



# Select Committee on Public Services

## Oral evidence: "Levelling up" and public services

Wednesday 21 April 2021

3 pm

Watch the meeting

Members present: Baroness Armstrong of Hill Top (The Chair); Lord Bichard; Lord Bourne of Aberystwyth; Lord Davies of Gower; Lord Filkin; Lord Hunt of Kings Heath; Baroness Pinnock; Baroness Pitkeathley; Baroness Tyler of Enfield; Baroness Wyld; Lord Young of Cookham.

Evidence Session No. 7

Virtual Proceeding

Questions 43 - 48

### Witnesses

[I](#): Rt Hon Steve Barclay MP, Chief Secretary to the Treasury; Luke Hall MP, Minister of State, Ministry of Housing, Communities and Local Government; Kate O'Neill, Director of Policy, Cities and Local Growth Unit, Ministry of Housing, Communities and Local Government.

## Examination of witnesses

Rt Hon Steve Barclay MP, Luke Hall MP and Kate O'Neill.

Q43 **The Chair:** Good afternoon, everyone, and welcome to the final public evidence session of the Public Services Committee in this short inquiry on levelling up. We are delighted that we have two Ministers: the Chief Secretary to the Treasury, and the Minister from the department whose name I now never get right, having been in it once myself when it was named something different, but it is the Ministry of Housing, Communities and Local Government. I am delighted to welcome them and to welcome Kate O'Neill, who is director of the policy, cities and local growth unit at the Ministry of Housing, Communities and Local Government. Welcome to all of you.

This is a fairly new committee for the House of Lords, and we are trying to look at things across the piece, which is why we are bringing several of you together. We have had other Ministers from the Department of Health and Social Care and the Department for Education, and we are delighted that you can join us today.

As ever, I will ask the first questions. We would really like to know your definition of levelling up, what your aims are in the levelling-up strategy, how you think the Government will be able to measure their progress, and who in government will ensure that departments meet their levelling-up targets.

I will ask the Chief Secretary to introduce himself and to speak first.

**Steve Barclay:** Thank you, Chair, and good afternoon to members of the committee.

On how I interpret levelling up, I very much agree with the evidence the committee recently received from Justine Greening, Professor Kenny and others. Justine's point was that "levelling up" means everyone having the same opportunities to get on in life, and the Prime Minister has often spoken of how talent is equally distributed but opportunity is not. I think that is the underlying ambition.

I also agree with Jonathan Webb and others—I think Lord Hammond made this point to the committee as well—that it is not sufficient simply to focus on capital infrastructure; we need also to address levelling up in terms of human capital, particularly around the skills agenda. I note that that was a theme that Professor Kenny brought out in his example with Oldham having connectivity with Manchester but also having a skills need.

From a Treasury point of view, we would see levelling up as covering both transport and physical infrastructure, but also the human capital element. It is about to be more place based, which is why we had the Green Book review and made the changes to that, which was recognised by people like Lord O'Neill as very much addressing things on a place-based level.

On your question about how these things will be monitored, that will require engagement across government, but, within the Treasury, we set out at the last spending review the public value outcomes, a number of which are cross-departmental in effect and give much greater visibility through the spending review to the requirement on departments to tackle levelling up. That is specifically set out in outcome measures that spending teams will then follow up with specific departments. I do not know if Luke also wishes to come in.

**The Chair:** Yes. I ask Mr Hall to come in.

**Luke Hall:** Thank you, Chief Secretary and Chair. I absolutely agree with that definition that the Chief Secretary has just set out. Regarding my department's work at MHCLG, one of the important things to point to is that we are running or setting up a number of different place-based funds at the moment, and each of those has different outcomes that report underneath the umbrella of the structure that the Chief Secretary has just described.

We have the levelling-up fund, which is one of our key place-based funds that we are running as a department. That contributes to the levelling-up agenda through developing infrastructure that directly supports everyday life: regenerating town centres, regenerating high streets, upgrading local transport and investing in cultural heritage assets. Some clear outcomes are defined there.

We have the UK community renewal fund, which is a one-year fund. It is £220 million of additional funding to help places to prepare for the introduction of the UK shared prosperity fund, and that will contribute to the levelling-up agenda through supporting the communities that are most in need. That might be ex-industrial areas, coastal towns or left-behind market towns, or it might be supporting people who are furthest from the workplace. Some clear criteria are set out there.

There are the town deals, which are about supporting towns that have been left behind to increase their productivity and to increase and support their cultural assets that might need extra investment. We have a number of high street funds that we have been running through the future high streets fund, the welcome back fund or the reopening high streets safely fund. They are all aimed at contributing to the agenda by supporting businesses.

We clearly have a big programme on devolution, through city and local growth deals, for instance. That is a significant investment, with £320 million per year on those deals. That tries to accelerate economic growth across the UK. Again, that contributes to another mechanism towards levelling up.

Finally, I point towards the free ports issue. I will perhaps come back to that point that the Chief Secretary made about the mechanisms that we have set out to measure the success of that.

If I could add a slightly wider point, in our department we talked a lot about the place-based funds, and there seems to be a lot of interest in those. One of the priority outcomes that we have set is to raise productivity and empower places so that everyone has an equal opportunity in life. There are also significant other pieces of work that our department is doing—I am sure this is the same across government—to contribute to the levelling-up agenda and that are part of our work as a department, whether that is ending rough sleeping or on the housing agenda, for instance.

I particularly wish to point to the work that we are doing in local government. For the second year in a row, we have just passed local government finance settlements that were unopposed in the House of Commons. For the previous settlement, we saw a 4.4% rise in spending power this year, or 4.6% in cash terms. I wanted to highlight this, because one of the decisions that we took this year as part of the local government finance settlement was to spend £250 million extra equalising the social care grant. Essentially, that means redistributing money from local authorities—councils—that raise more than they need to meet the demands of social care to councils that are not able to raise the tax base that they need to fund those requirements.

There is a huge amount going into the agenda, and I just wanted to make the point that there is wider work going on through the finance settlement and through other pieces of work, too.

**The Chair:** Thank you very much, Mr Hall. Coming from the north-east, I am very aware of the difference in amount that can be raised in council tax between the north-east and Surrey, for example, but also in the number of people who qualify for public support. It is that double thing that makes things very difficult in some areas—but that is me going beyond my brief today.

We would be interested in hearing what your timescale is. We are pleased to hear that you have moved beyond the physical infrastructure, because too often that is what we are hearing, but it seems to me that there are different criteria for different things being used, which is causing some confusion. Some people have said to us, “We don’t understand why they’re going outside the index of multiple deprivation”. That means that some of the places that you talk about, where there are communities with fairly extensive deprivation, are not benefiting from some of the funding, and that is causing a bit of concern and uncertainty. It also means that measurement becomes much more difficult. We wanted to know your timescale for achieving the targets that you are setting out. What do you think the strategy that you have already commenced will cost?

**Steve Barclay:** I will respond to that first, and Luke may wish to come in.

I will first take the point about the IMD—the index of multiple deprivation—and the criteria, and I will then come on to the timescale.

The criteria are not uniform for all schemes, because the purpose of the funding varies. Referring back to Professor Kenny's evidence, Oldham might have good connectivity, but it might have more of a skills need. If you look at the index of multiple deprivation in areas such as Hackney or Barking and Dagenham, they would be seen to have quite good transport connectivity, so for a levelling-up fund focused on connectivity that is not necessarily what you would want to target. Meanwhile, other funds, particularly the UK community fund, are looking at trialling projects on economic resilience, so the needs of communities will vary and therefore the targeting of schemes will vary. That is the first point.

The second point is that these are UK-wide schemes. I know that a number of Members of the upper House have a particularly strong interest in the devolved Administrations. The IMD has four different criteria across the United Kingdom. Therefore, from a UK point of view, it is an England version that is usually talked about in the debate, and different criteria would be applied for different funds.

There is also a lack of targeting, in that some of the metrics used for the IMD are particularly geared towards cities, such as the measuring of air quality. That can have a distorting effect on the criteria that are being assessed. That is why, in terms of the criteria, it is not a one size fits all, and it is appropriate to have more bespoke criteria to fit the specific needs. It comes back to where we started, with the levelling-up objective being both on the capital infrastructure side and on the skills capacity side—the human capital side.

Turning to your other question, Chair, about timescales, on the one hand, changing long-standing, entrenched issues in communities will take significant time, and it will be a long-term commitment.

Take London, where around 50% of the population is of graduate-level education, and your own region in the north-east, where I think the figure is nearer to a third—33% or so. Clearly, those sorts of things will take time, with skills training and so forth and those interventions. On the other hand—I am sure Luke will speak to this in more detail—there are specific schemes, such as the towns fund, where one would expect much more immediate impacts over a shorter period.

Within that, from a government point of view, we are also looking to accelerate the timescale. We have specific initiatives such as Project Speed to look at how infrastructure schemes that have traditionally taken too long to deliver can, through that project, be delivered to a quicker timescale. I know that members of the committee such as Lord Young, as former Secretaries of State for Transport, are very familiar with just how long a transport scheme, say, takes to deliver. Clearly, there are opportunities from Project Speed to accelerate that.

The timescales will vary from scheme to scheme. By its nature, infrastructure takes a long time to deliver, but we are looking to accelerate those, and there are certain interventions such as apprenticeships and using transfers—for example, the investment into

the further education estate, and the £1.5 billion that we put into that—that will have a much shorter-term impact. However, overall, this is a long-term project that will require sustained investment over a number of years.

**Luke Hall:** I completely agree with all the points that the Chief Secretary has made. The key point from our point of view in our department is that, as the Chief Secretary mentioned, there are a number of different funds with different objectives and different outcomes that require different timescales, so we are tackling those in different ways.

One example, considering the exceptional nature of what has happened over the past year or so, might the towns fund and our decision to offer accelerated funding to some of the towns that have yet to move on some of the projects that they wanted to deliver. Where we can, we have supported communities to get moving on those projects. In the same vein as the capital-focused towns fund, we have set up the community renewal fund, which is a one-year fund pending the introduction of the UK SPF to pilot programmes—that is more of a revenue-focused programme—while we continue to develop the longer-term UK shared prosperity fund.

I come back to the same points that the Chief Secretary raised. We have a number of different funds with different outcomes that will deliver on different timescales. We are certainly supporting, through programmes such as the towns fund, a place's ability to deliver as quickly as it is able to.

Looking at the levelling-up fund, we have made a conscious effort to try to support local authorities where they are able to deliver quickly. That is why we set the initial deadline of applications to the levelling-up fund as 18 June. Some people commented that that was quite a short timeframe to get applications into the first round of the levelling-up fund. Where there were local authorities or bidding authorities that wanted to put in bids for projects that they could deliver quickly and which they could get moving this year, we were keen to support them to do that—and the next rounds of bidding—as soon as we were able to. We have made efforts, where we can, to support bidding authorities to get cracking on some of these funds and to make progress as quickly as we can.

**The Chair:** I am very aware that we have not asked Kate to contribute at all. Do you want to come in at this stage?

**Kate O'Neill:** I do not have anything to add. I think that was a pretty comprehensive answer which explained why we have the different funds and the different criteria for each of them. They are buying slightly different things. We are trying to accelerate the timescales to help with recovery from Covid wherever we can.

Q44 **Lord Filkin:** It is very good to see the Chief Secretary and Luke Hall. Thank you for your time.

I felt that what the Chief Secretary said was extremely helpful,

recognising for the first time that, while these funds are interesting and useful, they are relatively trivial by comparison with the scale of the challenges of making an impact on some of these issues.

I would preface my question by asking: do the Government agree that they have a pretty significant communication failure on their levelling-up strategy? I will explain what I mean by that. I came across what Matt Hancock said: that "improving the disparities in healthy life expectancy is absolutely at the core of our levelling-up agenda". I am sure he is right to say that, but you would not know that from anything else that the Government have published. We had a whole string of witnesses who were completely confused about what the Government were really trying to do, reacting, if anything, to the whizz-bang bits of funding that were announced, to great glee for the winners.

In essence, I am asking the Chief Secretary: do you not think that you need to set out clearly what the four things are that you are really trying to level up? Are they skills, connectivity, health and education opportunities? If so, what are you trying to achieve on each of those, and how are you going to measure it? What are you going to do, and what will it cost? How will the spending review this year be geared towards that?

That is what I think Parliament and the informed public are crying out for: some clear sense of what you are trying to do on this. Am I being unkind, Chief Secretary?

**Steve Barclay:** If I could very gently say, I think perhaps in part, but, as always, there is some substance to the point, and I will seek to address it.

From a Treasury point of view, just to take the levelling-up fund of £4.8 billion, I would not say that it is true, but I think the wider point you are making is that this is a whole-of-government endeavour, and it needs to be sustained if we are to recognise what I think even opponents have recognised. I was very interested that Andy Burnham recognised, in his comments to the committee, that levelling up "is the most potent political theme" he had "ever known". To deliver on that level of ambition, clearly one cannot rely on a single fund, albeit it that speaks to the Chair's earlier question about timescales, and some of those funds ought to have a more immediate impact.

On other things, such as the infrastructure programme, a scheme like High Speed 2 is obviously over a much longer trajectory.

In articulating the Government's ambition here, I would draw the committee's attention to the national infrastructure strategy that we have set out and the UK-wide element of that. There is other work, such as Sir Peter Hendy's union connectivity review, which sits alongside that, and there is also the plan for growth: the *Build Back Better* document that we have set out.

I think that the Government have articulated their vision, both on the capital infrastructure side and on the skills and economic resilience side.

To your very fair challenge that levelling up also has an important health and education element, I am sure you would forgive me, sitting in the Treasury, for drawing the committee's attention to the three-year SR19 settlement for education, with the significant uplift in funding—just to take one figure, the £7.1 billion additional spend over two years into the schools budget. Likewise, there is the record investment into health, with an additional £6.3 billion of cash this year, in addition to the Covid funding, for example. Both those areas have had significant uplifts of funding, which underscores your wider challenge that these are whole-of-government endeavours.

What I would say is different about the way we are approaching this within government is that there is much more focus on data at a place-based level. We have a workstream led out of No. 10 through Ben Warner, bringing together the Cabinet Office and the Treasury with No. 10, looking much more at subnational data, so that we can far better target the spend that we have, such as in health and education, and so that we can have a much more open discussion on outcomes.

As you know, the debate is often on inputs in areas such as health spending or education spending, and we do not always get under the skin of variation in performance from similar levels of spend in different places in the country, so there is a significant amount of work going on on the data side in order better to inform how we spend the money from a levelling-up perspective.

In short, I would say that the funding is far from trivial, both on the specific schemes such as the levelling-up fund, and in terms of the wider uplifts into core departments such as health and education. What brings that together is both the wider plans that we have set up, such as our national infrastructure document, and that focus on data. We may, through the committee, come on to data more, but the data piece and having better place-based, personal-level data is core to understanding the levelling-up objective.

**Lord Filkin:** Thank you. That was extremely helpful again. Could I just illustrate it with the health dimension again? When Matt Hancock spoke on 9 April about levelling up health, he made exactly your point—that part of the issue was to look at NHS mainstream funding and see how you could bend some of that to improve health outcomes. By that he did not mean elective waiting times; he meant reducing inequalities in healthy life expectancy, which, as you know, is a government manifesto commitment.

It is also pretty clear that you will have to put more funding into localities as well, to support local authorities in areas where health is at its worst, and you have massive disparities in how long people live their lives in good health. Will that be part of the Government's approach?

**Luke Hall:** May I perhaps, with your permission—

**Lord Filkin:** Minister, I would like the financial question answered by the



Chief Secretary first, if I could.

**Steve Barclay:** Yes, of course. First, as I am sure members of the committee will recognise, the impact on health is shaped by factors beyond health. Housing is a key factor, and we are investing very significantly in housing.

Prevention is hugely important. In 2019-20, there was £1.3 billion of spend on immunisation and screening, with significant uplifts to the health budget. You touch on local government and the public health grant. There is additional spend that we have allocated under treatment schemes, obesity, the Healthy Start vouchers and so forth in that space, alongside the public health grant itself.

Luke may want to come in on the core local authority spending increase of 4.6% in cash terms in 2021-22. There was the largest increase for a decade in 2021, so there is significant core spending there.

I would also slightly challenge, if I may, the idea that it is purely about the amount of money inputted into the system. When I was a Health Minister, I was quite surprised, for example, that we had 32 different types of ambulance. I could not quite understand why we needed to procure so many different ambulances. Quite often—very frequently—we would send the ambulances to the same care homes, because, if you are working in those care homes and someone is not feeling well, the default is to phone for the ambulance. We had not joined up telemedicine into those care homes in order to give some comfort and give an informed assessment before sending for the ambulance. We did not join up with our urgent care centres, whether we were taking those ambulances to A&E or whether, for category 3 and category 4, they could have gone to urgent care centres, for example.

Part of what levelling up is also doing—this is why I particularly emphasise the point on data—is looking at how we get better at cross-departmental working. I am sure the senior Ministers on the committee will know that one of the challenges in government, in particular sitting within the Treasury, is that we take a more holistic approach to solving problems, rather than simply seeing them as sitting within the health silo or a single department silo. One of the opportunities of levelling up is to crunch together and take a more cross-departmental approach to issues such as health in order to get better outcomes from the money that is allocated.

**Lord Filkin:** Luke, my apologies—I cut you short. Over to you now.

**Luke Hall:** No, you were quite right to. I was just going to make the point which I think the Chief Secretary alluded to and which I also made earlier. I do not want to take up the committee's time by constantly repeating it, but, in response to your point about local authority funding, we have just had two very positive and welcomed local government finance settlements.

You alluded to the point about communication. The point about equalisation often gets lost, and it is really important for me to highlight it and say for the record again that, this year, £390 million of equalisation—£250 million from this year, plus the £150 million rolled over from last year—has been moved to support social care. We think that is a significant change in policy, providing that level of equalisation.

This is a second, smaller point, but it is perhaps worth me telling you this in this session. It would be wrong to assume that funds such as the levelling-up fund and others are not directly supporting some of these outcomes, too. There are numerous examples—I will not list them all—of ways in which we have been supporting things through those funds. The towns fund, for instance, has been supporting skills development. To pick one example, we are spending £10 million in Barrow to support its learning quarter. There is a completely new university campus and skills academy, which will do a huge amount to support people and develop their employment and employability. That helps with progression from sixth form on to university and employment and so on.

I will not go on to list more and more of those, but it is worth saying that those funds support those agendas, too. It is not just through the other spending mechanisms that the Chief Secretary outlined, but through some of the place-based initiatives as well we are supporting locally proposed schemes that go quite a long way to addressing some of those challenges.

**Lord Filkin:** Thank you both very much. Given the time, Hilary, I shall pass back to you.

**The Chair:** Thank you, Geoff. I will now move on to Lord Young, who has some questions.

Q45 **Lord Young of Cookham:** I will ask two short questions, one to each Minister, which, hopefully, will elicit short replies, and then I will perhaps ask a more general question.

Luke, in your answer to the first question, you mentioned devolution as being part of your agenda. Is there a timescale for the White Paper on devolution in England?

**Luke Hall:** We have committed to bring forward the White Paper this year. I have kept that response short, as per your request.

**Lord Young of Cookham:** Very good. Just picking up something that Steve said about cross-departmental working, with which I entirely agree, on breaking down the silos, we heard some interesting evidence from New Zealand, which joint-funds programmes that cross departments.

It so happens that last week we took evidence from the DfE on child vulnerability. Robert Arnott, the director of strategy at the DfE, said that it was unlikely that the DfE would submit a joint bid with other departments on child vulnerability, because "joint bids were unlikely to

receive funding from the Treasury". Would that be a fair assessment, or has he misjudged the generosity and broad-mindedness of the Treasury?

**Steve Barclay:** I was very surprised by that, Lord Young. I did see that evidence. That is not my expectation. If I can give some illustration, we have—both at SR20 and at the forthcoming SR—the shared outcomes fund, with £200 million each time, specifically prioritising cross-departmental bids. Half of the fund this time will be specifically for data projects. We have a number of Cabinet thematic workstreams. There is the crime and social justice task force, for example, and there is the work by the national economic recovery task force, chaired by the Chancellor of the Duchy of Lancaster. We have Project Speed, which I have mentioned. We have cross-cutting reviews such as the integrated defence of our policy review. We have the net zero review.

Above all, as I referenced earlier in my comments to the Chair, there are the priority outcomes that we are setting, and 16 of those at SR20 are shared priority outcomes. We will pick that up with DfE, but that is not a correct interpretation.

**Lord Young of Cookham:** Can I come back to something that you just touched on? The Government have invested a substantial amount of political capital in levelling up. In three or four years' time, how will I know whether the country has been levelled up?

**Steve Barclay:** First, by seeing specific areas of progress. I mentioned the towns fund earlier, which is identifying a number of areas. There will be pilots through the UK community funding, linking to the UK SPF. There are specific programmes. There are the transport schemes, such as Beeching and the feasibility work on connectivity. There is the £4.2 billion of intercity transport work looking at upgrades of stations—five stations, for example, in the West Midlands—and at the connectivity that Andy Street has been championing.

We will see progress on that mix of capital infrastructure, where schemes may not have been completed but will have been started. Above all, if I can refer back to the manifesto, there are programmes for specific issues such as the hospitals building programme, where there is a very strong commitment on the 40 new hospitals.

There will be that mix of infrastructure programmes that have been started and schemes that have made progress, but there will also, through the schools agenda, be a particular focus on employment-led training. That will be the sort of area where we will see some results.

**Lord Young of Cookham:** I understand that. A lot of those are inputs. Life expectancy, educational achievements, unemployment and child poverty are the sort of measurements that one might want to use if one was measuring success in levelling up, rather than the input-based ones that you have just mentioned.

**Steve Barclay:** I mentioned them alongside the priority outcomes framework. That is what we set out at the last SR. The Treasury outcome

is about productivity and employment. MHCLG has specific outcome measures such as on the levelling-up agenda itself. What gets measured gets done. Part of the reason for the focus on data is so that we can have much better targeting where there are outliers. To take your example of unemployment, one of the objectives from a Treasury point of view will absolutely be to boost the level of employment, and that will be shaped through the SR spending commitments.

**Lord Young of Cookham:** Thank you very much. I do not know whether Luke wants to add to that.

**Luke Hall:** That answer was pretty comprehensive. MHCLG's priority outcomes are clearly listed: raising productivity, empowering places and enhancing the performance of all functional economic areas. I will not read out the whole list, but it also includes new additions to the housing stock, tackling rough sleeping—all these sorts of indices as well.

**Steve Barclay:** I think that in Lord Young's question there was a point about whether all this jam was for the future and none of it would be seen more immediately. To give the committee one specific example of where outcomes can be delivered more quickly, perhaps I may point to the work that MHCLG has done on rough sleeping. That is an area where we can see interventions delivering outcomes on a much quicker timescale, so it is not the case that all of these are long term. At the same time, it is important that one does not overpromise and say that massive societal change can be delivered in a very short term. It is about targeted action and, to go back to Justine Greening's point, addressing those who do not have the opportunities they should.

**The Chair:** I am so tempted to go down the rough sleeping route, but I will not. Luke Hall will understand what I say, having been the Minister who sorted a lot of that out in the 1990s. I think he has told me about this before.

Q46 **Baroness Tyler of Enfield:** I would like to pursue a little more, if I may, the issue of various public expenditure uplifts that have been referred to. I may have misheard the Chief Secretary on that point. On 31 March, the Chancellor wrote to us saying that the public health grants to local authorities would grow by 1% in cash terms in 2021-22, yet we have had evidence from the Institute for Fiscal Studies showing that an increase of that level would not be sufficient to meet post-pandemic demand for public services, including public health.

Could you clarify what I think you said earlier about the increases that are going into local authority expenditure and whether you consider that sufficient? Do you expect the forthcoming spending review to look at funding again for the sorts of public services that have been highlighted as so vital for levelling up?

**Steve Barclay:** I think that is a very fair challenge. The first point I was making is that the public health grant, which of itself is a significant sum—£3.324 billion—should not be viewed in isolation; it sits alongside

the increased core spending of local authorities that they can prioritise as local needs.

Secondly, it should not be seen in isolation from the other factors that shape public health, particularly in the preventive space through NHS spending. I gave the example of immunisation and screening and the £1.3 billion in 2019-20.

Thirdly, it should not be seen in isolation from the material point about variation in outcomes from similar spend.

I have been looking at this recently in a different context—children in care. One of the striking features to emerge from Professor Munro's report in 2011 and the NAO's reports in 2014, 2015, 2016 and 2019 was that local authorities were spending similar sums but were often getting very different outcomes. That is why I relentlessly come back to the importance of data, because it is not just the quantum of the public health grant that matters; it is the spending that sits alongside it and the data that shapes and enables effective challenge from the Treasury and the centre as to how effectively that is being spent.

**Baroness Tyler of Enfield:** Could I invite Mr Hall to comment on that?

**Luke Hall:** I would echo all those points. The key point from a local authority point of view on top of that is how it sits alongside the core spending power of a council. Clearly, that is really important. There is also the fact that we are trying, wherever we can, not to ring-fence funds for councils—that is our starting point—to make sure that councils can make those decisions and use that extra core spending power to invest in public health as they see fit and as per local priorities.

The second point—this is perhaps the last bit of extra context—in considering that rise is the extra support alongside it that councils have received over the past year or 14 months in response to Covid. We now have a situation where we have provided directly, or have committed, £12 billion of support to councils. We have been as direct as we can about gathering and publishing data about how that money is spent, accumulated and distributed. It is very clear that we have provided councils with more money than they have spent in response to Covid-19. We are in a situation where councils do not just have a significant increase in core spending power but have more money than they are spending to respond to the Covid pandemic. I would just add that extra bit of context on top of the Chief Secretary's.

**Baroness Tyler of Enfield:** To pursue that one stage further, I take your point about the need to look in the round at the available resources, both core and targeted money, and how effectively they are being spent, but we have received a lot of evidence in this and our previous inquiry raising concerns about the reductions over a number of years in the public health grant and therefore the level of resilience available at the start of the pandemic and for planning for resilience against future shocks and pandemics. Why do you think people have been so concerned about

the level of public health grants?

**Luke Hall:** Perhaps I will pick up the point about local authority resilience. We have seen a situation over the past six or seven months or so where a number of local authorities raised concerns about their resilience leading up to 17 December, when we published three things. First, we published the provisional local government finance settlement. Frankly, I think that was much better than most people thought it would be. The core spending power increase was higher than most people had planned for.

We also published alongside that the next round of Covid support grant to local authorities. The challenge up to that point for local government had been that, by the nature of the fast-moving pandemic, a lot of the funding to reimburse local authorities was reactive in nature and was backfilling bills that local authorities had to pay. But in December we then had enough data over the year because of the information councils provided to us to make a forward projection of the pressures they would face. Therefore, we were not just reactive at that point; we proactively published support from April to the end of June period, so councils had a lot more certainty about that.

The third thing we published was a significant package of local council tax support. It sounds like a bit of a diversion from the question, but it is quite important for local authority finances. The overarching point is that, when on 17 December we published all that, it gave councils significantly greater certainty. We then saw councils withdrawing requests for additional support because they were in a better financial position than they thought.

I agree that councils were raising concerns about their financial position, but it has significantly reduced since that period, especially as we now see from the local authority monitoring returns that we publish every month that the forecast expenditure for the next few months is continuing to decline in response to Covid because of the increased certainty and better position that they are in.

**Steve Barclay:** I should add that the Prime Minister asked Andrea Leadsom to do a review of the earlier years in order to look at whether the public health grant could be spent more effectively in certain areas. Again, this speaks to Lord Young's point about outcomes and ensuring that, where the funding is allocated, it is effectively used.

More widely, department spending has increased significantly. In 2020-21, it went up £41 billion, and this year, 2021-22, a further £30 billion. Over the Parliament, total departmental expenditure is going up by over 3% in real terms, so there has been significant additional funding going in, but alongside that we need to look at how effectively it is being spent.

**The Chair:** I do not think any of us would argue that we need to look at how it is being spent. We might have some argument with you about how local authorities are facing things at the moment. For example, the IFS

has said that local authorities are facing a real-terms cut of about 7.5% in 2022-23 relative to pre-Covid spending plans. That will have a real effect on their ability to do the things you are talking about. Maybe you can think about that and let us know your views, because that is about future stuff. I accept that you do not want to talk too much about future spending plans. I now ask Baroness Pinnock, who is a local councillor, to ask her question.

**Q47** **Baroness Pinnock:** I declare an interest in that I am a councillor in West Yorkshire. I am very interested in what has been said today. Thank you both very much for all the information you are sharing.

I will make just one point, if the Chair does not mind. Mr Hall has referred on a couple of occasions to the core spending powers of councils. It would be remiss of me if I did not point out that the Local Government Association estimates that 80% of the rise in core spending involves a rise in council tax. I will leave that point hanging there. Perhaps Mr Hall, if he wishes, will respond to that later.

My question is about the connection between the levelling-up agenda and devolution. If devolution means what it said in the Conservative manifesto of 2019, it is about engaging with local people on how they want their areas to improve. The term we use is "levelling up". Lots of bits of information that we have received, particularly from the third sector—voluntary groups, charities and so on—indicate that they would like to be involved but are not. Perhaps you could explain to us how the Government involve local people in the areas receiving levelling-up investment and in deciding how that money is to be spent. Luke Hall, would you like to start?

**Luke Hall:** Thank you, absolutely. We also welcome devolution in Yorkshire, which is positive. This is really important. Devolution and localism are at the heart of so much of what we are trying to do and achieve.

We have deliberately designed the funds in a way that gives local areas complete agency about the types of projects they bring forward. It is up to them to develop and submit the proposals as part of a competitive bidding process and it is down to them what types of proposals they submit. On top of that, we have made it clear that we expect the authorities submitting those bids to consult a wide range of stakeholders when they are doing that. Those include—it is not necessarily limited to Members of Parliament—local businesses, local community organisations and third-sector organisations, and importantly we look at the evidence of that type of consultation and discussion as part of the assessment process for those funds.

I should not talk about them as one block, if you like, because they are distinct funds with different outcomes and objectives. With the levelling-up fund, we have engaged directly with local authorities across the whole country and Members of Parliament. We want them to take the lead in the types of projects they are submitting, allowing Members of Parliament to designate priority bids in the levelling-up fund and making

sure that they have a direct stake in the process, reflecting the fact that they are convening and brokering power in their direct role in the community. We expect the bidding authorities to consult MPs as part of their bids. I should add to that point about the levelling-up fund that, while MPs can prioritise one bid, they can still in the normal way support other bids as well.

We then have the UK shared prosperity fund. We have been consulting a wide range of people in the design of this fund. We have held 26 engagement events, the majority of which were held in the devolved Administrations. Sixteen were held in Scotland, Wales and Northern Ireland. The Secretary of State and I have met with Ministers from the devolved Administrations, our counterparts, to engage with them about the funds.

Perhaps I could expand on that a little bit by saying that in the design of the UK SPF we have received some pretty comprehensive feedback about the changes that people want to see as part of that fund. We had over 500 representations through the events we held, from councils, mayors, local authorities, community groups, representative groups and others. They had a number of clear asks in that engagement. First, it was plain that they wanted to see when the fund was launched a quicker delivery of funding than we saw under EU structural funds. They want to see that funding better targeted.

We have really taken that on board both in the community renewal fund and in the heads of terms that we published on the UK SPF. It was made clear that it would be targeted towards ex-industrial areas, coastal communities, left-behind communities and people furthest from the labour market. That response was pretty comprehensive. People want to see better alignment with our domestic priorities. They do not want to see siloed pots of funding but want to make sure it aligns better with the things we are trying to achieve, such as the levelling up that we are talking about today.

The last piece of overwhelming feedback we received was about the importance of trying to cut bureaucracy, make the process easier and not create unsustainable burdens.

Perhaps I could also touch on the future high street fund, because this is an important part of the answer to your question about consultation. We wrote into the design of the fund that we expected bidders to demonstrate stakeholder engagement and that it formed part of that bidding process.

On the towns fund, we had town boards that drew up investment plans. Those boards were responsible for the local engagement. They were made up of local business people, and there was representation from MPs, often councillors and others. Despite a very challenging time over the past year in running engagement sessions, they came up with some really innovative ways to make sure they could still engage with people, whether that was competitions or engagements on Twitter and social



media or other ways of trying to engage people. That has been a really important part of the fund.

Frankly, it is a factual element of what we are trying to do, because all of it was written into the funds. I hope I have demonstrated that we have tried to make it a clear but distinct way of engaging with different communities as part of the design of all these different funds.

**Baroness Pinnock:** I have experience locally, which I will not go into. Steve, would you like to comment?

**Steve Barclay:** When the West Yorkshire mayor is elected, I think I am correct in saying that 62% of the north will then be covered, and for England it is 41%. In terms of coverage, the role of mayors is significant. That has been reflected in funding terms. We have allocated £7.5 billion of gainshare over 30 years, which is unring-fenced funding. There are significant additional funding streams, and the £4.2 billion of intercity transport connectivity is perhaps the best example of that.

However, one of the challenges of levelling-up—this comes through the evidence that I know the committee has received—is that it should not be seen solely through the prism of addressing regional productivity gaps. It also needs to speak to towns. That is where the role of the Green Book review is particularly important. As an illustration, Treasury officials here have had three meetings since December with Stoke looking specifically at how we better align with the strategic needs of locations like that and do not focus solely on the city agenda.

There is a further tier, as Luke alluded to, in ensuring that Members of Parliament and others also have a voice—distinct from having a power of veto—in ensuring that those who bid for schemes are consulting with local representatives such as Members of Parliament. That is one of the features of the levelling-up fund.

There are specific schemes that are more targeted, such as the free ports policy. Again, that has had very local engagement in those bids and is very targeted from a levelling-up perspective. There is a range of areas where local voices are being heard, but the quantum allocated through the nine combined authorities is now quite significant.

**Baroness Pinnock:** Can I explore one element of this? You have talked about involving local Members of Parliament, quite rightly, as well as local authorities and the third sector. I have been told—I do not know whether it is true, but this what I seek to find out—that bids that do not have the support of their local Members of Parliament are unlikely to succeed. Is that the case?

**Luke Hall:** I will come in and respond to that, if I may. I do not recognise that. The support of Members of Parliament is one part of a wider assessment process. We think it is fair in respect of the levelling-up fund—that is what this is referring to—that MPs have a say. They have real convening power in local areas and can add a strong voice to that,

but it is not right to say that that is any sort of veto on the project. I do not think that is right. It is just one part of a wider assessment process.

I neglected to add in an earlier answer—this is linked to the point about MPs—that we have made every effort in the consultation referred to earlier to make sure that we have a cross-party approach to engage Members of Parliament, and councils and council leaders across the country, in explaining these funds and the application processes. Just last week I held a cross-party call with MPs right across the political spectrum from all the four nations to ask how they should be involved in the funds, how they can use their priority bid, whether they can still support other projects, and whether they can club together with other MPs to support a bid as well. The answer to your question is no, but significant engagement goes on with MPs as well.

One other tiny point on engagement is that these funds have improved the engagement we have with different parts of the United Kingdom. For example, we have held local authority webinars regularly throughout the pandemic and are now able to do that with councils in the devolved Administrations as well because they are engaging in these funds and their delivery. We have also had huge enthusiasm from the devolved Administrations and a new level of interaction with them. I appreciate that that answer is a bit of a tangent from your question about the involvement of MPs, but it is an important part of the engagement question. It is improving the engagement we have with different parts of the United Kingdom, and it is not done just as an exercise on the side.

**The Chair:** If I may crave your indulgence, there is one Member who has not had a chance to ask her question, which follows on very neatly from Baroness Pinnock's last question.

Q48 **Baroness Pitkeathley:** We have heard a lot from our witnesses about targeted action and targeted funding. In spite of what has been said about engagement just now, we have heard criticisms about the lack of transparency in how these funding decisions are made, leading to accusations of political bias. Even the term "pork barrel politics" has been used, for example, where a seemingly prosperous area represented by a Cabinet Minister has received funds, and other less prosperous areas have not. Are those criticisms fair? If not, why not?

**Luke Hall:** I completely disagree with that characterisation. I think that criticism in itself is grounded in politics and politicisation. You might often hear people making a point about an individual place, but you less often hear Opposition Members talking about how Blackpool, Newcastle upon Tyne, Sunderland or Manchester are on the priority list for all our funds. That is a really important point.

When it comes to the substance of it, you have to look at the fact that we are delivering a number of different funds across a whole Parliament that are designed, as we said earlier, to address different parts of the levelling-up agenda by the use of different mechanisms. If you were to take a serious look at each of those funds objectively—I would defend

this in a very serious way—the mechanisms we have used to design them and score the bids absolutely stand up to scrutiny.

If you look at some of the funds we have announced more recently—for example, the UK community renewal fund and the levelling-up fund—we have extended transparency, in every way we think possible, to all parts of those funds following the Budget. We published the further detailed index and datasets that we have been using, and we have published online the metrics used to target funding through the methodological notes. We have made available further details about the decision-making processes and tried to explain them, whether through webinars, Q&As and other ways.

As for the levelling-up fund, the index we have used to characterise, list and score places is based on an objective and publicly available set of data drawn to reflect the specific policy objective of the fund. I think the Chief Secretary mentioned earlier the need to reflect the fact that it is designed to address economic growth in certain areas and to improve transport connectivity and regeneration. The metrics we have used about local connectivity and commercial vacancy rates, for example, reflect the fact that the fund is grounded in supporting transport regeneration projects as well in areas of lower productivity, which is important.

The second thing that often gets lost in this debate, which can too easily become political, is the fact that, if you take that particular data point on the indexation, it represents one part of a wider assessment process. That is not the process itself; it is just one part of a wider process. That is an important point to make.

We are also publishing FAQs and holding cross-party webinars. The levelling-up fund has three main stages of assessment process. There is an initial pass/fail gateway criterion to make sure that it meets some of the basic requirements. We have set that out in the notes. If you meet that criterion, the bid is assessed against the four criteria we have published that are on the website: strategic fit, value for money, deliverability, and the characteristics of a place. All of those carry equal weighting.

Once the bid process is concluded, at that stage Ministers will take account of all that. One of the things we have tried to do at the ministerial stage is to clearly publish the characteristics of the decision-making that we will consider: that is, making sure that there is a fair distribution of the projects across the country and a fair distribution across the different type of projects within the fund that we are supporting. We have tried to be as clear and transparent as we can. We have published it on GOV.UK. I think that completely stands up on the levelling-up fund, and I do not really see where there is room for weakness in politicisation.

On the community renewal fund, we have identified 100 places that we think are most in need to target. That is based on economic resilience. It measures productivity, household income, unemployment and skills that

we talked about earlier. The criteria were selected to prioritise places that suffer from weak economic performance, for example. All of that has been published. We have published an Explanatory Note explaining how that has been done.

On the UK CRF, when Ministers selected the section of metrics set out, it was subject to ministerial approval at the design phase. We picked the priorities we wanted to focus on to deliver this as a Government and accepted the recommendation of the officials and made no changes to the index at all. We did not make any changes to the weightings based on the types of places that were going to receive funding. We accepted those recommendations as they were. I think that is really important.

A wider point is that it is very difficult to design one fund that can address levelling-up by itself. That is why our policy is to have a range of different funds targeting different things. We thought that a wider package of measures together was the right way to address that. Clearly, there are funds other than the ones we have been talking about today: the community ownership fund; the free ports programme, which the Chief Secretary mentioned a number of times; the UK infrastructure bank; and the towns fund.

There was also some noise about the towns fund as part of this piece of criticism. Frankly, we completely reject that as well. The most common thing we heard was that the majority of places were in Conservative-held areas, which is factually incorrect at a very basic level. The vast majority of those places—over 60%—are in opposition-held areas. One argument I would make is that it helps us to improve our relationship with opposition-held areas, because we worked so constructively with Labour opposition-held areas and Liberal Democrat opposition areas across the country in delivering important funds. Some parties in Westminster may make that argument, but the parties in local government delivering the funds were excited by them and are certainly not making these accusations. I find it hard to see how those criticisms stack up.

**Baroness Pitkeathley:** The information that you gave us earlier about the shared prosperity fund was also very helpful. Chief Secretary, is the criticism fair or not fair?

**Steve Barclay:** Luke has addressed it based on the earlier conversation about the criteria. It is about the specific scheme and the fit to that scheme. To give one example and make a point, the national education formula was adjusted to give greater weighting to this partial factor in terms of smaller, more remote schools. You would expect the 40 new hospitals building programme to be located in areas of much higher density by nature of where acute hospitals are. The High Speed 2 programme will be targeted much more on the major urban conurbations; the Beeching lines will be in more remote areas. Therefore, it is about the criteria aligning with the purpose of the scheme and whether that is driven by connectivity and skills, or tied in with apprenticeships and so forth. It is about the design to fit with the scheme.

**The Chair:** Thank you, everyone. All I would add in response to both the Chief Secretary and Luke Hall is that the PAC said that, particularly for the towns fund, the criteria were much more opaque than it was used to dealing with. I think that is why you have been getting these questions and why witnesses have been telling us that it has not been as clear as they think it should have been. The criteria were not clear and worked out in a way that people out there understood them.

I hope that is something you will think about in future, but I realise we have kept you over your time. I know that you will have a very busy period. None of the other members of the committee who did not have questions has been able to come in. I know that several of them would have wanted to do so and we could have kept you here for another hour, but that would have been indulgent on our part. Can I say thank you to all of you? Kate, I am sorry we did not give you a chance to come in more, but we are grateful to you. We will now get on with finishing our report and writing to you about our conclusions. I now formally end the meeting. Thank you all very much indeed.