

# Business, Energy and Industrial Strategy Committee

## Oral evidence: Post-pandemic economic growth: Levelling up – local and regional structures and the delivery of economic growth, HC 115

Tuesday 18 May 2021

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[Watch the meeting](#)

Members present: Darren Jones (Chair); Alan Brown; Ms Nusrat Ghani; Paul Howell; Mark Jenkinson; Charlotte Nichols; Mark Pawsey; Alexander Stafford.

Housing, Communities and Local Government Committee member also present: Clive Betts (Chair).

Questions 1 - 41

### Witnesses

I: Paul Scully MP, Minister for Small Business, Consumers and Labour Markets, Department for Business, Energy and Industrial Strategy; Luke Hall MP, Minister for Regional Growth and Local Government, Ministry of Housing, Communities and Local Government; Kate O'Neill, Director of Policy, Cities and Local Growth Unit.

Written evidence from witnesses:

- Department for Business, Energy and Industrial Strategy ([LRS0082](#))



## Examination of witnesses

Witnesses: Paul Scully, Luke Hall and Kate O'Neill.

**Q1 Chair:** Welcome to this morning's session of the Business, Energy and Industrial Strategy Select Committee for our final hearing on the levelling-up inquiry in the first half of today's session. In the second half of today's session, we will be looking at the Government's industrial decarbonisation strategy.

To begin with, on levelling up, I am delighted to welcome three witnesses to the Committee this morning: Minister Paul Scully, who is the Minister for Small Business, Consumers and Labour Markets in the Department for Business; Minister Luke Hall, who is the Minister for Regional Growth and Local Government and, I am told, responsible for levelling up in the Ministry of Housing, Communities and Local Government; and appearing with them is Kate O'Neill, who is the director of policy for the Cities and Local Growth Unit, which is a unit that sits between the BEIS and MHCLG Departments. Also today on the Committee I am delighted to welcome Clive Betts, who is the chair of the MHCLG Select Committee, for the first part of the session.

To get going, Minister Scully I will come to you first. In recent months, there has been quite a lot of shifting sand in Whitehall, with the industrial strategy changing and the plan for growth, build back better, going to the Treasury. What role does the BEIS Department now have in delivering on the levelling-up agenda? What is the status of the local industrial strategies, which used to sit under the industrial strategy that was part of your Department?

**Paul Scully:** It is a pleasure to be here. It is a really important study that you are doing in terms of looking at that post-pandemic work. First of all, it is worth working out what levelling up is. It is about making sure we can improve the everyday life and life chances for people in underperforming places around the country. BEIS, therefore, has a huge role, working closely with Minister Hall and others in MHCLG. We published the plan for growth alongside the 10-point plan for a green industrial revolution, and we are trying to make these plans work closely together, developing a compelling offer to stimulate private sector growth while maintaining support for industrial clusters across the UK. BEIS leads a lot of those place-based policies that directly support the aims of levelling up.

In terms of the local delivery of levelling up, we oversee the Government-owned British Business Bank, which has facilitated £8 billion of finance, supporting nearly 94,800 SMEs as of September 2020, clearly a lot with the pandemic, but beyond that as well, with start-up loans and the work that we are doing with the British Business Bank to make sure they are getting into the harder-to-reach areas to support in terms of finance for smaller business. That is an important area for the levelling-up agenda.



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We are transitioning the industrial strategy into the plan for growth, as you say, and the related strategies are working together around that. We are encouraging places to consider their key local strengths or weaknesses as they develop plans to support their long-term growth ambitions. One example of that was when I had a set of meetings with Lancashire County Council, other local councils, the universities, businesspeople and people from the LEP, to see how, rather than pushing things down from the centre of Government, we could help them develop their local economic strategies.

We are not going to expect or require places to produce strategies in a prescribed format or timescale. They are not going to be co-created with HMG; we want to be in a more supportive place with them. We are going to continue to work with local partners, and this is where Kate's team has a huge role to play, sitting in between Minister Hall and me, to make sure we can deliver, at a local level, our support for their work.

**Q2 Chair:** I will come back on a couple of points there. You mentioned LEPs, local enterprise partnerships. Are those still the preferred bodies for delivering local industrial strategies? Second to that, as you will know, the LEPs had previously been asked to draft their own local industrial strategies. There were 38 of them across England, although very few of them had been formally adopted by the Department. We understand that they do not know whether those local industrial strategies, which they have written, are still the key strategies for them to work to, whether that will link to anything in Whitehall or whether they are being asked to do something new. Could you give them some clarity on that?

**Paul Scully:** Minister Hall may want to come in with a wider look at LEPs, but all we want to do from the centre is make sure there is consistency between the work the LEPs are doing, their advice, their strategies and the growth hubs that are aligned to them in terms of supporting business, especially smaller businesses. Nonetheless, they are a key driver of their local economies and the plans for those local economies, and they will remain so.

**Q3 Chair:** Minister Hall, are LEPs your responsibility, then?

**Luke Hall:** They sit between BEIS and MHCLG. We do a lot of the handling work with LEPs and have a lot of conversations with them, but they are part of the Cities and Local Growth Unit that is co-run between MHCLG and BEIS.

**Q4 Chair:** Do you have a view on the local industrial strategies? I have not yet had an answer to that question.

**Luke Hall:** We would all recognise that, in the years since the local industrial strategies were produced, the business and economic environment has changed quite significantly. That is why, as Minister Scully outlined, there is this transition period now into the plan for growth and its related strategies. I heard Minister Scully outline that there is no



longer an expectation or a requirement for those places to produce those strategies in a preferred or prescribed format or timescale.

We will continue to work with not just the LEPs but the mayoral combined authorities, local authorities and others, to address the issues that have transpired as a result of this crisis, which has substantially changed the environment.

**Paul Scully:** It is a broader thing. Rather than having a single local industrial strategy, it is about working out that local economic plan that fits into the plan for growth and our other strategic documents that we have, like the R&D places strategy and, as I say, the 10-point plan. These things all come together to fit a coherent narrative for a national strategy, but also those local strategies, which they can create with our support.

Q5 **Chair:** How does that fit into the plan for growth, though? What I have heard, just to summarise, is that you guys in Whitehall do not mind whether local areas have an industrial strategy. They can keep the ones they have, if they want to; if they want to do something else, they can. There is no timescale or pressure from Whitehall for that to be delivered in any particular format. You have just said that it needs to fit into the plan for growth. Does that just mean policy alignment or is there a more formal process around that?

**Paul Scully:** I am just trying to decipher the question. We want to make sure that all of those organisations that Luke was talking about work together. We will support them through Kate's team and through our own direct departmental efforts as well. Essentially, we want to make sure that the place strategies that they have can build on the priorities that were identified through the local industrial strategies before. We also want to make sure they are addressing the new issues that have come out as a result of the crisis, which those industrial strategies were not designed to consider.

Effectively, we want to have a very much more localised approach, but with us sitting behind it to sense check them and make sure they are consistent. They are always best placed to determine this, as they know their local economies better than we do.

**Kate O'Neill:** The plan for growth sets a really good framework and shows how the different strands of the Government's activities come together. Within the Cities and Local Growth Unit, we have area teams that work closely. We have teams set up across the whole of England, and we are setting up new teams in Scotland, Wales and Northern Ireland. Those are teams that are based in the regions. They have those relationships locally and they can help local partners work through what sensible local strategies might be.

We have that partnership relationship with them; we provide that link between the overarching Government strategy, through the plan for



growth, and what local areas are doing; and we help signpost them to the relevant funding streams, etc.

**Chair:** I am not sure I am much the wiser, really, as to where we are on supporting LEPs or not LEPs with local industrial strategies or not local industrial strategies, or, indeed, how that is supposed to fit or not with the national policy. With respect, it sounds like we do not know what the answer is. Maybe we ought to figure that out.

**Q6 Mark Jenkinson:** BEIS's original submission to the post-pandemic inquiry stated, "Devolution will sit at the heart of our plans to level up". That is a sentiment I can agree with as a Cumbrian MP undergoing voluntary local government reform. I will just take an opportunity to thank MHCLG for its engagement on that.

Minister Hall, what have the consequences of the delay to the devolution White Paper been to the levelling-up agenda?

**Luke Hall:** Thank you for that question. First, of course, the pandemic necessitated resources across Whitehall and local government. We were certainly focusing on the Covid response and the economic response, so we have not yet published the White Paper. I would challenge any narrative that that means we have not made any significant progress on devolution during the last year or so. We are still hugely committed to the agenda. Local leadership is a hugely important part of the wider levelling-up work. It is a vital part, I would certainly argue.

Just two weeks ago, of course—many of us may have campaigned there—we had a first elected combined authority mayor in West Yorkshire. We saw a big turnout in that election. Since that election, 41% of the residents of England are now being served by a directly elected metro mayor. Over 60% of residents in the north are served by a directly elected metro mayor. That is certainly good progress.

If you look over the last few years, we now have nine combined authority mayors who are commanding significant powers and support. Through the gain share alone, they are often commanding around £37 million or £38 million a year over a 30-year period. They have significant powers on skills and transport, as well as planning and strategic housing powers in many cases. We are certainly making progress there. We have also been continuing to deliver on things like our transforming cities fund. We are transferring over £1 billion to combined authorities over the five-year period we have agreed with them. That is improving transport links; it is helping them cut carbon emissions; it is helping them provide sustainable transport models. That is important progress.

As you rightly identified, we have local government reorganisation, because the conversation around local leadership is hugely important. We have those three parts of the country where we have just closed the consultation on local government reform: in Cumbria, as you know; in Somerset; and in North Yorkshire. Before the summer, we will be coming



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forward with our decisions about which, if any, of those proposals we will then take forward. That is an important piece of progress that we have made.

We are still continuing the conversations about devolution with different local authorities. I and the Exchequer Secretary wrote to local leaders in March to welcome discussions on a new devolution deal covering the seven local authorities in the North East Local Enterprise Partnership. You are quite right to say that, yes, the situation necessitated a delay in the White Paper being published, but I would argue that we have still made significant progress in that time.

**Q7 Mark Jenkinson:** Notwithstanding that progress, I assume we are still expecting the White Paper to be published. When should we expect it? How will it relate to the levelling-up White Paper? Can we expect them to be published together?

**Luke Hall:** We have made this clear commitment to decentralise power and to use it as an important tool for levelling up. The purpose of the devolution White Paper was always to look at proposals for local accountable leadership and further devolution. We have already stated that this will now be included in the levelling-up White Paper that we will publish later this year. It will come as part of that document. It will contain new policy proposals and look very closely at these exact issues: at devolution, local leadership and levelling up.

**Mark Jenkinson:** Minister Scully, do you have anything to add at all?

**Paul Scully:** I am not sure I do particularly, to be fair. Minister Hall has articulated that well.

**Q8 Clive Betts:** Thank you for the invitation today. These are important initiatives, and they clearly are joined together in Government, or at least hopefully they are. In the end, the electorate are not too worried about which initiative does what or which Government Department does what; they are interested in the outcomes for them. How do Government measure the success of levelling up? What outcomes are you going to use to measure that?

**Paul Scully:** You are absolutely right to talk about outcomes. The various policy papers that we are talking about and the various strategies are really an output. The outcomes and the results of that are what is really important. It will be about life chances. As I say, it is measuring life chances, measuring inequalities, and measuring connections between areas that have underperformed, have been under-connected and are less productive business-wise. All of these areas will be measured and judged upon.

We are publishing the landmark levelling-up White Paper later this year, which will articulate how the policy interventions that we will be putting in place are going to improve opportunity and boost livelihoods in those areas as we recover from the pandemic. That will have far more of a



focus that you will be able to look at, then, to see how that works. It is co-ordinated through a new No. 10 Cabinet Office unit, a joint Cabinet unit, to make sure we can drive up that agenda. That will be headed up by Neil O'Brien, our colleague, as levelling-up adviser. That will be what drives it, but those are the areas that we will be covering.

**Luke Hall:** All Departments, and certainly MHCLG, agreed metrics at the spending review to measure progress against the outcomes we are set as Departments. A number of those are cross-cutting metrics, because they affect so many different Departments. If you look at MHCLG's, for instance, one clear example of ours that relates to the levelling-up agenda is raising productivity and empowering places so that everyone in the country can benefit from levelling up.

We have three other priority outcomes. One is ending rough sleeping. The second is delivering more, better, greener, safer, affordable homes. The third is about building a sustainable local government sector. Against all of those priority outcomes are metrics that have been published about the things that we will be looking at, and they will then be set into our departmental operational plans that we will publish shortly, which will talk about how we are going to measure and look at this.

As we work towards the spending review this year, we want to continue to look at the type of metrics that we can use to monitor levelling up and the types of things we are monitoring. There is quite a clear set, across all Departments, of different metrics. DIT, for instance, has delivering economic growth to all nations and regions. DWP has maximising employment. There is a set that has been published against each Department.

Q9 **Clive Betts:** Ministers, that was quite a comprehensive résumé of lots of issues. Some are specific measures; others are generalities. When we get to the levelling-up White Paper, will it set out specifically the measures by which the success of levelling up can be judged across Departments?

**Luke Hall:** Apologies, I probably did not explain myself well enough. There are already a number of metrics published against what you identified, Mr Betts, as quite general points there.

**Clive Betts:** Across Departments in the levelling-up White Paper?

**Luke Hall:** As part of the spending review last year, we had the metrics that we agreed and that have been published. I identified the priority outcomes—ending rough sleeping, for example. If you look underneath that, there are already some published metrics: the number of people sleeping rough on the annual snapshot, the number of families in temporary accommodation, the number of units being delivered through the rough sleeping accommodation programme.

The point I am trying to make is that quite a number of metrics, within those wider principles that we are trying to achieve, have already been



published. You are quite right to say that we are still looking at how the wider metrics can be accommodated into measuring levelling up.

**Q10 Clive Betts:** I understand that there are metrics in place; I accept that. What I was asking is whether there is going to be a comprehensive list across Government, for all Departments, when we get the White Paper. Will it set out the comprehensive list of measures to measure whether levelling up is a success?

**Luke Hall:** They are set out across Departments now in the form that I suggested. I am sure that our colleague the MP for Harborough will be looking at exactly the sort of question that you have outlined as we work towards the White Paper.

**Q11 Clive Betts:** I am getting something from MHCLG, but I am not quite sure that this agenda is stretching across Government, as we were told it would, if we are not going to get this commitment to a comprehensive list of metrics.

**Luke Hall:** The point that I am making is that there is a list of metrics right across Government now. Apologies, I am speaking about my Department, but there is a published set for every Department, whether that is Treasury, BEIS, DIT, DfE or DWP. They have these metrics already, which speak to these issues. We will submit them to the Committee afterwards.

**Chair:** Minister, it is often quicker just to say, "I don't know", if you do not know the answer, with respect. We will move on.

**Q12 Paul Howell:** I have a couple of things on the devolution side, coming back to what my colleague Mark Jenkinson was saying, for Minister Hall first. We have just had local elections. I want to use an example local to me in Durham, where there has been quite a substantial change in the actual place itself in terms of what that council might now want. I am sure there are others around the UK in the same position. How does that get fed into the devolution discussions to pick up the changes that have gone on in terms of local government ownership, if that is the right phrase? Can you just answer that first, Minister? Then I will come back to a couple more points on the levelling-up side.

**Luke Hall:** I will answer that in two parts, if I can. One is about local government reorganisation in the three parts of the country where we are doing it, and the second is about devolution.

In local government reorganisation, we had a consultation process for that. Council leaders who were current at the time, opposition groups and many others could feed in through the process, so there is no reason why those views would not have been represented in that consultation that closed before the local elections.

Of course, you identify quite rightly that it is slightly different in relation to devolution. Taking the example that I gave earlier about the





conversations we are having with the seven local authorities in the North East LEP, those conversations were paused as we moved towards the local elections and into purdah, but we clearly said to them that we would pick the conversations up after the local elections, just to allow a natural pause and so that the new Administrations could continue the conversation with us afterwards. Where there are elections taking place, that is absolutely something that we consider. I can assure you that the local leaders make sure we are very aware of it.

**Q13 Paul Howell:** If I can move on to levelling up, I want to continue the theme of the questioning that you have just been receiving, really. It is about ownership; it is about who is looking after this. Is it Minister Scully? Is it Minister Hall? Is it Neil O'Brien? Where is ownership going to sit? I know you talked there about a number of metrics that exist, but which of those are seen as the ones that are part of the levelling-up agenda? Which ones are not? Levelling up needs to be measurable, but it also needs to be understood at the local level. It is almost intangible in some places, because it is a sense of whether things are getting better for people.

One of the things I believe we need is for people to believe that we are levelling up, and that will come down to their own personal experience. If you do not have the measures and other things in a controlled way with appropriate ownership, all you could well end up with is a lot of rhetoric around the things you are not doing as opposed to the things you are doing. That could just undermine people's confidence that things are happening. How do you get past that? Who owns it? Who do we make sure takes control of that situation?

**Paul Scully:** Just to add to Luke's point from Mr Betts' question about metrics, we have our metrics. In terms of business support, for example, we look at the percentage of businesses that are innovation active or working on innovation projects, including by region. We look at business birth rate, new business start-ups, by region as well. All of this sits under the Treasury's Green Book. That is a good place to start looking at that comprehensive range of metrics that Minister Hall was talking about.

Paul, you are absolutely right in terms of making sure we can have that focus on levelling up and we can go beyond the strapline towards the outcomes for local people in constituencies like yours, so that they can actually see and measure. That is why, as we say, we have that new No. 10 Cabinet Office joint unit, which has been established to make sure we drive the work on levelling up. As you say, the Prime Minister has appointed our colleague Neil O'Brien, the MP for Harborough, as the levelling-up adviser, who is going to be leading on that body of work.

Our team works closely with Neil and the new Cabinet Office unit. We have a series of ministerial engagements with me, the Secretary of State and Neil to discuss the work and to make sure we are working with our metrics and delivering for Neil and that unit. The Cabinet Office unit is going to co-ordinate the work across Government with MHCLG, BEIS and



other Government Departments on those metrics that we are talking about, making sure it continues to lead on the development of specific policy areas that will then have those tangible outcomes.

**Q14 Paul Howell:** You have mentioned the Cabinet Office and things. Does it need a Cabinet Minister who is responsible? Should one particular Cabinet Minister be responsible for levelling up?

**Paul Scully:** It is not really for me to say. Clearly, the Prime Minister has set a lot of store by this. We have a clear level of co-ordination from the Prime Minister through this unit to make sure that we drive the agenda. I have confidence that the Prime Minister has assembled the right group to complete the task. What you have, under the Prime Minister's lead, is my Secretary of State and Luke's Secretary of State driving the agenda.

**Paul Howell:** Would you like to comment, please, Minister Hall?

**Luke Hall:** I apologise to the Chair, if he thought I was trying to talk without answering the previous question, which I did not feel that I was. The point I was trying to make is that we have the series of metrics and we are continuing to look at them in the run-up to the White Paper. That is absolutely right.

I have nothing particular to add, Mr Howell, to that question. We work very closely with BEIS to deliver a number of the place-based policies, which we have ownership for, and we are working with the Prime Minister's adviser on levelling up, Mr O'Brien, to make sure that fits into the wider work across Government. Levelling up is a cross-Government agenda; it cannot just be delivered from MHCLG or BEIS. When we come to the White Paper, that will set out bold new policies about improving living standards. We will have clear metrics about how to monitor that. Growing the private sector, spreading opportunity and local leadership, are the key parts of that White Paper. Other than that, I have nothing in particular to add to your question.

**Q15 Paul Howell:** I understand that we are talking between Departments here, but it does feel to me as though there is some need somewhere for some sort of dashboard that says, "These are the particular metrics across Government that are referred to as part of the levelling-up agenda", as opposed to the myriad very worthy metrics that sit right across Government on so many things. Which are the things that you are setting out there? We have pushed the point a bit there. It may come back in other parts of this session, but that is really a message that I would certainly like you to take forward.

**Paul Scully:** That is fair enough. That is where Neil's work as the levelling-up adviser will make that cross-Government co-ordination happen. It is so important, as we know, to pull these things together, to be able to measure them and to pull the right levers in order to make sure that, if someone is underperforming, we get those outcomes that we need. That is what that unit is there to do.



**Paul Howell:** I look forward to seeing what it comes up with. Thank you, Minister.

Q16 **Charlotte Nichols:** Part of what I am saying is following on from the comments Paul made there. As a north-west MP, I worry that some of this discussion about levelling up is almost like Schrodinger's department: it is kind of everything and nothing at the same time. It is really important that we all have a sense of what is levelling up and what is the normal duties of Government.

My question is on the delivery unit and whether that will focus solely on the levelling-up agenda. Whom is it going to report to? How will the levelling-up taskforce sit with this? All of that is quite unclear at the moment.

**Paul Scully:** The No. 10 delivery unit is going to look broader than just levelling up, but will cover it as a key delivery priority. The delivery unit as a whole is about making sure that the Prime Minister's priorities are being delivered and, as we discussed, levelling up is right at the top of that. It will be right at the forefront of their minds and their work. It is going to be run by Dr Emily Lawson. Emily led the operational delivery of the NHS vaccination programme. The levelling-up unit, as we have discussed, has the responsibility for delivering the White Paper, working with the Departments across Government, other parts of the Cabinet Office and No. 10. This will include that delivery unit.

In terms of the task force, are you talking about the levelling-up taskforce of MPs, which is led by Onward? Are you talking about a different taskforce?

Q17 **Charlotte Nichols:** It is where that interacts with the delivery unit and the wider body of work. It seems like there are a lot of different talking shops across Government where everything is getting called levelling up, but I do not think anyone is clear, necessarily, on what it is or how it is being measured.

**Paul Scully:** I see. The levelling-up taskforce, as far as I understand, is 40 MPs who have got together led by Onward, the think tank. They worked with those MPs and published a recent report on it. It is an external body; it is not a governmental body. Clearly, we will be working with think tanks and the taskforce to make sure that we can get their learning as well. Frankly, anybody who knows me knows that I get as frustrated with straplines as the next man. I want to make sure we have some outcomes out of this rather than outputs.

**Charlotte Nichols:** Minister Hall or Ms O'Neill, do you have anything you would like to add?

**Luke Hall:** Minister Scully has summed it up. The key point there is that the No. 10 delivery unit is about delivering the Prime Minister's priorities. A big part of that is levelling up, but it is not exclusively for levelling up. I



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am sure it will be a big focus of work for Mr O'Brien, but it will deliver all of the Prime Minister's priorities.

**Kate O'Neill:** We are already having conversations with the delivery unit specifically about levelling up, because it is such a high priority for the Prime Minister. I am sure that they will be looking across other Departments as well on what they are doing to level up.

I know we have talked about the metrics that are already in place, but it is worth noting that quite a few of the metrics that were published at the spending review specifically reference levelling up. It is quite a cross-cutting theme. I know it was mentioned in the DfE metric, "Driving economic growth: through improving the skills pipeline, levelling up productivity and supporting people to work", and it is embedded in one of the HMT metrics as well, "Level up the economy, by ensuring strong employment and increasing productivity across the regions and nations of the UK". It really is embedded across all of the relevant Departments' work.

Q18 **Alan Brown:** Minister Hall, you spoke about greater devolution. Clearly, that is in the English context. How does that square with the Internal Market Act and the fact that the UK Government are bypassing the devolved Parliaments?

**Luke Hall:** I would say we have certainly seen huge enthusiasm from local authorities in Scotland and the devolved Administrations to work with us on some of the funds that we are delivering. Whether it is the levelling-up fund, the community renewal fund or others, they are engaging with us. We are having exciting new regular conversations with them about the best way to deliver on those funds. We hope that you, as an MP, will feed in as part of that process, which you are quite able to do, in order to deliver investment into your constituency and wider Scotland. There has been huge enthusiasm for this from the devolved Administrations.

Q19 **Alan Brown:** It is clever politics in that way, because clearly I want extra money to go to my constituency where possible, but it still should be done within the devolved framework. On that, can I ask about the rationale for asking MPs to get involved in the levelling-up bids? That is fine, but MPs can support only one bid. You are asking MPs possibly to choose. The deadline for the first round of funding is 18 June, and it is intended to be shovel-ready projects. Why?

**Luke Hall:** In reference to the second point, yes, the first round is noon on 18 June. Please get your application in by that point. We certainly have lots of councils that are interested. It comes back to the point that your colleagues were raising earlier, which is that people want to see substantive change in their communities and constituencies. That is what they will judge levelling up by. We make no apologies for really wanting to get going with projects that are ready to start moving this year. That is absolutely crucial.



**Alan Brown:** But should—

**Luke Hall:** Let me try to answer your question comprehensively, because it is really important. We are going to have later rounds of the bidding process, and we will announce details of that in due course. There are lots of local authorities right around the UK that are ready to submit bids. That is reflected in the conversations we have had with local authorities in Scotland and others. In relation to the first round of the funding, to come back to your point about the devolved Administrations, at least 9% of total allocations of the levelling-up fund will be in Scotland. It is an important point.

On your question about MP involvement, first of all, in terms of the process, MPs can support one priority bid. As a formal mechanism, they can support one bid. Yes, of course, they will have to make a choice. We think that all colleagues are excited to do that. The reason why MPs are involved is that they can be important brokers of consensus in their local communities, working with councils and others. It is important to say that that is not the only deciding factor on the bid. There is a range of factors that are part of the assessments of the bids. Yes, MPs can support one priority project. They can also submit letters of support for projects in the normal way. You can still support other projects as well.

Q20 **Alan Brown:** Going back to being shovel ready, surely, if it is about levelling up and long-term structural change that is required, why is it just hitting shovel-ready projects to start with? That just smacks of spending money and getting money out of the door rather than long-term planning. When will further information come about future round bids?

**Luke Hall:** We think that local authorities and MPs are more than up to the challenge of deciding whether they want to submit a bid in the first round or wait for later rounds. We are having lots of conversations with councils, which are making their own judgments as to what is suitable and what is most appropriate for them to deliver their priorities. There are lots of people who have projects ready to submit to the levelling-up fund and who are genuinely excited to do that. They have that opportunity to submit in the first round.

As a broader point, I would put this first round of levelling up in the context of one fund and all of the other funds that we are delivering across Government in the course of this Parliament. There are a number of different funds. The levelling-up fund is one of them, which addresses key physical aspects, town centres, road improvements and others. We have the community renewal fund, which is addressing some of the more resource-based issues and targeting funding towards those deprived communities and ex-industrial towns. We have the community ownership fund. We have all the measures we are taking through the local government finance settlement and others.

There are lots of different ways that we are tackling it. The levelling-up fund is one. The first round of the levelling-up fund is just a subsection of



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that. In terms of when we will provide more information, we will do that in due course, later this year, no doubt. We are speaking to councils about this first upcoming date of 18 June to make sure people can get these projects started.

- Q21 **Alan Brown:** That future round clarity is important. My local authority has decided not to bid for 18 June, because it wants to bid for what it thinks is a more worthwhile project that is not shovel ready yet. It is looking at a transport bid along with other local authorities, but if it is going to come down to being shovel ready even in the future, that is going to be a problem.

If you think of a transport project, say a roads upgrade, you have to do a feasibility study; you have to do a site investigation; you have to do detailed design; you have to do the tendering and the procurement; there will be landowner permissions; you might even be doing bridges, crossings or culverts. That process takes a long time. If it is only going to be shovel-ready projects, you can forget doing what might be an important strategic project. How do you answer that?

**Luke Hall:** I come back to two things, really. First, the levelling-up fund itself is designed to deliver projects over the course of this Parliament. That is what it is doing. It is there to really get cracking with levelling up. As I said, people want to see tangible change in their communities, and this is just one mechanism that we have for them to do that.

I really could not go anywhere near commenting on the individual choice of your local authority as to whether to bid or what type of project it would be, but it may well be that it needs to look to other types of streams, whether it is the others I have outlined or other forms of central funding. The levelling-up funding has a very clear remit of delivering projects within the course of this Parliament.

- Q22 **Alan Brown:** I have one final question, then, on other funding streams. We have heard about the shared prosperity fund for nearly five years now. When is the investment framework for that going to be published?

**Luke Hall:** The UK-wide investment framework will be published later this year. We will be confirming the funding profiles for that alongside the spending review.

- Q23 **Ms Ghani:** Minister Luke, this follows on from the conversation that you have just had with Alan. It is just trying to get a bit more detail out of you, if we possibly can. How will the amount of funding per person to local authorities take into account the levelling-up funds in England? How does it compare to what the funds could have been like if we had not had Covid, for example? I suppose this is the point that I am trying to get to: are local authorities going to see less funding overall or is it generally going to be more?

**Luke Hall:** It is a really important question. There is actually quite a complex answer. At this stage, I could not comment on the total amount



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that any individual local authority will receive after all the bidding processes are complete, naturally because we are going through assessment processes and it will depend on how successful they are in the course of that. There is clearly significant investment through the funds themselves. There is the £4.8 billion levelling-up fund, the £220 million community renewal fund and the others that I have mentioned.

I would make a few points on council funding. First, in relation to the pandemic, which you highlighted, we have stood firmly behind local authorities. They have been heroic during the course of the pandemic. We have provided them with over £9 billion already in emergency funding to support councils in England. So far, they have spent £7.3 billion, so we have provided them with more money than they have spent. We have the schemes for extra income loss through sales, fees and charges, as well as other schemes. We have really stood behind them in that respect.

I would make one more point in relation to Covid. One of the challenges that we had from the start of the pandemic for councils, council funding and planning was that, just because of the nature of the situation, the funding that the Government were providing in tranches as we moved through was by its nature quite reactive. Councils were spending money, and then we were giving them money. One of the things that they worked and continue to work closely with us on is that, for the first time, we asked councils, at the start of the pandemic, to start submitting monthly monitoring returns to us. Every month, they submitted detailed figures on how much they were spending, where it was going, where there were service pressure increases, where they were struggling to continue to bring in revenue and so forth.

By the time we got through the fourth round of emergency reactive funding into November last year, because we had enough information, we were able to forward project the cost pressures that councils were likely to face. Alongside the provisional local government finance settlement that we published on 17 December last year, we published a couple of other key things. First, we published the Covid emergency funding for councils for the first three months of this financial year, so from April through to the end of June. That was £1.55 billion, and we literally published a spreadsheet saying, "X council will receive Y support for Covid spending". That helped a huge amount, because it was the first time that we were proactively confirming support in advance. That made a big difference.

A couple of days afterwards, we also confirmed the local council tax support scheme and the £670 million breakdown of that, which was significant just because of the pressures on households. We confirmed that sales, fees and charges scheme's extension into next year. That was really important. The key point is that we provided councils with more money than they have spent.



Secondly, for the second year in a row, we had a local government finance settlement that we were really genuinely pleased passed through Parliament unopposed. We had a settlement that had a 4.6% rise in core spending power for councils and an increase in the amount that they had to spend. There are two subpoints to that, which are really important and which link back to levelling up. The first is that councils in the most deprived areas of the country received 16% more in core spending power than those in the least deprived areas. That is an important point to flag.

Lastly, we took an important policy choice as part of the settlement this year on equalisation. This was to recognise the fact that there are councils up and down the country that are not able to raise enough through locally raised tax to meet their needs. There is a big disparity between how much different councils can raise through council tax and locally raised tax. This year, through equalising the social care grant, we redistributed £390 million from the councils that raise more than they require to deliver their statutory services, to councils that are not able to raise enough to deliver their statutory services.

I am sorry to have answered this in such detail. One practical example is—

**Chair:** Minister, I am sorry to cut in. This session is not about social care funding. It is about levelling up, and we are running out of time. I wonder whether, Ms Ghani, you might want to finish your question.

Q24 **Ms Ghani:** Yes, my apologies. It is hard to interrupt on Zoom. Minister, if I have your attention, I want to reflect on the evidence that was given to the Lords Public Services Committee, which stated that the levelling-up fund amounts to around £4.8 billion, which is in contrast to the track and trace system, which was £37 billion. If I can just try to get a brief response, is it enough money to do the task at hand?

**Luke Hall:** It is one part of the overall picture. The levelling-up fund is a significant fund; it is £4.8 billion. That sits alongside all of the other interventions that I have outlined and talked about already. Hopefully, we will have lots of positive applications to the process on 18 June.

Q25 **Ms Ghani:** Of course, we are always going to try to represent our constituencies. I am an East Sussex MP, and it does not always sit in the traditional markers of deprivation, so there is a concern that the funding application process for the levelling-up fund will end up becoming a beauty parade or create a greater north-south divide. What assurances can you give me that areas like the one that I represent, East Sussex, are not going to fall foul of the new political agenda?

**Luke Hall:** This is a really important point. We have tried to make sure that, when you look at each of these funds individually, the process is credible, it is transparent and it stands up. We are very clear that that is a priority for Parliament and others. It will want to see a clear, transparent process.





You asked about the levelling-up fund. The criteria that we have are based on a robust set of metrics drawn from publicly available datasets. Those measure local areas' need for economic recovery and growth, transport connectivity and regeneration. The point of those metrics is that they reflect the individual priorities of that fund, which are quite infrastructure, transport and regeneration heavy. We have tried to be transparent in that. We have published all of the information on gov.uk.

We have also made sure that the metric, for example, that you refer to of where different places in the country sit forms just one part of the assessment process. It is not the assessment process; it forms one part of the process alongside the others that are published on the website.

The other thing that we tried to do with the levelling-up fund in terms of transparency, alongside the general transparency work of holding cross-MP calls, which we have done, and publishing FAQs, which we have done, is to publish the exact process that we are following. First, there are pass/fail gateway criteria for the bids to make sure they meet the basic criteria like, as Mr Brown referenced, in this first round being able to start delivering this year. After that, it is whether they meet the four published criteria on the website: strategic fit, value for money, deliverability and characteristics of place. There are a couple of other smaller points that are published online.

Once that process has drawn up a shortlist, it is then referred to Ministers for the decision-making phase. One of the things that we really wanted to do in the levelling-up fund and the process of delivering this is make sure that the additional considerations that we will look at, as Ministers, are very transparent. We have published those on the website. I am in fear of the Chair's wrath again, so I will probably stop there by saying that it is as transparent as we can possibly make it. It is just one part of the process, Ms Ghani. You can be assured that every bid will be judged against the published criteria.

**Chair:** If witnesses could try to answer the question directly, because we only have about 10 minutes left of this session, I would be grateful.

Q26 **Mark Pawsey:** I wonder whether I could just ask our Ministers one very simple question to perhaps answer in one or two sentences. Why is levelling up necessary? Why are we doing it?

**Paul Scully:** That is a good point, and I touched on it at the beginning. It is to look at the long-term structural issues that are there, whether it is connectivity, inequalities or productivity, to make sure we can tackle all of these areas, and to raise opportunities around the country that are not able to be realised in certain areas. We want to make sure that we can tackle that.

**Luke Hall:** Levelling up is about improving life chances for people living in underperforming parts of the UK.



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Q27 **Mark Pawsey:** We used to do that. It was called regional policy. Did it fail?

**Luke Hall:** At the end of the very long answer that I gave about local government funding and social care, I was coming on to one key last point, which was about equalisation and redistribution.

Q28 **Mark Pawsey:** Minister Hall, did the previous policies fail? Is that why we are embarking on a programme of levelling up now?

**Luke Hall:** First, the circumstances have drastically changed. We are now in a world that has been changed by the significant events of the last year and a half. The political situation has changed following the general election, which saw a manifesto being endorsed by—

Q29 **Mark Pawsey:** We know that things have changed. Did the efforts that previous Governments have taken to level up across the UK fail or succeed?

**Luke Hall:** It is a continuing process, is it not? It would probably be quite glib of me to give a very short yes or no answer.

Q30 **Mark Pawsey:** If they had succeeded, we would not be embarking on this programme now, would we?

**Luke Hall:** There is more to do. That is the short answer, is it not?

Q31 **Mark Pawsey:** If they failed, why did they fail? What is your critique of the measures that have been adopted to level up over the past 50 years, say?

**Luke Hall:** It is very clear that we have seen investment and life chances in London and the south-east, for instance, continue to improve, while we have seen other parts of the country not seeing those opportunities—

Q32 **Mark Pawsey:** It was about trying to improve the economies of the north east and other parts of the country, and we are suggesting that they have not succeeded. I want to understand why we feel that what we have done in the past has not been successful. From there, I would like to ask you why you think what we are going to be doing in the future will be better.

**Luke Hall:** I have not used those words: that the previous policies were not successful. There is still more to do. That is my very clear point, and I do not think anyone disagrees with that. There are very clear discrepancies in life chances, opportunity, productivity and education.

Q33 **Mark Pawsey:** What measures are we going to implement that will succeed in the way that previous measures failed?

**Luke Hall:** We have just been talking about a number of them, of course, through all of the investments that we are making through the towns fund, the future high streets fund and the levelling-up fund. These are all aimed at addressing these types of inequalities. You only have to



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look at some of the examples. Look at what we are doing in Barrow: investing £10 million in a new university campus and skills quarter that is upskilling people and giving employers the type of—

**Q34 Mark Pawsey:** These are all inputs. These are where Government are spending money. How are we going to know whether the spending of the money has achieved our objectives? I might ask you to follow up on the point from Clive Betts. What are our objectives? What are we seeking to achieve here?

**Luke Hall:** The objective is as I gave you in the short answer to your first question: it is about improving life chances.

**Q35 Mark Pawsey:** How are we going to measure whether or not life chances have been improved?

**Luke Hall:** That is exactly the point that we talked about at the start of the session, and I refer back to that answer. We have these published metrics; we are continuing to look at them in the run-up to the levelling-up White Paper. We have a substantial set of metrics. We have in our Department the four published operational priorities: rough sleeping, building more homes, improving the local government sector and raising productivity. We have already published all of those metrics. I would loop back to that starting conversation that we had.

**Paul Scully:** If you go to the spending review documents of last year, you will see the metrics on the website. It is literally about improving outcomes right the way across the UK.

You asked before about success and failure. I would totally agree with Minister Hall. We can see clearly the detachment that people feel in areas around the country that are remote from Westminster. It is really important that we have a coherent strategy to tackle these long-term structural issues, working with the local places and the stakeholders who really know their economy.

That is why we are trying to bring together a coherent set of strategies and, rather than have them sit on a bookshelf somewhere, deliver those outcomes for people. We have been talking about connections. Whether it is transport connections or virtual connections, we need to make sure that we are better connected across government, through local government and beyond local government into universities, workplaces and healthcare organisations. That is exactly what Minister Hall and that delivery unit are going to be doing with me and other Departments.

**Luke Hall:** Can I just add one more point?

**Q36 Mark Pawsey:** Could I go back to Minister Scully, please? Minister Scully, you are in the Business Department, and we are the Business Select Committee. Is there anything to be learned from business in its approach to doing things? In business, you decide where you want to be, whether it is profitability, the growth of your business or increased



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turnover, and you then set out a strategy to get to where you want to be. I am struggling to understand, because we do not have any metrics, as to where we want to be.

Are we talking about needing to improve productivity? In that case, would we measure output per head? Are we looking to measure spend on research and development? Are we looking to measure the proportion of people who have an advanced skill or who have undertaken certain training? Where are those measures that enable us to get to these outcomes? Are we simply relying on trickle-down theory: if businesses do well, everybody will do well?

**Paul Scully:** For the BEIS Department, I can say that we have four priorities: fighting coronavirus, tackling climate change, unleashing innovation, backing long-term growth. Within each of those four pots, we have metrics that we will be measured on. We will be developing that with the delivery unit and the levelling-up unit.

For example, talking about climate change, we have the Prime Minister's 10-point plan. That is mobilising £12 billion of Government investment. It is unlocking three times as much private sector investment. That is something that we can measure. Has that been done? Has that £12 billion been spent on that innovation for tackling climate change? Is it working around the country? Has it unlocked that money? Is it supporting the 250,000 highly skilled green jobs that we are working on?

I would say to you that, in areas like the investment we are putting into the north-east in terms of wind turbines and manufacture there, there are good, tangible projects that are starting that process, but there is plenty more to be done.

**Mark Pawsey:** Minister Hall, you wanted to come back.

**Luke Hall:** You are quite rightly pressing us on the detail. Paul and I have talked perhaps unsuccessfully about those high-level metrics without looking through them, but let me take HMT's metric directly. Levelling up the economy is the broad outcome or objective. These are the things that sit underneath that, which you have been asking for: the UK output per hour growth in percent; the economic performance of all functional economic areas relative to their trend growth rates; the employment rate, both UK and regional, from 16 to 64; and business investment as a percentage of GDP.

So there are tangible things that we are aiming to achieve through the levelling-up agenda, and they are listed underneath the high-level things that we have been talking about. They are there; they do exist; they have been published. That is not to say that we are not going to be looking at more of them for the White Paper.

Q37 **Paul Howell:** To continue the same trend in terms of the levelling-up metrics and things, going back to what my colleague Mr Pawsey has just said as well, if you are in a business, what do you do? You have



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short-term goals, medium-term goals and long-term goals. You have to make sure that, in combination, those do not conflict with each other, so that something you do in the short term is a platform for what you are doing in the long term.

Minister Hall mentioned—or it might have been you, Minister Scully—the need for the levelling-up fund to deliver in this Parliament. Yes, it does, but it also needs to be a platform for the next Parliament, the Parliament after that and the Parliament after that. Can you talk about the differentiation between the different timescales for different goals between you, please?

**Paul Scully:** Yes, thanks very much. You are absolutely right. Minister Hall was talking about the fact that there are different strata. There are different funds available. The levelling-up fund is looking at shovel-ready projects, but those shovel-ready projects are clearly there to have a long-term effect. They might be delivered in the short term, but they are there to have a long-term effect.

You are right that we have to carefully balance the long, medium and short term, especially in the light of the recovery from the pandemic. We are looking at the shovel-ready investments that we are talking about with the getting building fund, which is geared towards deliverability and quickly making an impact on the ground, but we also recognise that we need to make longer-term focused interventions. For example, we are providing 30-year gain-share settlements for the mayoral combined authorities. That gives stability for the future and allows us to look ahead to a really exciting programme of investment.

We have the launch of the shared prosperity fund, which we were touching on before, and we will also be delivering on our ambition to increase spending on R&D to 2.4% of GDP by 2027. We want to make sure that people feel that they can get on in life without leaving their local area. As I say, this is about doing the shovel-ready stuff now, but moving into the long term to enable them to do that. We want to make sure that we can rebuild pride in underperforming places. We want to make sure that people can see and have confidence that Government are delivering their economic and social priorities.

It is about improving living standards, and clearly that is not something you do overnight. It is not something you do necessarily complete in one Parliament. We want to be able to grow the private sector as well, especially where it is weak, making sure that we can increase and spread opportunity. As I was saying earlier, potential is evenly distributed, but opportunity just is not. These are all long-term structural issues and challenges, which we need to make sure are programmed into those interventions that we can work together on in this Parliament.

As I say, some of this has been accelerated by Covid. You can talk about high streets, for example, and other baked-in behaviour changes. There



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has been long-term thinking within our short-term thinking that has accelerated those conversations that we are having to have.

**Q38 Paul Howell:** Can I turn to Kate O'Neill? I saw you nodding towards the start of what Minister Scully was saying there. Do you want to elaborate on what the policy unit will be working on in that space?

**Kate O'Neill:** I do not have anything further to add. I was nodding particularly at the longer-term financial settlements that we have done with the mayoral combined authorities in particular. That gives them real certainty so they can plan over a long timeframe. As part of that, we have done deals with them particularly on transport infrastructure. Recognising the points I made earlier, though, there is obviously a really long lead-in time for those kinds of projects. That is a really good model of where we have given areas certainty to plan over the long term.

**Q39 Paul Howell:** Minister Hall, we have had a number of years now of single-year settlements for local councils and things. When we are going into this sort of space as well, would you agree that we do need to make sure that we have multi-year plans and settlements as to where things are going wherever possible?

**Luke Hall:** Yes, absolutely. That is a key ask from local government. Multi-year settlements are preferable. That has been made very clear, and we hope to be in a position to do that for the coming year. We would have been in a position to do that this year, if the pandemic had not hit and changed the overall situation last year. We hope to be in a place of multi-year settlements, which provide longer-term certainty and all of the efficiency gains that we all agree on.

**Q40 Alexander Stafford:** Minister Scully has already alluded to the impact of Covid. That is the elephant in the room, is it not? I and many other colleagues—or Conservative colleagues, anyway—were elected on a levelling-up promise, but then Covid hit us financially and things changed. How much harder has the levelling-up agenda been made because of Covid? Has it actually made it even more important to level up after we have seen all the issues and disparities across the country? How has Covid affected the progress and the policy?

**Paul Scully:** To be fair, it has done both of those sorts of things in different areas. As I say, it has accelerated some of the conversations that we are having, for example, about high streets and how people work. We will look at our transport planning as a result of that.

It has not created new problems; it has just really put a spotlight on some of them and maybe caused some older problems to come to the forefront. Take Crawley, for example. Nusrat Ghani was talking earlier about not just looking at the north-east and north-west but looking at Sussex. Crawley has one of the highest percentages of people furloughed in the country. Why? It is because it has an airport near it, which has obviously been badly affected.



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I also am the Minister for London. City centres in London and around the country have been particularly affected. We have to make sure that they do not get hollowed out as a result of us taking our hands off the wheel in terms of the recovery. The Urban Centre Recovery Taskforce has been established to make sure that we can get some practical recommendations for Government on actions that we can take to support those areas.

The long-term impact of Covid on those areas is really going to depend on how persistent the recent changes in business and consumer behaviour turn out to be. We want to make sure that we can come up with solutions that go with the grain, but it is important that we work with businesses to determine exactly where that grain is going, as it were, for those baked-in behaviour changes that we have been talking about.

The primary objective remains the fact that no region should be left behind in achieving greater economic prosperity. That is why we want to push that support and that conversation further around the country rather than just London and the south-east, which is why your input, in standing on that platform of the levelling-up agenda, is so important.

**Q41 Alexander Stafford:** On money, Covid has obviously cost the country a lot of money. The country went into Covid with a lot of money and a lot of financial promises to level up areas like Rother Valley. Can you comment on the financial impact Covid has had on the resource dedicated to levelling up? Levelling up does not come cheap.

**Paul Scully:** No, it does not. It certainly does not. We all recognised and welcomed the support that has gone in, in double-quick time, to wrap our arms around the economy. For those of us like you, Luke, Paul and me, who are all free-market Conservatives, we want to get back to a point when we allow businesses to welcome people back in fully and be able to develop.

We have put in £407 billion of fiscal support, but that does mean we have 407 billion reasons now for why we cannot just take our hands off the wheel. We have to shape this change and drive the levelling-up agenda to be something more meaningful. Mark Pawsey was concerned about the future and whether the past was a failure. We have to really double down now and make sure no area is left behind. We have the funds in place. Minister Hall has outlined many of those. The bidding has started on those. We have the resource. It is going to be a challenge, but we are up for that challenge.

**Alexander Stafford:** Thank you. I will just say that Rother Valley's high streets need levelling up.

**Chair:** That is the end of questions from colleagues today. Given that levelling up is supposedly a flagship policy for the Government, I have to say, with respect to the witnesses, that was probably one of the poorest



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ministerial sessions that I have chaired as Chair of this Select Committee.

I have kept a little scorecard. On local industry strategies and what they are supposed to do next, we have had no answer. On whether we are going to get a whole-of-Government set of metrics in the levelling-up White Paper, we have had no answer. On the question of governance, we had some answers, but when you were asked about the levelling-up taskforce, which was launched alongside the appointment of Neil O'Brien by Downing Street, none of you seemed to know that it existed. On financing, we had no clarity. On the question of a critique of previous policy and therefore how things are going to be better in the future through policy change, we had no answer either.

I do not blame either of you for that, because I just think there is a complete lack of understanding, policy and direction about what levelling up actually is. On that basis, we wish Neil O'Brien all the best for his work in trying to pull this together. Thank you to our three witnesses for your time this morning.