Public Accounts Committee

Oral evidence: Wave 1 City Deals, HC 395

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Members present: Meg Hillier (Chair), Mr Richard Bacon, Deidre Brock, Kevin Foster, Mr Stewart Jackson, Nigel Mills, David Mowat, Teresa Pearce, Stephen Phillips, Nick Smith, Karin Smyth, Mrs Anne-Marie Trevelyan

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director, Parliamentary Relations, National Audit Office, Aileen Murphie, Director, DCLG and Local Government Value for Money, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, Richard Brown, Treasury Officer of Accounts, were in attendance.

Witnesses: **Councillor Sir Albert Bore**, Leader of Birmingham City Council, **Mark Rogers**, Chief Executive, Birmingham City Council, and **Katie Trout**, CEO, Greater Birmingham and Solihull LEP, gave evidence.

Chair: Good afternoon everybody and welcome to the Public Accounts Committee. Today we are looking at the National Audit Office Report into wave 1 city deals. We have two panels today. First of all, I am delighted to welcome Councillor Sir Albert Bore, the leader of Birmingham City Council, who needs no introduction, and Mark Rogers, the chief executive of Birmingham City Council, who has been in his post for about a year—

Mark Rogers: A bit more.

Chair: A bit more than a year, already—and Katie Trout, the chief executive of the Greater Birmingham and Solihull local enterprise partnership.

Katie, may I particularly thank your staff for setting up the visit that we did not manage to make yesterday? I am afraid that voting in this place is not an exact science and, as you know, we had to pull out, but we had a very useful telephone conference call with a number of people from Birmingham yesterday and we have got you here today, so we feel that we are getting a flavour of what is happening with the West Midlands and with this city deal in particular. Would you just pass our thanks back to your staff? We thank you for the briefings and we hope that, at some point in the future, we will be able to make the visit. The Committee has a lot of interest in doing so.

This sitting is designed to flag up a very important subject area for the Committee. As the Prime Minister said today, devolution is very important and it's going to happen. It is certainly a major policy arena for the Government, and it is a major issue for this Committee as we follow the taxpayer's pound and make sure that it is being spent properly. Although the NAO Report makes some very positive points about this very early stage of wave 1 city deals, we have some concerns, which colleagues on the Committee will probe today, both with you, as the pre-witnesses, and with the Permanent Secretary, particularly around risk. Where does that risk fall? Is it the local council tax payer and the taxpayer in general that carries that risk, or is it fairly spread?

There is also accountability—we heard some interesting things around that in our conference call yesterday. There is the issue of transparency for the average taxpayer—how much do they know about what is going on in their name in these new constructs that are being created to devolve power? And of course, there are issues of value for money and monitoring: we will probe the Permanent Secretary a little later about how we make them as effective as possible and how she will do that, because the Report certainly highlights that there is work to be done there. So it is a sort of work in progress at the moment.

I will hand straight over to Karin Smyth, who will lead for us on this issue today.

Q1 Karin Smyth: The discussion yesterday with your teams was very useful. A number of issues came up, particularly around skills, which we would like to talk about, but it would be helpful to get a sense of how you in Birmingham feel the democratic accountability issues are working for you.

Councillor Sir Albert Bore: I think you have to see a number of these agendas as part of a wide agenda. The city council, and the city council with its partners in the LEP, generally see skills as an issue for the West Midlands economy and for the Greater Birmingham economy. In a number of different ways, we set that skills agenda out as an objective of individual authorities and indeed of the LEP. So if you are talking about a growth deal and its relationship with skills, that is simply a small component of that skills agenda; it is not the complete agenda. Therefore, your question is really answered by looking at the skills agenda in more general terms.

Put in terms of Birmingham City Council, it is well known that one of the focuses of the work of the council—I think this is acceptable locally with residents and businesses—is that we have to put a great deal of effort into the skills agenda in order to deal with the unemployment position of Birmingham. So I would not answer the question in terms of growth deal issues but in terms of that wider agenda.

Q2 Karin Smyth: To follow up on that, what was interesting for me as the south Bristol constituency MP was some of the issues around south Birmingham, in terms of qualifications below NVQ4, for example, and the ability of people to access the new jobs and opportunities that might be coming, rather than the concern that some of us have that the new industries and businesses, which we welcome, will perhaps only attract people from elsewhere to come into the area.

Councillor Sir Albert Bore: East Birmingham rather than south Birmingham.

Karin Smyth: I thought we talked yesterday about south Birmingham.

Chair: South-west Birmingham.

Karin Smyth: Okay.

Councillor Sir Albert Bore: It depends how we look at the geography.

Karin Smyth: I was looking at it from the south, but I take your point.

Councillor Sir Albert Bore: I will just relate this not only to the growth deal but what is following in terms of the devolution deal—we hope, at least. That east Birmingham corridor, which is from Birmingham city centre through east Birmingham and north Solihull, is an area where unemployment rates are highest, but that also coincides with low skills, and therefore access to employment is restricted by the skills of the residents of that area.

Looking to the future, what we are seeking to do is to open up that area—for example, by putting a metro route through from the HS2 station in the city centre at Curzon all the way through that east Birmingham area, through north Solihull and to the airport, so that we can identify employment opportunities at either end and along that metro route, and put skills programmes in place in advance of those jobs becoming available. For example, there are discussions currently with HS2 and with Network Rail around some of those skill needs that will be needed in future years. What we want to do is ensure that the residents of those high unemployment, low skills areas have access to those employment opportunities as they come on stream.

Q3 Deidre Brock: Hi, I'm Deidre Brock, an MP for Edinburgh. We have already submitted a bid ourselves for the city deal in the next programme. I am looking at measurement and evaluation in particular. The NAO Report says that making these city deals meant that cities looked at their own development plans, their funding arrangements and governance in a new light or afresh, and that is surely a benefit. Re-examination is always very good, but it does beg the question about why they were not already doing that, because surely that sort of examination should be an ongoing project for any organisation, particularly for something as complex as a local authority. Can you tell us how you felt that approach differed with the city deal?

Katie Trout: The city deal was developed and negotiated by the Greater Birmingham and Solihull local enterprise partnership. The partnership itself had only just been formed a few months before, so at that stage we did not have detailed strategies, plans and monitoring arrangements in place, because it was a coming together of a new set of partners across geography that felt much more aligned to our functioning economic geography. In the case of the specific part of the city deal for us, it was very much building on work that had happened through local authorities and other organisations to begin with, but bringing it together on that geography itself, so in our case, we did not have particular things in place to begin with.

Q4 Deidre Brock: Okay, so could you tell me how you are going to measure the impact across those different authorities and the different programmes that you have on offer? I know that you have the growth deal as well as the city deal. What have you got in place to measure and evaluate that—and monitor it too?

Katie Trout: Of course. With the city deal itself, we set up monitoring arrangements across all elements of the city deal. We made sure we had governance arrangements in place for each of those to ensure that they were delivered effectively. We have been monitoring the outcomes at the LEP board level, and also more recently as part of a growth team—added to that, the outcomes through the growth deal as well. So we are bringing the monitoring arrangements together for both of those deals that we have created with Government. We are also feeding those into civil servants within Government so they are able to see our progress.

Q5 Deidre Brock: So you feel that local government and central Government have definitely agreed a set of measures, and you are comfortable that they are providing sufficient information both towards central Government and towards yourselves, and you are in the right place with your progress?

Katie Trout: We believe we are, yes, and we have the right monitoring arrangements. For exception reporting, if there are any issues or challenges, we make sure we address those. We have risk management procedures in place as well. We have a detailed assurance framework for our growth deal, which we follow to make sure that all decisions are made effectively and in a robust way. Although the LEP itself is a company limited by guarantee and the board meetings are in private, we have established what we call a supervisory board, which is a joint committee of the nine local authority leaders. That meets in public and the reports are in public as well. They receive regular updates on our growth deal, and they are asked to endorse decisions around significant funding agreements as well to ensure there is accountability and transparency in place.

Q6 Karin Smyth: What does "endorse" mean? Is that for decision, for sending back, or is it endorsing what has already been agreed?

Katie Trout: In terms of our assurance framework, it sets out different levels for how decisions are made in terms of local growth fund projects, depending on their value. The higher the value of the project, the more scrutiny is undertaken of the business case before a funding decision is made.

For some of those—the lower value ones—a decision in principle was made by either our programme delivery director or a growth team, which is a subset of our LEP board. Those are then taken to the supervisory board for endorsement, but they are able to call in anything, so if they do not think the decision has been made effectively or they would disagree with it and want an opportunity to discuss, they can do that. Then, for the more significant funding decisions, those go to the supervisory board.

Q7 Mr Jackson: Is there an implicit assumption that what is good for Birmingham is good for all nine authorities? Sir Albert will certainly agree. It is a very big and important region, but it is very different, so what is good for Sutton Coldfield and Solihull might not be good for the black country. What are the processes of methodologies used to identify the priorities of smaller authorities such as Sandwell, Walsall and Dudley? How is that fed in? We all want Birmingham to succeed, but it is a big region of nine local authorities. No doubt, people in Coventry might take quite a robust approach to how important it is to focus on Birmingham. So what is your view on that?

Councillor Sir Albert Bore: Let me try to make a start on that, because I have been asked this question many a time. I would like to give you an analogy. When we were young—

Stephen Phillips: Some of us still are. *[Laughter.]*

Councillor Sir Albert Bore:—most of us had the habit of throwing a stone into a pond. You remember what happens when you throw a stone into a pond: you get ripples. I think this is a good reflection of the economy. A place like Birmingham is like throwing a big boulder into the pond: the ripples go out far further. The economic consequences of what Birmingham does are felt well beyond Birmingham, but, equally, the likes of Coventry sends out its own economic ripples and I think that is how the economy in a region moves forward, in effect.

The impact of Birmingham is felt well beyond Birmingham as well as in Birmingham, and I think that is not a bad thing. How do we ensure that the investment goes where it needs to go? There is modelling going in at the moment; certainly one or two places in the country are ahead of us, but we are looking at a modelling process by which investment decisions are taken on the basis of economic impact. You do not take a pot of money and divide it up according to the population of the local authorities in the region; rather, you look to see where the greatest economic impact will come from the use of that money. We have not got there yet, but in other parts of the country, certainly in Greater Manchester, their transport allocation is on the basis of that model.

Q8 Mr Jackson: Good. I was particularly thinking of two Parliaments ago when I visited the pathfinder scheme in the black country. Obviously the housing market in West Bromwich, Tipton and so on had more or less collapsed in the late-2000s. For something like housing, how are your processes working to ensure that the right housing is built in the right parts of the region?

Mark Rogers: It works in layers. I think the most important thing to say, actually, is that across the LEP area—now across a multi-LEP area, because that is where we have moved to with the latest phase of devolution—you start with a single economic plan. Where you build the consensus around priorities is absolutely through that process. The way to mitigate any perceived or real concern that any one city will dominate and draw all the money in illogically is through having a well crafted, evidence-based plan. You start there, and that relates to everything, whether it is housing, skills, infrastructure or whatever. It all starts at that point.

A model for prioritising investment follows, which is what Sir Albert described. As for the reason why this is layered, if we talk specifically about housing, right now the frameworks we have require local plans to be developed, and the duty to co-operate at least in theory ensures that those local plans complement each other and potentially even supplement each other where that is required.

Housing is one of these things that builds both from the bottom up and from the top down, so you have to start from where you have got to in each local authority area on housing need, and then what you are going to build during the plan period. At the same time, we have been doing work from the top down that asks, “Can we take a much more strategic view?” Initially, it was across the GB&S LEP area. It then included the black country and will, we hope, through this next phase of devolution, include the three-LEP area. We will take a much more strategic view of where all the housing need is going to be in the short, medium and long term from the top down, and then make those two things meet in the middle.

We are clear that there are either already-approved plans or plans in process that will set out housing need and housing development for the next five to seven years in all of our individual local authority areas. What we then need—sorry to use local government-speak—is the macro view: what is the longer-term outlook beyond plan period? What might be achieved by those local authorities putting some realism into the duty to co-operate and genuinely having a shared agreement about what can be achieved between them, not just individually?

Q9 Mr Jackson: My final, slightly mischievous, question is one that Sir Albert will understand: how is it different from West Midlands County Council? No Government have ever sought to bring back West Midlands County Council, which you may have served on, Sir Albert, unless it was before your time. How is it different, effectively?

Mark Rogers: I am going to hand that question to Sir Albert. Frankly, like Stephen Phillips, I cannot remember the West Midlands County Council because I am young enough not to have been there.

Councillor Sir Albert Bore: What is evolving is, I think, rather unlike the West Midlands County Council. As we move forward into this next phase of devolution with the combined authorities, very specifically what we are seeking to do is bring together economic strategy and transport strategy interests across the wider three-LEP area.

The county council has strategic planning powers, but I think their relationship with individual met district authorities was quite poor. I do not think you got—at least across the West Midlands County Council—coherence between what was being taken forward through the county council’s strategic planning remit and the plans and developments that individual met district authorities wanted to bring forward. The relationship therefore was rather different then from what I hope it will be between individual met districts within the West Midlands combined authority.

Q10 Nigel Mills: Ms Trout, can I take you back to your discussion with Deirdre Brock? Obviously, the city deal was done when the LEP was in its very early days. How did you come up with your objectives and priority areas? Was it a finger in the air—"This will do. It's just a document. We'll get it anyway,"—or was there any real work on that at the time?

Katie Trout: It was not just a finger in the air. We drew on the evidence base we had from individual local authority areas about what the needs and challenges were across the patch, and also what the opportunities were—that is why, when you look at the needs and challenges that were holding us back in terms of economic growth, it was things like skills and housing supply.

Q11 Nigel Mills: But every city deal said skills and housing. I think your other two were life sciences and green energy.

Katie Trout: Life sciences is an example of an opportunity. We recognised that it was a real potential growth sector for us within Greater Birmingham and Solihull, and particularly the clinical trials aspect. I know that Sir Albert can say an awful lot about this as well. We felt it was an asset that we could bring nationally. Not only do we have assets in the University of Birmingham and the QE hospital, for example, but we also have a very large and diverse population, which makes us an ideal place to undertake clinical trials.

Q12 Nigel Mills: I am just intrigued about how you picked life sciences rather than automotive or advanced manufacturing. If I asked you how many jobs had been created in life sciences, automotive and advanced manufacturing, I suspect the two that were not your key priorities have probably created more, haven't they?

Councillor Sir Albert Bore: Let me try to pick that one up, because I probably have prior knowledge to that of Katie. A number of years before the city deal we—Birmingham, in this case—had taken a view about where the growth sectors were likely to be. I mean by that growth sectors as far as economy and wealth were concerned, not just jobs. We have a marketing organisation called Marketing Birmingham, which is looking at inward investment opportunities, and we looked with IBM Consulting at what those future employment and wealth-creator sectors might be. Life sciences came out of that, not because of job creation but wealth creation. I have to say we were right in that. What has happened is that we now have a very fast growing life sciences and medical technology sector. It will grow most in the vicinity of the University of Birmingham and University Hospitals Birmingham, which is where much of that expertise is in respect of that life sciences agenda.

Some work done by BIS a few years ago indicated that the West Midlands had the highest concentration of medical technology companies anywhere in the country. The problem is we do not know about them because they are small and medium-sized enterprises and not the big household names that we know best. That life sciences agenda grew out of work that Birmingham did. In terms of results from the city deal, I think we can now show that we were right to put the investment where we decided to.

Q13 Nigel Mills: The reason I am asking is when we look at whether city deals worked, what we want to do is say, "Here are our four key objectives. How did we perform against those four, whatever they were?" I assume you have an overriding objective: how many jobs have been created, what has happened to unemployment and the overall value added. I wonder how you measure your success. Do you base it on the four things that you promised in this deal or on an overall basis? Those objectives might sound modern and trendy and tick some boxes with the Government because it mentions green stuff and that will go down well, but actually we are going to put most of our resources and effort into all the stuff that we have always done because that is the bigger bang.

Chair: How much of that life sciences stuff would have happened anyway? I think that is what Nigel Mills is trying to say. How much was down to the extra intervention?

Councillor Sir Albert Bore: I am not sure. Some of it would have happened: there would have been a natural progression along that track because of the expertise within University of Birmingham and University Hospitals Birmingham. But the city deal and subsequent deals enabled us to put in capital investment, which would not otherwise have been available. Therefore, if anything, we have accelerated that economic shift.

Q14 Mr Bacon: But in prioritising where you go and don't go, do you use some form of what DFID calls additionality when it decides where to put its money overseas? Do you have some criteria that includes an additionality approach?

Katie Trout: Let me take a step back first and then answer your question. Although when we started the LEP did not have a particular strategy for growth, we produced one within the year following its formation. We are very clear about what our key growth sectors are on a variety of levels. We also recognise that things like city deals and growth deals are just one tool to enable us to deliver our strategy for growth.

Although through the city deal we prioritise life sciences, through other work that we undertake and the growth deal we are actually investing in other sectors as well. In terms of deciding where we invest, through the growth deal process and the development of our strategic economic plan we developed a detailed methodology about how we would assess projects. They were all about the GVA increase of those particular investments and the impact it would have on key criteria such as jobs and homes built, for example. In the case of transport, it was looking at the benefits-costs ratio of where we would put that investment. It was through that approach that we decided where it was important to prioritise our funding.

Q15 Mr Bacon: You mentioned homes built. Do you take account of the new statutory requirement for local authorities to have regard to their register of self-build and custom housebuilding, which they are now legally obliged to hold so that people can get a piece of land and build or commission a house for themselves?

Katie Trout: I will ask—

Chair: You may want to write to Richard on that.

Katie Trout: The LEP's approach is more about enabling land to be unlocked so that it can be brought forward for housing and employment use. That is where the LEP has focused its attention in bringing together funding models to enable that to happen.

Q16 David Mowat: Basically, the Government took £2.3 billion of expenditure in this wave, and they said, "For this expenditure we are going to try and make the decisions more local." The eight cities were asked to put together bids for that and what makes sense in terms of that. Had this not happened, that expenditure would have been taking place in Whitehall, and now it is taking place in the eight cities, or the administration of it. Did the jobs move from Whitehall? You would expect there to have been a loss of central civil servants and a gain in the eight cities. Is that what you have experienced?

Councillor Sir Albert Bore: I think you probably suspect that my answer is the answer you have in your head: the jobs did not move.

Q17 David Mowat: Okay. Isn't that a little odd?

Councillor Sir Albert Bore: Central Government will have to answer for itself. The city deal and the subsequent growth deal, and we hope the devolution deal, which will be about matters being devolved down to a more local structure, are about the local body being much more tuned in to what is needed and acting in the way that Katie has described, and making the investment much more likely to bring about the success, whether it be measured in jobs or in any other way, than an investment made directly from Whitehall. That is what we would argue.

Q18 David Mowat: Yes, which I think people agree with, but if the process has moved—

Councillor Sir Albert Bore: Let me leave that bit of it to Mark.

Mark Rogers: I fully understand your question, but the jobs have not moved and I do not think that that is what is required. What is needed and what the city deal has kicked off and subsequent negotiations have built on is the fact that there is much better collaboration between civil servants and local government officers in the process of designing and delivering deals, and making that absolutely concrete. To begin with, it felt like there were two separate groups of people entering into a negotiation. What has been happening over the years since the first city deal is there is much more of a team effort in terms of formulating this thing together to make sure that it will actually be deliverable. That does not require the literal migration of civil servants up the M1 and the M6 into Birmingham or other parts of the Midlands. What it requires is a different way of working.

If civil servants are ultimately required as devolution occurs, as opposed to probably what we saw through city deals, which was just some augmentation of investment and some better alignment of prioritisation—if we actually see devolution, fine. There is a question then about whether you need fewer people at the centre.

Q19 David Mowat: So you distinguish between devolution and the city deals. You said this is not devolution; this is just a reprioritisation to give you guys more say.

Mark Rogers: In a wholly constructive way, I think we were practising for devolution.

Q20 David Mowat: That's fine. That is very clear. Thank you.

I have a follow-up to the line that Mr Mills was taking. When these eight deals came about, I guess you were all asked in parallel to think about the things that you should do and prioritise, and you all thought about that and the LEPs led that discussion. For whatever reason, the actual quantum of the Birmingham deal was relatively small. Did DCLG provide you with input as to what other people were thinking and what other ideas were coming out of other places that, had you thought of it, you might have thought, "I would have done that", or vice versa. Was there an effort within the central programme team to propagate best practice and good ideas?

Mark Rogers: I think there was some effort. I have two observations about that. First, these were new, so everybody was—I was about to say making it up as they went along, but that is probably too pejorative. But we were inventing the way of doing these deals in the first wave. So there was not a great deal to learn from before we started, clearly. In terms of disseminating across, I think there was an element of competitiveness that probably limited the dissemination across the different deals, but none of us was without the means of finding out what was going on in other areas anyway.

Maybe the final thing I should say though, because it goes back to some of the other questions that have been asked, is that this is about trying to be as bespoke for your local area and, none the less, working from a kind of standardised offer, frankly. In many ways, stealing other people's ideas was probably helpful just to know what scale of ambition they had, but the reality was that you needed to make it work for your own area. Subsequently, of course there is much more cross-fertilisation now. On reflection, perhaps that is something that there could have been more of at the time but there was not a deliberate attempt to stop learning from each other.

Q21 David Mowat: Just based on figure 4 of the NAO Report, it looks like Birmingham either bid for, or got, less than its fair share might have been. Is there a reason for that?

Katie Trout: One of the key reasons for that is that we did not put a proposal in there around transport and a number of other core city areas got a 10-year transport allocation. Because of the geography of the LEP—it just includes two mets, Birmingham and Solihull—it did not fit the geography of our ITA. That is why we did not put a proposal forward to cover transport.

Chair: Kevin Foster wanted to come in—very quickly, I hope.

Q22 Kevin Foster: I was involved in the transfer of some jobs up the M1 from London to Coventry; you may remember my previous role. In city deals, wave 1 and wave 2, there was a separate deal: one for Birmingham and one for Coventry. You said you were practicing. What lessons can you take specifically from those into the new devolution deal? How do you see bringing the two into one? You just touched on the transport arrangements. How can it drive more value for the taxpayers' pound in terms of Parliament getting more impact in the region for the money that it allocates?

Katie Trout: I will kick off. For me, a really key learning point through the city deal process was being absolutely clear what we wanted to deliver locally, and being very specific about the evidence base and what we wanted. If we are honest, we probably were not always articulating clearly exactly what we wanted through the city deal process. We also learnt that if we receive a "no" from a civil servant, it does not mean that we cannot go back again and ask for it and come back with a stronger rationale for what we need. That has put us in good stead in future deals because now we are very sure of what we want, why we want it and why it is important for the area, and we keep pushing on that point as well.

Mark Rogers: Actually, I think one of the things that became apparent early on in the city deals was that the rules of the game were probably being written as we went along, and sometimes they got rewritten. While we do not want total lockdown, it is much more helpful now to have clearer parameters—that is the first thing I would say—because you know what you are negotiating within.

The second thing Kate has referred to, but you have to emphasise, is that we are much clearer from our end now what evidence base is required to have a sensible conversation about offer and asks. I have made the other point but I will emphasise it too: the co-design of this is really important. If we have a relationship that is adult to parent, as in marking your homework, that does not advance a really good deal, but if you co-design the deal up to the point at which somebody has to decide whether you are having it, that is a much more productive way of getting this work done.

Q23 Chair: It is interesting you raised that because when Karin Smyth and I were doing a visit to Bristol on behalf of the Committee, we heard very clearly from the partnership there that a direct link in Whitehall—a civil servant who was the point person for the deal—was pretty critical for them. It helped them understand and cut through the Whitehall bureaucracy. You're nodding. Does that mean that worked for you or is there anything that you would like to say to Melanie Dawes, who is sitting behind you and will be a witness in a moment? What has it been like working with Government Departments—there are eight involved across the city deals—and what could be done better?

Mark Rogers: Somebody who can hold the ring at the Government end, so to speak, is really useful.

Q24 Chair: One person, you mean?

Mark Rogers: Preferably, and empowered to act across Departments—crucial. The second thing, which I have referred to, goes back to the question about, “Should civil servants be migrating up the motorway?” No, but short-term, focused secondments into our local growth team in a really flexible way is immensely helpful, again, with the co-design work.

Q25 Chair: Last one for Sir Albert—one of the big issues that we have picked up on, talking to people about this in our work and preparation, is about accountability and decision-making. I have heard a lot of good things about Katie Trout and the LEP from the local MPs, but the LEP is not elected. You are elected. You stand or fall by what happens but your council taxpayers—your electors—are now hooked into what is happening in Solihull as well. As these are rolled out across the country, there will be more than one authority involved in this. Do you think the process is accountable enough to your constituents? And for taxpayers wanting to follow their money or their decisions, is there something that can be done to make it more accountable and more transparent?

Councillor Sir Albert Bore: I think you would find it exceedingly difficult if you tried to get accountability down to the level of residents. I think this operates the other way around. What you have to have is local community development plans, which lead you into local area plans, which lead you into city council plans, if you like, which lead you from there into a LEP plan. What we are looking at at the present moment, in taking the combined authority proposals forward, is taking the three LEP economic plans and creating a super-LEP economic plan for the three LEP areas. So you are building from the grassroots rather than getting accountability to the grassroots.

It is accountability to the directly elected members, which is important here and was part of your question, so in terms of the greater Birmingham and Solihull LEP, there are two things: one is that we set up the supervisory board to help give that accountability a different flavour from that which it would have had without the supervisory board, and the second is that we have a cross-LEP overview and scrutiny committee, which is there to do as the words on the tin say—to overview what is going on, but also, where necessary, to bring in and question some of the decisions of the LEP board. That overview and scrutiny committee has met but there has not been, up to this moment, a need for it to intervene in the decisions of the LEP board.

Q26 Chair: How well resourced is that overview and scrutiny committee? We are well resourced here as a Committee but I know that it is not quite the same in local government.

Councillor Sir Albert Bore: Local government is becoming less well resourced, but I won’t make the political point.

Mark Rogers: I thought you just had.

Katie Trout: It is supported by the Solihull overview and scrutiny committee office.

Q27 Chair: How many people is that roughly, just to get a flavour?

Katie Trout: I don’t know how many are in the Solihull team, unfortunately.

Mark Rogers: Although I no longer work in Solihull, the team there is a small but highly efficient and effective one of fewer than half a dozen people these days.

Chair: I think perhaps Karin Smyth will come back to us in the next session.

Q28 Mr Bacon: It was going to be one question but I now have a second one. Can you give a definitive ruling on whether it is pronounced “Solly-hull” or “Soley-hull”? I was born there, and I feel that I ought to know, but I left at the age of three so I have never understood.

Mark Rogers: Okay, I am going to be really careful here, not least because I bumped into Caroline Spelman on the way in. It is a geographic determinant of the pronunciation.

Chair: Very good answer.

Q29 Mr Bacon: Mr Rogers, you said earlier that it is very important to have someone at the centre of Government holding the ring. Was that always present? Was it sometimes present? Was it sometimes not present at all? Can you characterise that?

Mark Rogers: It was not really present at the outset. It became clear to all of us that that was what was needed in due course. I think it started to crystallise in a really helpful way only after the first round of deals. I think one of the key bits of learning is that within Whitehall someone needs to be given the responsibility and the authority to be able to navigate the departmental conversations.

Chair: Thank you very much for joining us this afternoon and for giving us that insight. We are now going to move on to our second panel session.

Witnesses: **Melanie Dawes**, Permanent Secretary, Department for Communities and Local Government, and **Tom Walker**, Director, Cities and Local Government Unit, Department for Communities and Local Government, gave evidence.

Chair: Welcome back to Melanie Dawes, who is the Permanent Secretary for the Department for Communities and Local Government, and welcome for the first time to Tom Walker, who is the Director of the Cities and Local Government Unit at DCLG. We are again looking at the National Audit Office's Report into wave 1 city deals. I am going to hand straight over to Karin.

Q30 Karin Smyth: I am going to start off with some of the lessons and risks that are identified in the Report. As you know, the Government's objectives were to give the cities the powers and tools they needed to drive economic growth, to unlock projects and initiatives to boost the economies, and to strengthen the governance arrangements of each city. How is that going?

Melanie Dawes: As the Chair said earlier, this is a work in progress. As judged against what the Government was trying to do, I think the wave 1 city deals achieved a great deal. They catalysed a very new way of working. You heard from Birmingham how they have developed their approach to this over the past few years, and in central Government we have changed the way we work. We have got much better at thinking about local, rather than national, ways of delivering things. We have also seen new governance come forward in a number of cities, with combined authorities being proposed in a number of areas. I think you can definitely see the change in governance and ways of working, and the catalysts that city deals provided at the beginning.

In terms of the impact, on the wave 1 city deals, quite a large number—in fact, more than half—of the initial projects have been completed and the rest are all in progress. Each of those projects can point to outcomes they have achieved. As the NAO Report points out, because we did not put in place a very integrated framework for evaluation as part of the city deals, it is a bit more difficult for us to say what the total jobs impact is. We do have a number for that, but there are some limitations to it.

We can say at a project level that there has been success, that the cities are able to report to us and that we have been able to check and verify that in the conversations we have had with them. The real test of this, in a way, is where it takes us. That is why I judge this a success—because it has catalysed so much further change. But we have to be really on all the issues of accountability, risk, value for money and so on as we look forward to more devolution in this Parliament. It is a changing and evolving landscape.

Q31 Karin Smyth: But in terms of where we started and the parameters of this Report and this work, we did not really have a baseline for the measurement of success, so it is hard to say that it is successful.

Melanie Dawes: If we are talking about the outcome and the impact in terms of economic growth, I agree with you. The NAO Report says that we never had a baseline of growth in each city against which we were measuring impact. That is partly because there are so many other policies, some run nationally and some run locally, that it would always have been quite hard to establish that baseline. I accept that that means we cannot then be very precise about the overall impact in each area.

What we have done is put in place a much better framework for the local growth deals. There is a single pot there. We have a single monitoring and evaluation framework. Also, with things like the Manchester gain share arrangement, for Manchester and the other cities there will be a pretty innovative and pioneering economic evaluation of that in a few years' time. We are building our evidence base as we go along, but it is not a finished product by any means.

Q32 Karin Smyth: Deirdre will come back to that measurement later. Mr Walker, what have you done to make sure Government Departments all engage with all the local areas involved in the deal?

Tom Walker: When the original city deals were done, it was a Cabinet Office-led team—a small team of about 20 people. Eighteen months or so ago, we established my unit, which is a joint unit across the Cabinet Office, DCLG and BIS. Since we established that, the Cabinet Office team has come into DCLG, so it is now a joint DCLG-BIS team. Around that, we have all the normal governance arrangements you would expect in Whitehall to push Departments to progress the agenda. All those, with the projects involved, sit on a programme board that Bob Kerslake chaired, and I have one that sits beneath that. We hold Departments to account on the things they have committed to. The Departments directly funding the growth deals—BIS, DCLG and Transport—contribute staff to my team, and we work incredibly closely with the Treasury on driving this across Whitehall, so we now have quite good arrangements in place right across Whitehall.

Q33 Karin Smyth: I was interested in paragraph 1.22 of the Report, which identifies four types of funding associated with these deals. It is not new money, but there are four different types of funding streams: retention, business rates, earn-back and transport plans. How can you assess the positive effects of all those on economic growth in these areas?

Melanie Dawes: We can identify, certainly in most cases, where it was appropriate for the Department that owned that funding, because each of these was signed off by individual Departments for the wave 1 city deals under the framework we were operating. For each of these, we are able to assess impact, and a value-for-money assessment took place within that Department before the deals were signed off.

It is difficult to put them all together and say that the impact of the deals was X. We did not put in place that kind of framework. The reason for that was that we thought it would be too difficult to assess what would otherwise have happened. Sometimes you just have to make a judgment call that it is not going to be easy to ask that kind of economic question on what was in the end a part of what was going on for economic growth in these cities, but not by any means the whole.

Q34 Karin Smyth: Would that have happened anyway? Have you just displaced the activity by these deals?

Melanie Dawes: The framework we use, the Green Book approach, does require Departments to look at displacement. It is always a really important question to look at. Most economic assessments of this type do point to a positive net impact, even if there is displacement, and there usually is some. Generally speaking, with the kind of interventions we are looking at you would expect to see a net positive effect. That is part of the value-for-money assessment that will have been made by Departments.

Q35 Karin Smyth: When we talked to Bristol and Birmingham, their overarching sense was very complimentary in terms of having a single point of access and so on, as we talked about, and some good successes in Government working together. Their feeling was that this might have been a catalyst and accelerated something that was already happening. Given that there is an association with it of £2.3 billion, even though it is not new money, do you feel that is good value for the taxpayer?

Melanie Dawes: I do. For example, if you take the transport spending, that money was already on the Department for Transport's budget and was allocated for local schemes. The judgment call is that that is going to be much better spent by local areas taking their bit of it with more flexibility over the time period over which they can juggle their priorities, as long as the assessments are made in accordance with the right value-for-money framework, which is the assurance we put in.

Then value for money is secured and, in a sense, it is a policy decision that the cities will get better value by making those decisions than central Government can. We have got the assurance at the individual project level that was required for accounting officers to sign off the spend for the city deals. In a sense, it is a policy decision that cities are going to be better at it than we are.

Q36 Karin Smyth: We might come back to that one. The schemes that are enabling those identified cities to retain things like the business rate do reduce central Government's ability to redistribute funds across other parts of the country. I am from a city, so I may have a view on that, but I recognise that colleagues from other areas that are not benefiting from that may have a different view. What is the impact on this and devolution in terms of national funding frameworks?

Melanie Dawes: If you take the example of tax increment financing, the Treasury set aside a budget for that. It was an innovative way of doing things and they wanted to try it out, though they did have a budget constraint around it, because there was obviously a concern that in the end, with a very tight fiscal climate, though you want to innovate, you have to be sure that we understand the impact that that could have on other things you might have spent the money on. It was quite tightly constrained.

In the case of Manchester's earn-back, which became gain-share, Manchester got that deal because it was a judgment call that their governance is very strong. That is partly because those cities that have benefited from those arrangements have had to reach quite a high bar that they have the capability to deliver on that. At the moment, this is relatively small. These are large sums but that is partly because they are spread over 30 years. These are still relatively small numbers and it is being done within quite a tight framework. Because this is about allocations for something new, the Treasury have taken a view on that, alongside other Government priorities.

Q37 Karin Smyth: So the taxpayers of rural economies can feel assured that they are not losing out.

Melanie Dawes: In the end, because we extended growth deals to all 39 local enterprise partnerships, there has been an opportunity for everyone to come forward with their ideas. That is the offer that we made before the summer as well. We have had some quite interesting proposals for the spending review from some rural areas as well.

Q38 Karin Smyth: Can we move to accountability and assurance areas around the Report now? As you know, the NAO previously found that local authority funding is going to fall by 37% in real terms between 2011 and 2015-16. Are you now satisfied that these city deals are and will be financially sustainable?

Melanie Dawes: It is a very important point. As accounting officer for the local government financial settlement, it is a really important part of my responsibility to make sure that we have got a really good assessment of the pressures and the service needs, and the scope for efficiencies as well, and that we do that working with Departments to get the information that they have, but also that we look in DCLG across the settlement as a whole and think about distribution across different types of local authority. We take that very seriously. We are right in the middle of a spending review now. This will be one of the big spending review decisions for Ministers, but it is my job to make sure that that analysis is there so that those decisions can be taken with as full an understanding as we can have.

Q39 Karin Smyth: Have you been able to assess their capability and their capacity to manage these deals? The Report talks about modelling and forecasting, but it does not particularly talk about scrutiny, which we just picked up on as well, which is really quite costly in terms of local authorities. How do you know that the local is good from your vantage point?

Melanie Dawes: Well, Tom might want to say a bit more about this as well, but there are formal processes for the growth deal sign-off. Every local enterprise partnership, and this is a partnership with the local authority, has been required to send us an assurance framework, and we have scrutinised those. We are thinking about what kind of audit arrangements will be needed for that in future. So that is the formal bit of the process. A lot of the new capability that is needed to be built has been around things like value for money, assessment frameworks and so on, and that is all included in the frameworks. They are required to show that they have got that in place.

We and BIS have provided funding for local enterprise partnerships each year: £20 million a year.

Q40 Karin Smyth: I am particularly interested in the local authority in terms of the costs on local authorities around this, and their capability, given the level of financial cut elsewhere.

Melanie Dawes: We judge their capability as we work with them. We have seen some of the things that—

Q41 Mr Bacon: Do they judge your capability?

Melanie Dawes: They probably do, yes. As I say, that is partly formal: have they got the right systems in place? Is the quality of what we are seeing in terms of the analysis that we discuss with them good? That is what Tom and his colleagues do day by day in working with the cities in preparation for deals. So it is partly formal and partly a judgment call on individuals and how they are working together.

On the funding, we have not provided additional money to local authorities for this. We have to take a view of the whole settlement. That is what I was trying to say earlier. This is one of the areas where we need to recognise that local authorities have things that they need to do in order to deliver the policies that we ask for. That is a judgment we will make in the round.

Q42 Karin Smyth: It is going to be important, isn't it, because, as Lord Bob—Bob Kerslake—has said, greater responsibility around devolution does require greater scrutiny.

Melanie Dawes: Yes.

Q43 Karin Smyth: And as more money comes forward for devolution, at what point would you be able to judge whether you would need to intervene locally because they were not capable of delivering what they had been asked to do?

Melanie Dawes: We have accountability system statements for local government, which we put before Parliament every year. We will be refreshing that every year. I have asked for that to be refreshed specifically after the spending review because there is a lot of change going on and we need to keep it up to date. There are a number of pillars that I can go through in turn if you would like me to. Shall I go through all of the four areas?

Q44 Karin Smyth: We probably haven't got time to go into the detail.

Melanie Dawes: Basically, what I am saying is that we have a framework in place. Risk monitoring is quite an important part of that and making sure we have the power to intervene if we want to.

Q45 Karin Smyth: We might well come back to that. The main focus of the schemes are around growth, although that is based a lot on capital spend. Devolution is now looking at public services generally and that is, of course, gaining greater momentum. What work have you done now to understand the risks posed by devolving more responsibility for those public services? I am particularly interested in the NHS, which is being discussed now in the Lords—there is a legal ambiguity now around the "national" in the National Health Service—and how and where agreement happens to transfer some of that to local bodies. What is your thinking on that?

Melanie Dawes: That is a very good question. So far, the Manchester deal is pretty much pathbreaking; Cornwall will also have some greater ability to co-commission with the NHS. On health, Manchester, the Department of Health and NHS England are still working this through and working out where the balance of risk should lie. This is not a transfer of the national responsibilities to Manchester; it is a co-commissioning and a shared responsibility between clinical commissioning groups and Manchester together—

Q46 Karin Smyth: It is for them but, in the Bill going through at the moment, that is not the same thing, is it? The discussion in the Lords about where that will be resolved is interesting. Will it be for you to resolve locally what constitutes going into those deals, or will it be for the Department of Health to resolve what constitutes the NHS?

Melanie Dawes: It is clear at the moment that the overall accountability and responsibility for the health service is held at a national level. Any decision to devolve, within the framework of the Bill, to a city or a city region—it would have to be with the inclusion of a mayor if it a significant devolution of powers—will be a judgment call for Ministers to make. At that point, it will be extremely important to work out exactly what the accountabilities are. A lot of the time, cities are asking not for a full devolution of all responsibility, but for much greater ability to influence and control what goes on within a national framework. What they are asking for varies a little bit. It is possible that this will move over time and become more dramatic devolution. The Bill allows for that, over time. To some extent this is an evolving landscape.

Q47 Karin Smyth: It is, I agree. Interestingly, Bristol City Council had a meeting yesterday in which it—way down the agenda—had a report from the LEP that was, for recommendation, the LEP's submission for the devolution. It is a 62-page document and I happen to have a copy here. It was sent from the LEP on 4 September. I will read from the consultation, "The nature of the collaborative effort to produce the submission to Government has meant that there has had to be a strong element of circumspection and confidentiality, up to the point when there was explicit agreement by the four partners on the content". Internally, the discussion is amongst relevant officers and with the mayor, and externally with the relevant officers, the LEP, senior officers, and relevant Government policy advisers. That was submitted on 4 September and circulated to councillors on 7 September.

The next steps include a "proactive programme of engagement with stakeholders, including key ministers, senior civil servants, the LEP and local MPs", to which I am particularly looking forward, I can tell you. There seems to be no consultation or involvement of taxpayers. There is a long list of 62 pages. It went to public meeting last night—the first time that members of the public would have been able to see that. I am interested to know what is your view of whether that is a good basis of accountability and assurance to the good taxpayers of Bristol?

Melanie Dawes: That is a very good question. One of the aspects of the Bill is much greater scrutiny of combined authorities. Ensuring that local scrutiny and accountability is working locally is a really important part of this. I am not sure I have a view as to what the local leaders should be doing in relation to their local—

Q48 Chair: Surely you have something. On the face of it, it seems extraordinary that the first public iteration of that document was once it had already been agreed. Is that what you would expect from other city deals, as someone working for a democratic Government and hopefully championing the taxpayer?

Melanie Dawes: The details of exactly what they are asking for—this is partly because in local areas, they are forming their own consensus among the local politicians and with the local business community, and I guess there has to be a certain sensitivity about those conversations. This is the start of a process. Nothing has been nailed yet. I expect they can adapt what they want, and maybe they are planning to do that as they go through the engagement. But I agree, and I think it is a fair challenge.

Q49 Karin Smyth: The reason it can happen is essentially that Bristol is the only city to have an elected city mayor.

Chair: Of the five authorities.

Melanie Dawes: Sorry—the reason what can happen?

Karin Smyth: The reason it does not have to go for wider consultation and can be agreed by some officers and an individual—in other words, an elected city mayor—is that Bristol has that model of an elected city mayor. Of course, the Government's future devolution plans are that there has to be a metro mayor.

Melanie Dawes: We are very keen to see greater local scrutiny and public scrutiny as an accompaniment to devolution. The Bill is going through Parliament at the moment to allow just this kind of debate.

Q50 Chair: What Karin Smyth is driving at is that a major part of the Government's devolution plans is to have more elected mayors. I have an elected mayor in my own area, so I am not necessarily against them, but given that, are you not going to require a certain level of accountability and transparency in how that mayor operates? They will be spending not just local government money from grants and taxpayers locally, but taxpayers' money from the general fund, devolved down. With that extra money and extra responsibility, will you not be demanding more accountability? Karin Smyth has highlighted a really big worry for Bristol and for what might happen in future.

Melanie Dawes: In some ways, this is a question for the Bill. I can set out the proposal in the Bill, which is for more scrutiny and for committees with a structure rather like that of the Public Accounts Committee to operate locally where there is a combined authority, in order to scrutinise those decisions. That is what is on the table at the moment. You raise a good question. I do not know in detail what all of the deals being proposed are planning by way of public consultation. I just don't have that information, but it is a fair challenge.

Q51 Karin Smyth: It is beyond the consultation, isn't it? It is about decision making and the ability to make something different happen locally. If the purpose is to empower local people, they need real empowerment and an ability to control the democratic process. We had the same discussion with Birmingham yesterday. We agreed in that discussion that people did not want to tie up private sector involvement in red tape, and I am in favour of greater devolution, but there has to be a lot of consideration of how local people, paying their taxes both nationally and locally to the council, can alter the terms of the deal.

Tom Walker: Bristol and other cities—38 places—have submitted proposals, and they are just that at this stage. We have published a list of the 38 cities that have submitted proposals, so anyone can look at that list. It is a public document, so anyone across the country can look to see whether their city or county has submitted proposals. Those proposals are the start of discussions between the place and Government.

One of the questions in the test we set is: does it have the backing of, for example, the local enterprise partnership and the wider population? If a set of proposals has not yet had that wide consultation, we will certainly test that in our negotiations with a place. Were we to then agree a deal that needs implementing, the Bill will require a combined authority to be formed and an order to be passed in Parliament, and there is consultation before that. I think it would be wrong to see the proposals submitted on 4 September as a done deal. Clearly, we want to test the degree of support that they carry.

Karin Smyth: I have not said it hasn't got support. I am questioning the democratic process whereby council tax payers, either nationally or locally, can alter it. From your point of view, nationally, there is an issue about whether you intervene and pull something back or you empower the local community. If the local community is empowered, which I would support, they need to be empowered to make a yes or no decision or to influence it through the democratic process as well as the LEP.

Q52 Deidre Brock: I just want to return to something that Karin was mentioning. Can I say there are aspects of this Report I think are very encouraging? There are definitely moves in the right direction but, as is the nature of NAO Reports, there are obviously areas the Department and the unit can improve on. Notably those are, for me, in the area of monitoring and evaluation.

Just returning to the issue—it has been mentioned before—that this is not new money, the resources are provided from existing funds, so this is just really a different way of allocating those funds, not the provision of additional funding. I think that is particularly important in the context of shrinking local authority budgets, because it really does raise the issue of whether those reduced resources will in fact negate the beneficial impact of these city deals.

For example, Manchester's deal—that earn-back deal—is very dependent on proving the impact of that investment. That is the largest of all the deals, at nearly 40% of the total, so I am still not entirely clear what will happen. I mean, the cities need, as the reports state, people on board who can forecast and who can do economic modelling—a variety of things. Some of them are dealing with very big infrastructure projects. What happens if, in your estimation, they are having trouble, they are struggling, they are not coping, they have not got sufficient people on board to be able to monitor, to evaluate those projects—to manage them sufficiently?

Melanie Dawes: This is one of the tests that we ask of places as they come forward with proposals, so that certainly was the case for the local growth fund in particular, which has got quite a good monitoring and evaluation and assurance framework, which was agreed up front before the deals were signed. Assurance was sought from local areas that they had that capacity in place.

Although, yes, you are right that these are in some cases quite big infrastructure projects—large councils, particularly operating across a combined authority area, where you think about the resources that they are able to pool across a number of local authorities. Local authorities already do this kind of work. Some of them manage quite big housing portfolios or other work, so it is not a complete fresh blank sheet of paper by any means, particularly for the larger cities. So yes, they have had to increase capacity in some areas. What they say to us is that they found it easier to do that operating across a larger area. The fact that they have been able to pool resources and recruit one or two analysts—

Q53 Deidre Brock: Do you think that is sufficient? There has not been any extra money given in order to make that possible for them.

Melanie Dawes: No, there has not. We have given the money instead via the local enterprise partnership. That is the other thing, of course—the business expertise that has been levered in through the local business partnership being that much stronger is another thing that they have been able to add to the mix.

The overall funding envelope is something we are looking at as part of the spending review but, particularly thinking about the current devolution deals and those areas that are coming forward asking for more, the capacity that has been built is very impressive. In the end, if we felt that an area was not able to fulfil the responsibilities it had signed up to, then we fall back on the local government system as I was describing earlier. We have monitoring arrangements in place, particularly around financial management and the ability to meet budgets and so on, and we have interventions that we can make, but we tend not to go there.

Q54 Deidre Brock: But intervening in a struggling project, for example, is not possible.

Melanie Dawes: Well, in a way this comes back to the nature of devolution and who should intervene. If it is at the individual project level, I think this is where all the points about local accountability are very valid and come into play. That is why the Bill includes much stronger scrutiny of combined authorities—to do it at that level. I think over time that is what we have got to build and be much more explicit about, and think about where central Government intervenes and where actually it should be about local accountability.

Q55 Deidre Brock: Just in terms of monitoring, Mr Rogers, one of our Birmingham visitors suggested that possibly secondments from the civil service here up to different authorities might be of use for some of these deals. Is that something you are actively considering?

Tom Walker: In Birmingham, actually, which is the only place where we have put someone in, we did put an officer in to work with Mark and his team on the strategic economic plan. The more day-to-day operating model we use is that my team has six regional teams, with a senior civil servant in each part of the country, and we work day to day, hand in hand. In Birmingham we did put someone in on secondment. We have not done that elsewhere, but we do have people on the ground working with the authorities locally.

Q56 Nick Smith: Colleagues from Birmingham who were witnesses earlier said that it was valuable to have that person from Whitehall in Birmingham, as it helped them signpost and work well with Departments at the centre. Did you say you only have that in Birmingham so far?

Tom Walker: In Birmingham, we have in the past put someone into their team. What we have right across the country is six senior civil servants, one in each region, who work with each of the LEPs. So in every part of the country there is a senior civil servant.

Q57 Nick Smith: Why did it take you so long to get that link? I got the impression from Birmingham colleagues that they thought it was a bit slow.

Tom Walker: In 2011, there were no pre-existing arrangements. The Government offices for the regions had been abolished, and we had not reformed those relationships. The teams that report to me are small teams—as I say, there are six across the country—and as we informed the joint BIS/DCLG unit 18 months ago, we have tightened up that arrangement. I think it is partly a product of the learning from the wave 1 city deals to bring that together. We realise the value of having those people locally based—exactly as Mark has said, because the cities value it. So we do have national coverage right across England.

Q58 Deidre Brock: Returning to measuring success, one of the main criticisms in the Report is that neither central Government nor local government appears to have any consistent method of measuring the impact of the deals across the piece. You mentioned, Ms Dawes, that it is "too difficult to assess the impact"—that was your quote. The cities policy unit has had a stab at guessing what might be delivered through the deals, but it does not seem to have any real way of measuring that as against what might have been the case if there had not been a deal. Similarly, councils seem to be guessing that they are better off, but they cannot strictly measure it. How do we assess whether the city deals are a success when that success has not been fully defined? What guidance have you given to each city deal region to make sure they are measuring progress consistently?

Melanie Dawes: You might want to pick up on the point on the guidance, Tom.

We have not sought to do an evaluation of the overall programme as a whole, because we judged that it would just be too difficult. It was not that it was very difficult so we couldn't be bothered, it was that we did not think we would get a sensible answer to the question, because we would have had to work out what the counterfactual was and what would have happened otherwise.

We have been discussing this a bit already, and Birmingham brought it out—how do you know what would otherwise have happened? It is genuinely quite a difficult question. So we took the decision not to put in an evaluation of the overall programme just for these deals, but for every intervention each of the cities has had to agree with us what outcomes that intervention was going to achieve. That was needed in order for the value for money cases to be signed off as part of the deal's agreement.

So we do know, for example, that some of the skills projects are able to evidence the fact that they have created new apprenticeships, and Birmingham's transitional medicine institute has leveraged private investment. There are concrete outcomes like that on individual programmes in individual places that we can point to, and we can track which have happened and which have not.

Q59 Deidre Brock: But there are not any consistent measures across the piece to show whether those beneficial effects are net benefits or the result of dragging effects or displacement. I noticed when you mentioned the 25,000 jobs that you said something about limitations on the reporting of those jobs. What is a job—is it full-time or part-time? What is the length of employment, and so on? That all needs to be taken into account. There are 10,000 apprenticeships claimed up to December of last year. How can they be guaranteed to be actual benefits of the city deals? If net benefit cannot be shown—if you do not have baselines on which to proceed—how can we be confident that that benefit is occurring?

Melanie Dawes: Perhaps I will let Tom say something about the net benefit point and some of the more detailed questions, but the issue with the jobs figure, as the NAO quite rightly says, is that because there was some inconsistency in definitions by the cities and slightly different ways of measuring it by Departments, we have to be a little bit cautious about that overall figure of 25,000, which is now slightly larger over the subsequent months. We cite that figure, but—I want to be completely honest—the NAO is completely right that it has some limitations. I don't think that means it is completely without value. It is what it is. It is what you get when you add up all the numbers that the different cities and programmes have assessed. We are fairly confident that those numbers are as the cities are reporting; it is just that, given some of the inconsistencies, there are limitations to what you can draw from it. We are seeking to be very clear about what we can and can't measure.

Chair: It might be helpful to bring in Aileen Murphie from the NAO to explain the reservations about the jobs figure.

Aileen Murphie: The point we were making about the definition of a job is that we were looking for a common and consistent measure across all the cities. I know the Department has done some work on that, but that is the key thing. Then it doesn't matter whether it is part of a growth deal or a wave 1 city; we can see clearly what the net benefit actually is. That is what we were driving at.

Q60 Chair: Deidre is going to carry on with this, but one of the big issues we saw around the Commonwealth games and the Olympics is that jobs were claimed—in fact, we discussed this when we saw you last time—but then were not counted properly or audited after the event. It sounds like the figure may not be measuring like with like—a part-time job here and a full-time job there. What post-audit arrangements are you checking are happening at a local level—this may be a question for Tom Walker—to make sure they are real jobs for our constituents? The Prime Minister has made great promises about the number of jobs, but we want to see that they are happening locally and that they are really going to be delivered.

Tom Walker: To repeat, we accept the findings in the Report. We did a lot of work before the Report was published to put in place arrangements. For growth deals, which are the £2 billion a year allocation, we asked every LEP to agree to adopt a monitoring and evaluation framework. We have done exactly what the Report recommends, which is to define some standard metrics across skills and transport schemes, including definitions of jobs. My teams—the regional officers I have already talked about—then worked with each LEP to say which of those metrics apply to each intervention.

The first tranche of money was paid in April this year and the first monitoring return on a quarterly basis has started. We do not expect to see job outputs yet. It will initially be about spend and performance. That together, in a more consistent way across each of the local enterprise partnerships, will give us the ability to measure. The Report talks about lead indicators, and we will also see where performance is on track against ambitions and where it is not. We have tried to address the Report. I think the NAO is going to test us on that in the coming months, and we welcome that challenge.

Chair: As I said at the beginning, one of our aims as a Committee is to do pre-scrutiny to make sure the next wave of anything is better. As Deidre Brock rightly highlighted, there are real issues here. If they are not right next time, we will never be able to follow the taxpayer's pound; it will just be a finger in the wind. Deidre, back to you.

Q61 Deidre Brock: I was wondering whether it is possible to do a retrofit analysis of the city deals programme by comparing areas with the deals to similar areas without them? Are there sufficient comparators, or is that a waste of time?

Melanie Dawes: We are not planning to do that right now. We have got a full evaluation going on of some of the elements of the city deals—in particular the "earn back" proposal for Manchester, which became "gain share". That is something that is going to take a number of years. It is very ambitious. It is going to look at the impact on gross value added in Manchester of the investment fund that that revenue stream is facilitating. It is important to emphasise that this is a work in progress. I am deliberately not trying to overplay what we know about the city deals, but I wouldn't want to leave you with the impression that we don't know the impact of specific projects. The gap is in being able to put it all together, and that is what we have addressed for the growth fund. It is very much in our minds as we go forward to devolution deals in the way Tom described.

Q62 Deidre Brock: How have you adjusted those evaluation mechanisms to assist the wider initiatives?

Melanie Dawes: We put in place a completely new framework for the growth deals, which was, as Tom described, very consistent. That means we now have a basis with LEPs to discuss growth interventions in future, because we have the definitions and they have in place the evaluation frameworks and so on. We will use that for further growth conversations with them, and we will use the gain share—the more sophisticated analysis—alongside it.

Q63 Deidre Brock: Okay, because obviously very clear indicators are really important, particularly going forward, with the roll-out of further devolution.

Paragraphs 3.5 and 3.6 of the Report discuss the operation of the cities policy unit, which is criticised by the NAO, particularly in respect of how the unit has championed the aims of cities without first checking with other Departments. Some Departments are described as being unable to explain the original intentions of particular programmes, or how they have progressed. Does that indicate poor record keeping on the part of some of those Departments? Or was there poor decision making in the first place? Were the decisions reached without proper initial analysis of the information? Were they taken without collating enough information to make a proper analysis? Or were those decisions taken in order to get the policy rolling, rather than carefully considering what was best in each case? I know that the NAO suggests that it is possibly the result of personnel changing in the Department, but one would assume that departmental memory would not necessarily have to rely on people staying in place. What are the procedures on that?

Melanie Dawes: This does suggest that people moved on and the institutional memory—the record keeping; that handover—was not what it should have been. I don't think it's ideal, but we are confident that it does not reflect the fact that Departments were careless when the decisions were made to approve the schemes. That was quite a rigorous process and, indeed, it took quite a long time, as the Report points out, so that bit of it was well done. My predecessor, Bob Kerslake, actually chaired a programme board to ensure that Departments could engage on all that.

Q64 Deidre Brock: That is really good and I'm glad that happened, but I wonder, if some Departments are unable to explain the original intentions of particular programmes or how they progressed, how do you monitor properly? How do you evaluate the success of those programmes? I am taking us back to the question of how we measure success.

Melanie Dawes: To be honest, we need to find out exactly where that is taking place and where the problem occurred with the NAO, because it doesn't tally with a lot of what we know about the engagement that the local growth unit has with cities. We do very regular monitoring. I get a quarterly report, which also goes to Ministers, telling us what is going on. Perhaps I shouldn't try to assume, but I would like to look into it.

Aileen Murphie: We took 23 of the programmes—23 of the bits of the individual city deals—and after talking to the city units people we went back to the original Departments and said, "Okay, you agreed this programme as part of the city deal. What d'you think of it now? Did it deliver what you wanted it to deliver?" In some Departments it was very hard to find someone who was still there who knew about it. It goes to the heart of what happens in Whitehall a lot nowadays: corporate knowledge gets lost as people move on.

Q65 Chair: We accept that you recognise that it is not great, but what are you going to do about it to make sure it does not happen again?

Melanie Dawes: I would like to find out from the NAO where those weaknesses are—

Q66 Chair: But in your own Department—I do not know whether you are confident that your Department has that institutional memory, but if not, what are you going to do?

Melanie Dawes: That is something that I need to raise with my colleagues. We still run the programme board on all these issues across Whitehall and it is something that we will specifically raise, because it is not really acceptable for us not to be able to refer back like this. It is a concern.

Chair: We agree.

Amyas Morse: I just wanted to draw attention to a positive comment we make in the Report. We have noticed quite active learning from the first run of city deals. Moving forward, quite a lot of lessons have been taken on board, and it is fair to testify to that. That is important and encouraging, because when you start going from a fairly restricted exercise to a pathway down which you might put very heavy volumes, the standard of information, feedback and whatever monitoring you want to have has to be exponentially higher. I make that remark only having cast back my mind to the change in volume in, let's say, the academies programme, between the original and where we finally went. We are going to go to a very big volume of devolution, and you will need much higher standards of information and much higher preservation in original purpose and you might find that you want to make that work. I hope that you are sensitive to that but we think that you have been learning well and showing a lot of adaption in this programme.

Q67 Deidre Brock: To continue in that positive vein, although the unit appears at times to have acted without the buy-in of other Government Departments that were necessary for delivery, which created some delays in implementation for which the unit can be criticised, I wonder whether that work is worth capturing. The unit supported the cities' ambitions and worked with other Government Departments to agree funding and reporting arrangements, and although that may have caused delays in implementation, some of those cities have reported that they felt it resulted in better outcomes for their projects, which were external to the Government, because they had an ally on the inside. That approach has the potential to deliver greater benefits to organisations external to the Government, in this case local authorities.

Does the unit provide a model for interaction with Government by providing a single channel to the heart of Government through people who can move more easily through the Government machine, such as you, Mr Walker, by dint of being on the inside? Is there a good reason to examine the possibility of having advocates inside government for other external agencies?

Melanie Dawes: I think that is a really good question. It is quite a new model. We are thinking about the changes that we need to make in my Department over the next few years and about whether we need to expand this approach. For example, I am also responsible for housing and we are considering whether we should think more explicitly about creating teams to engage. There is always a trade-off between wanting to make sure that the experts engage as well, rather than such engagement only being the responsibility of engagement managers. The approach has been very successful. When it comes to managing relationships with local places, other Whitehall Departments find that although they need to have their own conversations, they increasingly find that the cities and local growth unit is where they go to understand the wider landscape for government. It is an open question for us.

Q68 Deidre Brock: What do you think, Mr Walker?

Tom Walker: The only caution is that you do not want it to be so large that you lose the connection between place and central Whitehall. You do not want very big geographical teams that do not connect right into Whitehall. Of course, we are proud of our work and we recognise the lessons that the Report has identified. It is a model that seems to work and seems to have the trust of cities.

Q69 Deidre Brock: What are you doing to share best practice across the cities? It seemed to be a fairly ad hoc arrangement judging from the response from the Birmingham delegation. How will you beef that up in the future, because it is obviously very important?

Melanie Dawes: As our colleagues from Birmingham said earlier, at the beginning there were some rather tight conversations and no one quite knew what they should share with other cities. That has changed. We have put in place a what works centre, which is how the Government manages cross-cutting research and evaluation these days. It is explicitly focused on knowing which kinds of interventions are making a difference. It is still quite early days for that centre, but it has already done some work to help cities to understand what works and what will make a difference.

To come back to the gain share analysis, that is another platform that other cities will be able to use, and it will add to everybody's knowledge base. We have that initiative in mind. The LEP network is increasingly active and effective in sharing best practice among LEPs on what policy interventions work and about how to run a good LEP and how to manage and assure their work.

Q70 David Mowat: May I start by asking you the same question that I asked Councillor Bore? It may prompt other questions, but what I do not fully understand is how is that we have devolved £2.3 billion of spend from Whitehall to these other guys, but none of the machinery that you normally expect to monitor that spend has devolved with it.

Melanie Dawes: You're asking why are we still here?

Q71 David Mowat: It prompts a question about what has really been devolved, as did a couple of your answers. Is this really devolution, or just giving people a say in what you do anyway?

Melanie Dawes: In some cases it is a mixed picture, if I am honest. In some cases, for example in running transport funds, that is now being done at city level, and work that might have been done by the Department for Transport is no longer taking place. There are some areas where I think we can see that there has been a shift of work. Of course, there has been a cut in civil service numbers in Whitehall during the last Parliament. I am not claiming that that was driven by devolution, or marked for devolution, but it is part of the background to what has been going on in the past few years.

Let me give you an example involving the housing investment fund for Manchester. That is part of the new devolution deal there. My Department has allocated funding to allow Manchester to make recoverable loans and investments to drive house building throughout the city. We know from how we have built up our own capability in DCLG to do that kind of thing in the past few years that it takes quite sophisticated risk frameworks and an understanding of how to operate, and is a very different way of working. We have put in a lot of effort into helping Manchester recruit and build up the right capability. The Department lent quite a lot of time to help build that up. We continue to have a dialogue about it, because you don't just suddenly fly immediately in this kind of area.

Q72 David Mowat: Is what has happened, though, that accountability has clearly and definitively moved from the centre to the regions? Or is it the case that all has happened is that the regions have been able to have more say in what projects are done, because they have local priorities, while accountability and the infrastructure needed have remained in the centre?

Melanie Dawes: In the housing fund example, the accountability has moved. Overall, I am still accountable for the money, but the risk—

David Mowat: And for transport projects—

Chair: Just one comment at a time, please.

Melanie Dawes: The risk has moved, and they have built new capability in Manchester to manage that risk, although I am accountable overall for the funding.

Q73 David Mowat: In that instance, then, accountability, for want of a better word, is not with you and your group, but with the Greater Manchester authority, and that is the reason why the Government want mayors and all the rest of it.

Melanie Dawes: Yes, the risk has certainly moved.

Q74 David Mowat: And is that generally the way it is done?

Melanie Dawes: I think it is a mixed picture. In some areas it is more about co-commissioning.

Q75 David Mowat: So it is a mixture?

Melanie Dawes: It is a mixture.

Q76 David Mowat: So sometimes the accountability remains with you?

Melanie Dawes: Yes, in some cases.

Q77 David Mowat: And sometimes it is moved to a councillor—

Melanie Dawes: But it is a more devolved accountability; it is a system accountability, where we are no longer responsible for individual decision making, but are responsible for overseeing and assuring that a system is in place.

Q78 David Mowat: It is probably fine as long as everybody understands that that is the case, if you see what I mean. Is that the case? Is it the case that we can look down a list of all these projects, and somebody could say, "Yes, I am responsible and accountable for that; if it goes wrong I am sacked; and if that one goes wrong somebody else is sacked," and that would be understood? The danger is that you both think you are accountable, or worse, that neither of you are.

Melanie Dawes: This is a very important point. I believe that, on all the individual areas where Departments are devolving responsibilities, there is that awareness. This is a really important part of the process, whether it involves a memorandum of understanding or a change in accountabilities that accounting officers are recording. That work is done on an individual basis. As accounting officer in DCLG, I am generally picking up a system responsibility or a system accountability where those are the ways that we are assuring in future. Am I confident that absolutely everybody is able to describe this landscape? In a sense, it is my job to be able to understand all the moving parts, but partly because it is a moving picture, and a bit of a blend, it is really important that we continue to set this out for you very regularly and that we discuss it with the NAO, to make sure that, as far as possible, we are all aware of how it fits together.

Chair: It is not just us; it is the taxpayers—

Melanie Dawes: Yes, I agree.

Q79 David Mowat: The danger arises if it is blurred. This is a complicated process that you guys have done, and most people support the thrust of devolution, I think, but the danger is that, if it is so complicated, it has somehow blurred responsibility and reporting lines between central and local government, and things are missed. Is that a risk?

Melanie Dawes: I don't think it is blurred for anyone who is accountable. That is very important.

Q80 Chair: So they know they are accountable.

Melanie Dawes: They know they are accountable. That is my belief. But it is a slightly complicated picture when you put it all together, and it is a moving and evolving picture.

Q81 David Mowat: But if we took that £2.3 billion—the wave 1 number—it would be possible to do a matrix saying that of that, 40% is under clear local authority accountability, and therefore it is Councillor Bore or his group, and 60% is under central responsibility of different Departments. That would be clear.

Melanie Dawes: Yes, and actually my predecessor, Bob Kerslake, wrote round to all Departments in November 2012 setting out the accountabilities between him and the other accounting officers in Whitehall, for all the different elements of the city deal. Basically, we were still working within a departmental framework when he set that out.

Chair: It would be quite helpful to have a copy of that.

Melanie Dawes: Yes.

Q82 David Mowat: The part that remains under central responsibility is not really devolution, it's just that you've given the local people more say in prioritisation according to local needs. That may well be very sensible—I am not trying to lead you on that—but that is the implication of it, I think.

Melanie Dawes: I think for the wave 1 city deals, that was a lot of what was happening. I think the local growth fund has moved us further, because we are much more open about how the spending takes place and what is prioritised within the growth fund allocations that local places have received, provided that they can assure us, which they each individually have, that they have a framework in place to make sure they are operating in accordance with "Managing public money" and so on.

So we are moving, and some of the devolution deals do give further powers again and are much more going to be, as you say, genuinely transferring accountability to local authorities, not operating within departmental frameworks.

David Mowat: You see, that has implications for the line of questions on monitoring, because it determines who should be monitoring it and where the democratic accountability should be—centrally or locally.

Melanie Dawes: Exactly.

Q83 David Mowat: Just one final question. Something that surprises me about the city deals, and always has—I have never wholly understood it—is that I understand that the idea is that they are bottom-up, so the cities request things and all the rest of it, but it still surprises me a bit that they are all so different. You would think that they could learn more off each other and say, "Well, this works in Manchester, it will probably work in Leeds as well." Or is that just my failing to understand how it all works? If I am right that there could have been more sharing, it implies that the centre could have done more to make that happen.

Tom Walker: I think you will see that levelling out through the devolution deal process that is in place, because everyone will look to the Manchester deal, for example, as the benchmark, and then the question will be whether there is a different appetite locally to take on that full set of functions, and whether the capacity is there. It is the strength of the governance arrangements and the clarity of the accountability that is often the underpinning thing. Wave 1 city deals were really getting the process going, and I think you will see a levelling up of places asking for more uniformity across the country.

Q84 Nigel Mills: You said in that answer, Mr Walker, that this was a way of getting it going. To what extent were these deals about a lot of to-ing and fro-ing in the negotiation—"Wait a minute, Nottingham, you can't have that as a priority because Sheffield and Birmingham are already doing that, and if you try to do the same thing you'll all fight each other for a very limited pot"? And how much of it was, "We'd like to give you some money and some new powers; send us a bid, and we'll agree it and we'll see how it goes"? Were these really deals, or was it just delegation?

Tom Walker: I think they were deals, for precisely that reason. The witnesses from Birmingham set that out a little bit in the response to questions about why their deal was the shape and size that it was. It was really a response to the things that they had proposed. There was not a fixed pot of money that was then distributed in that way; it really was a response to what places were asking for and the strength of the offer that they were making. I think we saw that in wave 1. In the growth deals, there was an allocation of a single pot of money, so there was a competitive process and a consistent set of assessment criteria. Now, in devolution deals, cities are putting forward their proposals. As I said, I do think we will see more uniformity in what they are asking for, because to some extent the rules of the game are a little clearer.

Q85 Nigel Mills: Maybe I am becoming cynical in my old age, but having done the calls with the people from Birmingham yesterday, I did not pick up that there was a great link between what was in the original four priorities and what they were trying to do on the ground. It was kind of, "I'm here to get an enterprise zone off the ground, and I don't really care who the tenants are. It doesn't matter to me. It's new business—that's what I want." It wasn't like "Oh, yeah, I was meant to have these two priority sectors and I've got a strategy to get those two sectors on here, and, yes, we will take other people in." It kind of felt like, "I need to send a glossy bid in, so we'll put a few things in that sound trendy."

Chair: I think they were asked, because of the time scale, "What's shovel ready?"

Q86 Nigel Mills: I did not sense that actually what they did was shovel ready. It was kind of like, "What do we think is trendy and sounds good? Actually, what we will do is what we have always done, but the bid we will make will look a bit trendy and modern and then we will just carry on as we always were."

Tom Walker: Yes, Birmingham was a good example; so the local enterprise partnership is led by Andy Street, the managing director of John Lewis. I think there—and it is not just Andy, but his whole board—is an example of actually business community putting real rigour on some of that. I do not know, but it sounds to me that Birmingham did not put the best description of what they are doing; but the strategic economic plan across that geographical area—that wide geographical area—does force them to confront some of those trade-offs. Then what we receive—one of the advantages of being a team, not just in DCLG but in BIS—is that we can talk to the sector teams, those teams that lead on individual economic sectors, and say, "Is this just a piece of sort of glossy, trendy, the sector of the moment, or are these really credible proposals backed by an economic understanding?" So we do that sort of check internally, and that is, to some extent, what has informed the allocation of resources through growth deals.

Chair: Thank you. We should be clear, actually; of course we were talking to people about a growth fund bid in and around Longbridge, not so much the city deal; but the shovel ready bit was a point we wanted to deal with.

Q87Nigel Mills: I just worry, like Mr Mowat, I guess, that you kind of sense that most of these bids would say "We will put some money in to bring some land forward for housing, that needs some subsidy to get it cleaned up; we will put some more money into skills in colleges that already exist; and we will help some people buy some new machinery to keep some factories open, or to open some new ones," and if you were not careful everyone's bid would quite sensibly be exactly the same. Yet they end up being quite different, with lots of exciting little different things. I just wonder if that is because you are telling them, or giving the impression, we want something new and radical and exciting to get this money, or whether actually these were realistic strategies of what you would most prudently do with the money if you were given it.

Tom Walker: I think it is widely recognised that the drivers of economic growth are exactly those things—investment in skills, transport, unlocking sites; so it is not a surprise to us to see that commonality. Did we, in the original city deals, encourage some experimentation? Yes, we did—things like earn back and gain share are an example of that, and the Report identifies that some of those experiments were slower to get off the ground. So I think it is a bit of both; but it does not surprise me to see projects that are about skills, transport and unlocking sites. The question is then, locally, do you have enough discretion in the money that is available to tailor that to the individual need? That is where the freedom that we have given, particularly through the growth fund, in pooling different budgets, has been advantageous.

Q88 Chair: I just want to perhaps follow up on that. One of the issues that is a concern is about the capacity within the Department to really assess them. I know that Neil McInroy of the Centre for Local Economic Strategies has questioned both the balance of power between the local negotiation teams and the centre, but also the issue about how much capacity you have got. With the first wave it was a few in a very short time. There were obviously political imperatives there. For the second wave of 20, it took almost two years, with a lot of local complaints—and what about when you are dealing with larger numbers? So you have got this issue about devolving some jobs down. You have got a capacity in the centre. Have you got enough capacity to do a really thorough job without causing those delays that were complained about?

Melanie Dawes: I think we do at the moment. We keep it under review. I have recently increased the capacity at a senior level—

Q89 Chair: How have you done that? What sort of people have you put in when you say increased capacity?

Melanie Dawes: I have created an extra director general post. I have reallocated responsibilities within my director generals.

Q90 Chair: So these are general—someone within your Department, reallocated to that.

Melanie Dawes: Yes, so that is a full-time leadership role there, partly because of the need to manage the relationships at a very senior level to support Tom. Then the numbers of people at a local level that we have working on this—at a local and a central level: that is something, as I was describing earlier, really, we are considering as we think about the future of the Department, and where we need to balance our resources over the spending review period. It is also a conversation that we have with other Departments. They need to keep their resources in place in order for us to do some of the detailed work. We wouldn't always, for example, have the expertise in DCLG to do transport appraisals, and we wouldn't expect to. It is a collaborative effort.

Q91 Chair: Looking at all of this and the co-ordination, it strikes me that it is similar to some of what you were talking about the last time you came to us. You are overseeing the eight different Departments that have an input into this. That is a big challenge. Do you have the necessary levers? What if the Department for Transport suddenly says, "As part of our spending review, we're going to cut this"? What power do you have to ensure that there is no diminution of the expertise that is needed in Whitehall to ensure that local areas are getting support?

Melanie Dawes: I think there are a number of levels. In the end, the Government have set out their priorities, so each Department, by Christmas, will have a single departmental plan that sets out what it is supposed to achieve. I would expect support for these deals to be a part of that for all the relevant Departments. That is the high-level prioritisation of where their efforts need to go. We then have a programme board—

Q92 Chair: How many people are on the programme board?

Melanie Dawes: As we move into the implementation of these deals and the final sign-off, we need to look at that over the next month or so, but it will have representatives from all the Departments on it.

Q93 Chair: So roughly how many people will be in the room in that programme board meeting?

Melanie Dawes: It's eight Departments, so there's probably about 20 around the table. Once you get beyond that, it starts to be ineffective as a meeting. The programme board will be supplemented by more working-level oversight. There are also bilateral conversations, which are really important. We do have quite a collegiate atmosphere across the permanent secretary group. I would expect to pop over the road to talk to Philip Rutnam if I thought he didn't have the right staff.

Q94 Chair: That is good to hear, because my experience of Whitehall is that you were usually briefed as a Minister to go in to defend the Department line, whatever happens, and just not commit to more money on security. If you are making progress there, that's great. I am sure that we will return to that, because your Department often does this work, which is a big concern, especially with the spending review. For all that you say about priorities being in the plan, it is easy for them to be side-lined in reality and that is not something that the programme board may have control over, but it is a very disparate group of people.

I just want to bring Karin and Deidre back in if they have any more points.

Q95 Karin Smyth: Mr Walker, you said that you wanted it to be clear that there is an appetite. I think there is very much an appetite for making this work, so I wouldn't want you to go away from this thinking that there was no appetite, certainly from Bristol's point of view or from the areas that we have talked to. That has come across very clearly.

Following up on David Mowat's point, there are a couple of issues about whether one size does fit all and whether—I appreciate that you cannot move into areas of policy about the Government having dictated a particular model—you need to learn lessons from how that does and doesn't work. I am happy to have further input into that. For us as a Committee, it is about being able to follow the money. While an individual's accountability for some spend might be straightforward—I am not sure that it is, but it might be—the taxpayers' ability to follow the money overall is looking difficult. If we don't know how to measure the success of these early forerunners, it will be very difficult to measure the success of something bigger. That is the challenge, isn't it?

***Melanie Dawes** indicated assent.*

Q96 Deidre Brock: Further to that, by working on cementing a common language between the different areas of Government and the different projects and developing a really clear understanding from both local and central Government about indicators, so that communications, accountability and assessment are very clear, taxpayers will be able to appreciate properly how successful each project has been.

On future devolution of responsibilities—if that doesn't also mean extra money to increase capacity to cope with those extra projects—how will that work? I would be interested to hear from the Department and the unit in future about how that will play out. We will read about it in the Bill, but it is an important consideration in all of this.

Chair: Do you want to make a quick comment?

Melanie Dawes: I think all those points are valid. We are asking local areas to do more in this area of economic growth. They want to do more. No one has to come forward with a proposal, but everyone wants to for obvious and good reasons. Keeping that question of resources and capability in mind is important and is something that we need to look at in the context of the whole spending review. I do think they have done well so far, despite the wider challenges of declining budgets in local government. So far, the evidence suggests to me that, actually, the response has been very good. Do we need to support more of them by way of secondments? That is something we may want to look at, although it is not always clear that they need Whitehall civil servants. But sometimes that would be helpful, and we are happy to help if it is.

All these wider questions of accountability are very much on my mind, to be honest. This is going to continue to be an evolving landscape, and we have to address the need to let that landscape evolve and to support it, while also being able to assure you that we can follow the pound. I am confident that we can do that on individual projects through the city deals—I don't have any concerns about that. I am confident that, where we are devolving to local areas, we have a local government system accountability statement in place, which is the framework we use there.

But we need to make sure we are clear which currency we are operating for different areas of work, and we need to make sure that those who need to understand it are clear about it so that there is no blurring of responsibility, particularly for those who hold the accountability.

Chair: Thank you very much for coming. As colleagues have highlighted, we are very concerned about accountability. As David Mowat put it, we on this Committee want to know who is going to get sacked—to put it perhaps rather negatively—if money is wasted somewhere down the line. We are a little unclear—putting it mildly—about how that will work in this arena.

It would be very helpful if you could find a figure for how many jobs have been devolved from Whitehall. I hear what you say about not all of them needing to be, but how many people have actually gone into those local teams, Mr Walker? That is also quite instructive in terms of how much power is really going out from Whitehall down nearer to local areas. Perhaps we can have a discussion about what might be possible there.

One of the other interesting areas as we go forward is health, particularly in Manchester. Health is a very difficult area, and the Committee wants to focus on accountability and transparency in health. As those issues get devolved, the landscape will get even more complicated, and your local citizen and taxpayer will find it increasingly hard to know where to go if there is a problem in health.

As I said at the beginning, this is work in progress. There are some good starts, but I don't think there is enough yet to say it is all a huge success. I think it is fair to say the Committee is giving this a fair wind, but we will return to the issue repeatedly, because it is a big agenda for the Government, and we need to make sure we are following the taxpayer's pound. Thank you very much indeed for coming along.