European programmes—£750 million when it comes to this particular area.

In terms of its broad aims, if you have the broad levelling-up mission of raising the quality and standard of life, including economic performance, in least advantaged areas, the money has been spread out in a more disparate way. Money has been taken away from areas of the most concentrated disadvantage.

The other problem is that when it comes to the mechanics of understanding how that money is being spent and well spent, there was an accountability framework that existed when we were part of the European Union. At the moment, the goals for levelling up are high level and I genuinely do not understand how the Levelling Up Department will be able to say if money has been well spent or spent for a particular purpose, other than what is in the investment plan. You do not normally get to deliver a plan and then mark your own homework. That is not a criticism of local authorities because they are in an area where they will have all the pressure from all the third-sector groups, higher education and others, who used to get money from these projects who will not get it.

To give you a direct example, higher education in Wales are saying that they expect to have 600 direct job losses as a result of the change in the money because they are not part of the way the levelling up mission has been drawn up by the UK Government. The third sector will have their own examples of direct job losses and I am a bit concerned that local authorities are being used as a political firebreak between the money being given out, people being told, "Go and see your local authority because they have the money," and what they are actually going to be able to have to spend against the headline objectives they have been given.

Chair: We have a guest with us today, Rob Roberts from the Welsh Affairs Select Committee. Rob has a question as well.

Q139 **Rob Roberts:** Good evening, Minister. It is a pleasure to see you again. It is very kind of the Chair to invite us along as part of the crossover in our inquiries.

I wanted to pick up on a couple of things that you have said in response



to the Chair's initial questioning, Minister. You were talking about the approach to how the fund was set up being done to you rather than with you, and I understand the principle. When the First Minister came and spoke to the Welsh Affairs Select Committee some 18 months ago, he was very keen on extra devolution to the regions of Wales. If we work on the principle that there is no purpose in devolving powers from one place just to centralise them in another, how do you feel about the approach then that we are giving more power to the regions in Wales, which according to the First Minister is a good thing?

Vaughan Gething: Of course, the powers that came from Europe ended and stopped in Westminster. That is the truth of it because the investment plans had to be put together by local authorities and then a decision was made by a single Minister in the UK Government. It deliberately carved out the devolved national Government of Wales, which has been there after two referenda and more than 20 years of practice. We had been learning about European money and there was an approach that is now more strategic.

We invested time, energy and effort with our regional partners in those economic regions, including local authorities and others, about how we would want to use the next round of European funds. That is why we have a regional investment framework, jointly produced by people in the Welsh Government and people in each of the regions, with individual investment approaches that we designed together. We are on the way to doing that and that is our plan.

To deliberately cut us out and claim that is providing more powers I think takes some creative accounting, particularly when you are giving less money to those people to deliver against their stated aims and objectives. These are plainly devolved areas of responsibility. Our Parliament will now struggle to properly scrutinise how those funds are spent when they are going to have to scrutinise Ministers in a different Government.

Q140 **Rob Roberts:** Thank you for that. With regard to what you were talking about earlier on with my colleague Mr Blackman's questions about SPF and how it is clawed back, you mentioned, to the Treasury if not spent, what were the previous rules? What happened if there was an underspend with the EU structural funds? Did you just get to keep that? Or did the EU claw that back as well if it was underspent?

Vaughan Gething: At the end of the multi-year framework, if the money was unspent it could be returned. That is the end of a multi-year framework, not every calendar year, and this is the point. At the end of each financial year, rather, if you have not spent the money, at the moment the money goes back to the UK Treasury. Any part of the UK that wants to level up in broad terms, to say you have to spend this money within one financial year rather than a multi-year framework means there is less utility about how to spend that money well and to be



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able to ramp up and do it over time successfully. I think that you are comparing apples and pears, Mr Roberts.

Rob Roberts: I am not entirely sure I am. I think I might be comparing one brand of apple with a different brand of apple, but still—

Vaughan Gething: That is simply not true. If you have a seven-year framework with a two to three-year run-off, you have an entirely different way of spending the money multi-year. You judge that at the end of the programme. You do not take a judgment every single year and say, "I will now take money back from you if you have not spent it."

Q141 **Rob Roberts:** The principle is the same, therefore—just for the record—that there was a clawback. If there was an underspend, whatever the length of the programme, it would be clawed back by the EU under the previous system?

Vaughan Gething: There is a really important difference. I don't think it is difficult to understand.

Q142 **Rob Roberts:** With regard to the allocation of funding, the Welsh Government have criticised the UK Government pretty heavily about not accounting for the population and the deprivation element in the calculation not accounting for population properly. The UK Government—the Secretary of State for Wales—came back to us in the Welsh Affairs Select Committee and said that that is not the case, it does account for deprivation and population equally. Why is there such a big difference in accounts from both Governments?

Vaughan Gething: We proposed using the Welsh Index of Multiple Deprivation, which is well understood by policymakers and actors in Welsh public life. That is a formula that looks at factors around deprivation and population. The formula that the UK Government have used has a factor for deprivation in it. It also has a broad population factor and, of course, population does not tell you anything about the relative needs, it just says how many people there are. That in itself is one factor. It is not a multifactorial approach.

Then the Community Renewal Fund, which accounts for the same share as the Index of Multiple Deprivation from Wales, has a different approach that again takes money into more sparsely populated parts of the country. What you are essentially doing is you have a new formula that transfers money away from areas of concentrated disadvantage and puts it into areas of less concentrated disadvantage. That means people in deprived communities per head in those most concentrated areas are seeing money transferred away from them.

I am more than happy if it is helpful, Chair, to send a note to the Committee setting out how that works, rather than just the verbal part, as well as the written statement I have offered on how we have calculated the funds to show the difference in the spend per head and the



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way that different formulas make a material difference to the money available in different parts of Wales.

Chair: It would be helpful to have that information in writing.

Vaughan Gething: No problem.

Q143 **Rob Roberts:** I have one final question, Minister. Following on from Mr Byrne's question earlier on regarding how you would measure whether levelling up is working, in my constituency in Delyn, we are part of Flintshire as a county council. We are 20th out of 22 in terms of local authority settlements every year. Whereas Blaenau Gwent, Merthyr Tydfil and Rhondda Cynon Taff have one, two and three every single year. Surely if the Welsh Government spending allocations and how they do their calculation was correct, then over time there should be some kind of evening out of those numbers. The local authorities that get the highest amounts because of their deprivation levels should be—for want of a better phrase—getting better and lifting themselves out of that deprivation because they have had additional funding. Why doesn't that seem to be working?

Vaughan Gething: I think, again, you are comparing apples and pears. If you think about the way that local government is funded in a multifactorial formula, it is providing funds to local authorities to deliver services in a whole range of different areas—school funding, for example, that comes through the local government settlement. You are not comparing like with like. Of course, part of the reason why Flintshire is where it is is because of its relative level of income against population. It is a good news story and I want to see more parts of Wales having the relative levels of income that Flintshire does.

When it comes to what you are trying to do with levelling up, that is a deliberate intervention to try to ensure you direct more and better economic activity. It is also about the fact that when you have people further away from the labour market you often need to spend more time and money to get them closer to being job ready as well. It is a whole range of different issues and factors that go into whether levelling up is going to be a success or not.

If you really want it to work, you have to give certainty over time with the money and then certainty over how long it is going to last and some clarity in when you are going to assess how successful it has been. You are unlikely to get that within a one or two-year period.

Chair: Minister, thank you very much for joining us today and giving us the Welsh perspective on what is clearly a priority right across the United Kingdom in terms of levelling up. That has been very helpful for the Committee to be able to understand that today and we look forward to the further information in writing that you have promised us.

Vaughan Gething: No problem at all. Thanks very much.



Examination of witnesses

Witnesses: Tony Simpson, Maeve Hamilton, Dominic McCullough and Laura McDonald.

Q144 **Chair:** We now move over to our third panel. Please state your names and positions. We will just go around the table.

Tony Simpson: I am the Director of Strategic Policy and Reform in the Department of Finance.

Laura McDonald: I am Deputy Director in the EU Division.

Maeve Hamilton: I am Head of EU Fund Management Division in the Department for the Economy.

Dominic McCullough: Good evening. I am the Director of European Union Division in the Department of Finance.

Q145 **Chair:** Thank you very much for joining us. Obviously, you are here today because there are not any elected politicians who are in a position to come and respond to the Committee as we have had elected politicians from Scotland, Wales and other parts of the English regions. Thank you for joining us and finding the time.

In terms of the funding for levelling up, what has been the engagement between yourselves and the UK Government on these arrangements? I will leave it up to you to decide who wants to answer the questions. I think that is the best way to go.

Laura McDonald: I will take that one. On the engagement between the Northern Ireland Civil Service and the UK Government, there has been extensive engagement but it has lacked substance. In the very early days, it was very difficult to get any information out of officials within MHCLG, as it was then, and now DLUHC. Particularly when CRF was announced there was no prior consultation, really. We did have discussions on it, but we were not given any prior warning of publication of documents. We were not allowed to feed into the development of the policy and it was all without input from ourselves.

The introduction of the local area team within DLUHC did help that process. It did open up more engagement but it was still very much a one-way system, with the Northern Ireland Civil Service feeding information into questions that were being asked by the Department for Levelling Up, Housing and Communities, but we were getting very little information back. We were not being facilitated with sight of documents before they were published, which caused some issues with the introduction of some of these funds. In essence, there was a limited amount of consultation and engagement on this.

Chair: A limited amount and not very acceptable, is that what you are



saying to us?

Laura McDonald: Yes. It lacked substance.

Q146 **Chair:** Did you feel that you were being told what was going to happen rather than asked what you would like to see happen?

Laura McDonald: Absolutely. We did provide details to them and, as part of the evidence today, we have submitted the Northern Ireland position paper, which we would have hoped there would have been some discussions on what way particularly the Shared Prosperity Fund should be shaped to deliver for Northern Ireland. It was presented and there was no feedback on that.

Q147 **Chair:** This is a particular point for Northern Ireland that we probably have not come across in the Committee in other respects. We are told that to begin with, during the consultation period, it became apparent that the parameters set out by DLUHC were not compatible with the Northern Ireland Act 1998 under section 75. That is a fairly technical issue, but could you explain what the problem was and what difficulties it caused?

Laura McDonald: Under the equality impact assessments there are specific areas within Northern Ireland that need to be considered. Under section 75 there are areas and we were not sighted on the impact assessment that DLUHC carried out itself. Therefore, we were not able to make an assessment as to whether or not the equality impact assessment that was carried out for the Levelling Up Fund, the Shared Prosperity Fund, the Community Renewal Fund and other funds met the needs of the equality assessments within Northern Ireland. It prohibited our ability to participate in any of the structures or to get more fully involved with any kind of information or presentation of—

Q148 **Chair:** Can you explain a little bit more for us what exactly the problem was? What was not being done by DLUHC? Or what was being done that was not compatible?

Laura McDonald: Normally, public bodies delivering policies and funding within Northern Ireland would have to be designated under section 75 in order to do so. Section 75 covers a wide range of things that the equality impact assessments in England, Scotland and Wales would not. It includes things like religious belief and political opinion. That needs to be considered in things that are delivered here.

DLUHC was not designated under section 75 and, therefore, a section 75 equality impact assessment was not carried out. We asked for sight of the equality impact assessments that it actually did carry out on these funds. The equality impact that it carried out said that it did cover these areas, but without sight of it we do not have the information. We cannot make that decision and we cannot assess whether or not it did fully comply with our equalities' legislation here. That has been referenced as well in the Equality Commission for Northern Ireland report.



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Q149 **Chair:** You could not engage with the process fully and comment on what any deficiencies might be, because there were flaws in the way DLUHC had gone about the process in terms of the legislation applicable particularly to Northern Ireland?

Laura McDonald: Yes. Then we asked for sight of the equality impact assessment that was carried out in relation to the policy and it was not provided, so we were not able to assess whether or not there were any deficiencies in that that we could even resolve.

Chair: Natalie Elphicke will look at the particular funding arrangements in Northern Ireland.

Q150 **Mrs Natalie Elphicke:** Thank you very much for your written evidence that you have submitted and that we have had the opportunity to review. In that evidence, you set out that the United Kingdom Internal Market Act 2020 had fundamentally changed the funding landscape and that direct DLUHC involvement in the selection and funding of projects had added further complexity. Could you describe the impact of both those things—the internal market Act and the direct involvement of the Department,—on the funding for levelling up as it impacted in Northern Ireland?

Laura McDonald: The financial assistance powers of the internal market Act were introduced without any framework, so UK Government Departments were starting to deliver on things within Northern Ireland—sorry.

Chair: Sorry, we are going to have a vote. The Division bell has just gone off in the House.

Sitting suspended for a Division in the House.

On resuming—

Chair: Are you still with us in Northern Ireland there?

Tony Simpson: Yes, we are here.

Chair: Fine, thank you very much. There was a pause for a minute; I was getting worried. Thank you for staying while we did our voting.

We were in the middle of a question from Natalie Elphicke when we had to suspend the sitting. Natalie, over to you.

Q151 **Mrs Natalie Elphicke:** To recap, the context of the question was the impact of the internal market Act and DLUHC's involvement in the selection and funding of projects bringing further complexity. Over to you for that answer, and apologies for the interruption earlier.

Laura McDonald: No problem. With the internal market Act and specifically the financial assistance powers within that, they have been introduced without any framework for use. We have multiple funds being delivered from multiple Departments, including DLUHC and the funds that



underpin the levelling up agenda. That leads to a complex and confusing funding landscape in Northern Ireland. These types of funds would have normally come through the Executive and been used by Departments to align to the programme for government, so being able to strategically align funding streams to that programme is essential for government in Northern Ireland.

Unfortunately, because of the way that they are coming through at the minute, we have no sight, we have no ability to influence, and we have no way to ensure that all these different funding streams align strategically. It could ultimately cause duplication of funding streams. It causes confusion for the groups out on the ground because you have multiple funding streams with complex application processes, which further complicates things as well. You have UK Departments without the knowledge of the funding landscape in Northern Ireland or, indeed, the local and central Government set-up in Northern Ireland delivering funds in ways that sometimes do not strategically align. I do not know if anybody else here wants to say anything on that one.

Dominic McCullough: I will pick it up. I think that Laura has summarised it very well. One of the outworkings of the complexity of funding created by the Community Renewal Fund and the Shared Prosperity Fund is the pressure that is then building up on organisations in terms of their understanding of what they can avail of and how they apply for particular funds at particular points of time. I think the term they used is they are getting a placation to take it, that there is a myriad of programmes and that they are not clear about what they can apply for, who is funding it, the aims of the programme, how it is going to be delivered, how it is going to be monitored and how it will benefit those groups. It has become increasingly complex over the past number of months and, as Laura said, it is something we are quite keen to clarify with DLUHC to understand how we take this forward.

Q152 **Mrs Natalie Elphicke:** Looking at the role in policy terms of the White Paper, it sounds from what you have described that the White Paper is not supporting or taking account of Northern Ireland's own strategic economic objectives. Would you agree with that?

Maeve Hamilton: I would say that the paper uses some of the terminology that we would use within our own. For example, we have a 10X economic strategy, which sets out to try to bring Northern Ireland up to the same levels as other parts of the UK. We significantly lag behind in productivity. For example, in our 10X strategy we have highlighted innovation as being a key driver to address productivity issues, whereas the Shared Prosperity Fund investment plan that has been published does not have that innovation focus. It focuses on other areas that we would not necessarily have seen as being key priority areas for Northern Ireland.

Prior to this, we would have invested somewhere in the region of about £20 million per annum through our regional development agency, Invest



Northern Ireland, into areas such as research and innovation, export companies, growth of companies, accelerator growth, those types of programmes. Under the current investment plans somewhere in the region of £4 million per annum is anticipated, which is a significant reduction into areas that we would see as our key economic priorities.

Those were all set out in the Northern Ireland Executive paper that went to DLUHC back in August 2020. It was quite clear that that was the vision and that was where the investment priority needed to be. From that perspective, there is a clear mismatch between the two different vehicles for funding these things and there is no strategic alignment, which is very difficult for us.

Q153 **Mrs Natalie Elphicke:** Finally, just exploring that relationship with the Department, you mentioned that you put these strategic objectives to the Department. To what extent do you feel that the Department is taking account of the particular needs of Northern Ireland and your particular arrangements at the moment through the Executive? Do you think that there is more that they could do to better help you achieve your objectives at this time?

Maeve Hamilton: If we look at the difference between the structures here, local government in Northern Ireland has a very limited set of powers. Essentially, our Executive is the equivalent of the local government or local authorities across the UK. In terms of scale, Northern Ireland has just recently got to the 2 million population, which is probably similar in size to one of the bigger council areas in England.

The powers that our local government have are vastly different and things like infrastructure, economic development to a certain extent, apart from the very local economic development, certainly with larger economics, all those are through the 11 Government Departments here. That is the bit that has taken us a huge amount of time and effort to try to portray to numerous sets of officials in Whitehall: that it needs to be different here, but it needs to be at a Northern Ireland Executive level with the Northern Ireland Executive being involved in deciding and determining where that money is spent to ensure that we do get value for money.

Mrs Natalie Elphicke: That is very helpful. Thank you.

Chair: We will move on now to look at the Shared Prosperity Fund with Bob Blackman.

Q154 **Bob Blackman:** In your written evidence, I believe you have suggested that Northern Ireland will have a shortfall of £42 million per annum in the Shared Prosperity Fund. Could you further explain how you have arrived at those figures and whether this is something that was expected and, indeed, what the implications will be if that is a factual figure?

Maeve Hamilton: Under structural funds we would have anticipated new funding beginning from April 2021 and the Shared Prosperity Fund was



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supposed to launch significantly sooner than it has. Effectively, there have been two financial years for which we received absolutely no or very limited amounts of funding. The money for this year is going to be unspent, too, it would appear. What we have been assigned over the three-year period of £127 million falls about £65 million short of the £185 million that we would have received over the same period through European funds—

Q155 **Bob Blackman:** Can we just be clear whether that is over a two-year period or a three-year period?

Maeve Hamilton: The £127 million has been indicated for a three-year period but that would have included spend in this current year, which is clearly not now going to happen. If that is rolled forward, it is still going to be £127 million over a two-year period, but we would have anticipated at this stage having funding for four years, which would have been significantly more. Even in quantum terms it would have been—

Q156 **Bob Blackman:** We can obviously explore the details of that. What are the implications for Northern Ireland of that shortfall?

Maeve Hamilton: I spoke about the shortfall where the European Regional Development Fund would have invested through Invest Northern Ireland into our companies and into growing the economy. As well as that, we have a European social fund that currently supports over 50 organisations in Northern Ireland delivering services to almost 100,000 individuals with very complex needs over a long funding period. Those multiple, complex barriers are not something that can be addressed in a short funding programme. They include people with mental health and other disabilities, young people not in employment, education or training, families that require significant support mechanisms, older people returning to the labour market, and those either in or on the cusp of the justice system.

We invested £42 million per annum in those programmes and we are currently looking at an investment under the Shared Prosperity Fund that is going to be somewhere in the region of half that amount. That would be on the expectation that money from this year can roll forward to next year. Even then it would still only be sitting at about half the amount to be invested. That is going to lead to significant job losses across the voluntary and community sector, but as well as that it is going to have a huge impact on the very vulnerable people who rely heavily on those services to deliver. We are already facing redundancy notices within those delivery organisations. The staff are—

Q157 **Bob Blackman:** Sorry, could I just interrupt? At the moment, clearly we are in a position whereby the Executive is not running and you as senior civil servants are having to administer this without political direction. Does this mean that money is being removed from other budgets to help to subsidise that or would you get to a position whereby you will just have to shorten the funding and, as you say, either make people



redundant or cease services as a result?

Laura McDonald: The delivery mechanisms of Northern Ireland are different for the Shared Prosperity Fund than they are anywhere else in the UK. DLUHC has centralised delivery of the Shared Prosperity Fund for Northern Ireland and has designed an investment plan in conjunction with a number of organisations. The Northern Ireland Executive and the Departments do not have a role in this. We have been asking for a role in this and have not been able to find one, but we are engaging with them on technical matters and trying to maximise the use of the funding within Northern Ireland.

Bob Blackman: It is down to the local authorities within Northern Ireland to make these decisions?

Laura McDonald: DLUHC is making the decisions.

Q158 **Bob Blackman:** Okay, fine. What is the impact of not having the Executive in post when you are making these difficult decisions about how to lobby and how to advise local authorities?

Laura McDonald: There is no lobbying and advising local authorities. We are unable to do that because we have no role in the delivery of the Shared Prosperity Fund.

Bob Blackman: Yes, but clearly that is political lobbying rather than Civil Service lobbying. I am just trying to tease out from you what the implications are of the current position for the people of Northern Ireland.

Laura McDonald: The replacement of EU funds is the one thing that before, while we had an Executive, we had agreement across the Executive on. We had a five-party agreement that there should be full replacement of the European Social Fund in particular, so it was something that the Ministers did agree on and were very firm on that.

Bob Blackman: All right. I will leave it there. Thank you.

Q159 **Chair:** In terms of the arrangements and where you have got to, do you think in the end the Levelling Up Department has made any real effort to accommodate the particular requirements of Northern Ireland with regard to levelling up funds in total, all aspects of them? If not, how do you think that it could do better in the future to improve things?

Tony Simpson: I will open and then let colleagues come in. The key issue is finding a way of delivering these funds that accounts and takes proper recognition of the unique circumstances in Northern Ireland and the governance arrangements in place, the different role of local authorities here as set out in the evidence paper that we have provided.

As my colleague Laura said, the Executive had set out a position on how these funds should be administered, suggesting that it should be done directly and involve the authorities here in Northern Ireland. The



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Department in Whitehall has taken a different position on that and is delivering them in a different way.

The implications for that are as we have set out earlier around the complex funding environment that we are now trying to navigate. I suppose going back to the position that the Executive has already articulated and previous Ministers have taken would be the position as to how these funds should be administered.

Maeve Hamilton: The other thing to add to that is that that would be via existing structures. It would have reduced and massively eroded a lot of the complexity and bureaucracy had it used existing structures—for example, investing in companies through Invest Northern Ireland, our regional development agency, or through FE or further education and higher education systems that are already there that could have delivered a lot of these programmes and a lot of these objectives. We have things called labour market partnerships, which work within Northern Ireland at regional or local level within our local authority areas that could have delivered certain elements of the programme, too.

We did try to persuade DLUHC that those were the routes that it should have taken, that it should have used and built on existing structures and in that way we could make sure that there is alignment and no duplication and that we get the best value for money.

Q160 **Chair:** Is there a danger now, given that all the Executive and the various structures you have just described have effectively been bypassed, that there will not be any proper link between shared prosperity and other levelling-up funds and the mainstream work you do with your ordinary funds? Is there a danger that the two will not be working together properly?

Laura McDonald: There is that risk, yes.

Q161 **Chair:** You will not necessarily get full value out of the levelling-up funding and the shared prosperity funds that you are going to receive in Northern Ireland as a whole?

Laura McDonald: Yes, and it is going to be very difficult for us to assess that as well because of the limited amount of information that we have on these funds and because we do not have a role in the delivery of them. I know that particularly with the Levelling Up Fund it was a late addition to allow our Department for Infrastructure to bid under the transport thing. Initially, it was excluded from applying, but in Northern Ireland it is an example of where there was a misunderstanding of the way that the local government structures are here. In Northern Ireland, our Department for Infrastructure has the remit for the delivery of road schemes, not through local councils as it would be elsewhere in the UK. It was a late addition to the first round of levelling up that allowed it to do that, but even in round 2, although that was rectified in round 1 and it follows through into round 2, we have the Department for Communities



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here responsible for historical monuments, Libraries NI, which is an ALB that looks after our libraries, and then there is a museums arm's length body as well, which has been excluded from applications. Again, it is another example of where there has been a lack of alignment to the structures in Northern Ireland.

Chair: Thank you very much for that. Obviously, you are in a very different position to the rest of the United Kingdom in terms of your particular structures there. It seems as though you are saying to us that the arrangements for the various forms of devolution funding, shared prosperity, levelling up and so on is not really working as you would like to see it in Northern Ireland. That is something that you have got across to the Committee today and we will obviously reflect on that and consider it when we produce our overall report.

Thank you very much indeed for coming and sharing that information with us. I am sorry we had to keep you but that was down to the voting in the House—nothing that this Committee was in control of. Once again, thank you very much for coming. That brings us to the end of our public proceedings for today.