

Business, Energy and Industrial Strategy Committee

Oral evidence: Regional investment and growth, HC 2126

Wednesday 3 July 2019

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Members present: Rachel Reeves (Chair); Vernon Coaker; Drew Hendry; Stephen Kerr; Mr Ian Liddell-Grainger; Sir Patrick McLoughlin; Albert Owen; Mark Pawsey.

Questions 1-74

Witnesses

I: Henri Murison, Director, Northern Powerhouse Partnership, Jo Lappin, Chief Executive, Cumbria Local Enterprise Partnership, and James Farrar, Chief Operating Officer, York, North Yorkshire and East Riding Enterprise Partnership.

Examination of witnesses

Witnesses: Henri Murison, Jo Lappin and James Farrar.

Chair: Thank you very much for coming to give evidence to our Select Committee this morning on supporting regional investment and growth. This is the first oral evidence session that we are taking on this subject, and we very much welcome the three of you today to talk about regional growth, particularly in the north of England in your respective areas. We will start the questions this morning with Sir Patrick.

Q1 **Sir Patrick McLoughlin:** Henri, I think this comes to you first, and anybody else can contribute if they so wish. It is now five years since the northern powerhouse was launched. What would you say has been its impact and value-added, and what has it done for the region?

Henri Murison: The main benefit of having that collaboration between civic leaders and now, more and more, local enterprise partnerships, with Government and business has been that it has given more focus to the challenges that exist in the north.

I think Sir Richard Leese, who is the leader of Manchester, often talks about the fact that the time horizon we are talking about is decades, rather than months; it is going to take a long time to close that north-south divide. The northern powerhouse independent economic review showed a £22,500 gap between your average person in the south and those in the north when you look at families, which is a massive disparity, and there is also a disparity between the rest of England and the north of England. I think the northern powerhouse has begun a series of conversations that will lead to addressing that, and some intermediate steps.

The establishment of metro Mayors has been a significant area of progress and has brought real benefits. The establishment of Transport for the North means that we can start to address our shared infrastructure challenges, and there is the first northern powerhouse integrated transport strategy, which is in reality an economic strategy with some transport actions. Linked to that is Northern Powerhouse Rail, which has gone from being a line in a speech in Manchester four years ago to being a project that, as you are well aware, the Department for Transport has progressed strongly. It has now got to the point where it is widely accepted to be a priority for the two leadership candidates for the next Prime Minister.

The northern powerhouse has definitely had an impact. I would not say that it has changed the north of England overnight, but I don't think it was ever going to do that. Because an industrial strategy takes a national lens, and because local industrial strategies have taken longer and have come not first but second, I would say that progress on industrial policy—despite the commitment of those like Greg Clark at BEIS to this issue—has been patchy. The north has some clear opportunities to drive some progress in



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those four prime capabilities—energy, digital, health innovation and the manufacturing sectors. Sometimes, national policy—for instance, in energy—has held us back. That is why there are some very similar priorities for us and the NP11 group of northern LEPs. We are zeroing in on the areas where national policy is a barrier and where there is a lack of the right tools to do the job and a lack of investment in what the local industrial strategies need to deliver.

If there is only a plan and no money behind it, we will not get the progress we need. That is an area where, in the context of Brexit, there is a lot of uncertainty. Over the session, I am sure we will probe those areas. There is a lot more detail that needs to be put on this agenda for it genuinely to address the scale of ambition that George Osborne set as Chancellor. The lack of momentum that happened when the current Prime Minister first took office has been somewhat addressed, but we still need to go further. That is why those like our regional newspapers are still campaigning vociferously for more progress.

Jo Lappin: To add to that, I want to echo the point on realism on pace. The north has been pre-eminent probably four times in history, including the war of the roses and the industrial revolution. We are not going to turn down decades of disparity in a few years. For me, the northern powerhouse is a really important mechanism to bring together all the key parties to focus on the issues that really matter to the north, and to lobby collectively. Lots of separate deals are not helpful for the north in its entirety, unless we have something that goes across that and represents all areas and all interests. Otherwise, we are in danger of creating a two-tier economy in the north, which is not helpful to the UK.

Q2 Sir Patrick McLoughlin: Would you say that the northern powerhouse strategy is inclusive of all the north? We are talking about very different areas, including central Manchester and Cumbria. Is there an acceptance that the northern powerhouse is actually looking after the region, as opposed to being something that is just Manchester and Liverpool trying to edge everybody else out?

Jo Lappin: I love all our places in the north; I start with that point. We have to be clear that the northern powerhouse must focus on the issues that matter to everybody, irrespective of their geography and issues. Henri has talked about the four themes in the economic review. In addition, there are some things that are genuinely issues that we can address on a pan-northern basis. For me, that is very much about transport, innovation, trade and investment, and how we work collectively to promote those issues. Beyond that, we have to be really clear—this is exactly the point that you make, Sir Patrick—that places are very different, and they need genuinely place-based strategies and investment, and bespoke solutions.

Q3 Sir Patrick McLoughlin: How accepted is the northern powerhouse as a deliverer, as opposed to a talking shop? How much have you tied in Leeds and Sheffield with the whole concept?



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Henri Murison: We would say, particularly from a business perspective, that there is the very highest level of support. What we uniquely find, as an organisation that is made up predominantly of business leaders but also civic leaders, is that we have almost universal support from the major business people in the north of England. There are very few policy areas where you can say that the business community is absolutely united. That is across all sectors—from Sellafield in Cumbria to Sirius Minerals in Scarborough in James's patch. Those are very different business, but they absolutely see how their individual business is part of this agenda, and how the education and skills challenge and some of the transport issues affect them.

What I would say about places is that there absolutely is a challenge relating to the variable speed of devolution. The nature of the deal-making process means that some areas have worked on that direction faster than others. That creates some inequities, and those do cause tension. Although Northern Powerhouse Rail is delivered on a pan-northern basis through Transport for the North, Jo rightly referred to those areas that will not be delivered on a pan-northern basis. When Jim O'Neill has previously given evidence to other Committees, he has been very clear that the ingredients for the northern powerhouse to succeed also include things such as devolution, which is delivered in places, not only through things you do at a pan-northern level. If you want to rebalance the economy, there is a limited number of things, such as sorting out schools and transport, that you can do across the north. The majority of the impact you are going to have to make will be at the level of those functional economic geographies.

At the moment, the reality is that you do not have the same levers in Leeds city region, which is geographically the largest bit of the north—it is right in the centre of it—as the Mayor in Greater Manchester has, for example. That is why there is an aspiration for a devolution settlement in Yorkshire. We also need to think about what devolution would look like in non-city-based clusters. In reality, we are now at the point where half the north has devolution. We are pushing, and Government policy is still to push for devolution to be extended yet further, but the reality is that the type of model and the type of powers that people might want will be different in different places.

In a Parliament with very limited ability to change legislation, we have concerns that the model of devolution might not necessarily be fit for purpose for the places that have not yet taken advantage of it. That causes some tensions in the system, because people have got something on the table. There are some, such as Cheshire and Warrington, that could just take a Mayor tomorrow and have asked for a Mayor tomorrow. I sometimes despair with Government. Although Jake Berry as the Minister is keen to support us, across the Cabinet table there has been a lack of incentive to move on devolution. There is no devolution framework yet, and that has frustrated an awful lot of people in the north of England who have wanted to embrace the devolution movement and could accept the current model with all the political challenges for local government leaders



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in accepting an elected Mayor, but simply because of the lack of commitment from the Cabinet, they have not been able collectively to make progress. That is a frustration.

- Q4 **Sir Patrick McLoughlin:** Can we develop that a bit further? How much common agreement is there? How much is Government holding back the concept of elected Mayors? In what areas could you have elected Mayors where at the moment you are not able to?

Henri Murison: I would say that Cheshire and Warrington is the best example. It has a high-performing economy. It is geographically located between two city Mayors. At various times, the council leaders have come to Government and asked for a Mayor. They asked one time and they have been back and asked again, but the Government just have not had the bandwidth to properly support them. What we need to see from the next Prime Minister is a real commitment to devolution.

What is frustrating is that there is lots of talk about northern transport issues, but if you do not have an answer to education and skills—skills can only be done at the level of functional economic geography—you will not make progress in rebalancing the economy, because all you will do is take the limited number of people with high skills to the bigger cities and just create bigger skills disparities in those places that are currently economically more marginal. You have to address the fundamental causes, not simply help cities attract more people, which on its own is what TfN's plan would do if you do not invest in skills.

James Farrar: Yorkshire is well rehearsed at a national level as another area where locally you have commitment and agreement to move towards Yorkshire, but as we stand at the present day, Government have not quite shut the door, but they have said they are willing to move towards it down the line. We have Sheffield, which has a Mayor, and we have got Leeds, which does not. It is the largest city and is the only core city without a Mayor from that perspective. You have got York, North Yorkshire and the Humber, which is very coherent and wants to move forward. Yorkshire, whether it is a two-stage process or a one-stage process, needs to make progress, and quickly.

Jo Lappin: Can I add something on devolution? We have to avoid being obsessed by structural devolution and instead focus on investment devolution. We entered a world where, for creating certain structures, the reward was a deal. It is not really entirely necessary. If I look at the Borderlands, the heads of terms were signed earlier this week. There has been no structural change. There has just been agreement that partners will work together productively, develop a strategy and develop clear governance mechanisms to make that work. Not all areas are as easy to move to a structural devolution model, and it is very important that those areas do not get left behind. I am offering this from my previous life in the whole of the north-west.

- Q5 **Sir Patrick McLoughlin:** As you said earlier, Jake Berry is the Minister for the northern powerhouse. I think he does a very effective job. He



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represents a constituency in the north. Who do you regard as the Cabinet Minister responsible for the northern powerhouse?

Henri Murison: There are currently two individuals that take the most interest and have been the most supportive. They are, first, the Transport Secretary, Chris Grayling, for obvious reasons, because there have been some significant challenges in the north. That has brought him to spend more time on it. The other is the Chancellor. The current Chancellor takes this agenda very seriously and is reviewing the business case for Northern Powerhouse Rail and other parts of the Transport for the North plan. He is probably the only member of the Cabinet to go to meet the Mayors—for instance, when they were first elected in the north, Ben Houchen who is the Mayor of Tees Valley and, on the other side of the country, the two Labour Mayors, Steve Rotherham and Andy Burnham, met the Chancellor to have a conversation. I don't think the Prime Minister has ever done that; she has never come to the north to meet them.

Either you have, as *The Yorkshire Post* has argued, a Cabinet Minister with specific responsibility for the northern powerhouse, or you need a Prime Minister who takes a much more active interest in this agenda. In this Government, the challenge was that, clearly, domestic delivery across the board has been slower anyway. Even though we might have had notional support in a number of areas, progress has been very slow and there has not been that cross-Government collaboration that we perhaps needed to see.

In the past few months, there has been a lot more good will, particularly on transport. Chris Grayling is not always very popular in the pages of our local newspapers, but I would say that on issues such as engaging seriously with Northern Powerhouse Rail he has been a good advocate for the north of England. What you then have an issue about is that too many decisions are still made in London, so all the friction that you see between the northern leaders and Government is partly because devolution to Transport for the North has gone nowhere near far enough. If you are going to have a transport body for the north of England, it has to have real responsibility for the infrastructure and the services; at the moment, it has neither.

What you see in the media is lots of quite legitimate criticism of Government not delivering on the detail, when in reality if you trusted the Mayors and the other elected civic leaders in the north to take these decisions for themselves, rather than having to criticise the Government for not acting on an issue, they would have the powers to do it themselves. What you need is a champion in Government to move powers out of Westminster, because in the end, however good and effective a Government you are, you will never do as good a job as those who are closer to the detail of what will drive these economies.

That partnership between Government and grown-up civic leaders working on a cross-party basis with business is exactly what has defined the northern powerhouse, I would argue. We could go a lot further in making that a reality if Government released more of the funding in areas such as



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skills and education, where the Department for Education has been woeful—right?—in letting go. It has taken years longer to do skills devolution, which isn't good enough.

Q6 **Sir Patrick McLoughlin:** Jo, do you want to add anything?

Jo Lappin: I—

James Farrar: I wanted to—

Jo Lappin: Sorry. James?

Chair: No, Patrick asked Jo.

Jo Lappin: In terms of—sorry, I will come back to it. I will let James go.

James Farrar: What business wants is certainty. It wants to see long-term investment plans. What you get from effective devolution is the local transport priorities, which Henri talked about, and a very clear picture of where the funding will come from over a long period of time. While it is controlled from Whitehall, it is all subject to change—you don't get that consistency and certainty. The importance of devolution is that business can have that confidence to make the right investments and know that the public sector will step up to deliver the long-term ambitions.

Jo Lappin: The point I was going to make is that, for me, there is something about who the sponsor person for the north is. You made a really important point. At this point in time, Government is probably more centralised and siloed than it has ever been. Thinking back even to recent history—in the past decade—the Government used to have serious regional presence, and regional Ministers working across Whitehall and Westminster to champion the particular needs of those places. Now it is not like that. All our conversations tend to be very productive and positive, but extremely siloed. If we are talking about place making and place shaping, a collaborative Government approach is genuinely needed. So there is a really good point about who the regional champions in Government are.

Sir Patrick McLoughlin: In my own experience, when I was in the Cabinet, there was no doubt that George Osborne was driving it and driving it incredibly ruthlessly as Chancellor. All arms of Government therefore knew that progress would be made. I was slightly surprised by the answers you gave to me. You never mentioned Greg Clark, although you did mention Damian Hinds, but in a slightly “no progress has been made” way. James Brokenshire was also not highlighted. That was a quite interesting response. Thank you.

Q7 **Chair:** May I ask Henri Murison something? What model do you propose for Yorkshire devolution, or are you agnostic?

Henri Murison: It is a matter, I would argue, for the democratically elected leaders of Yorkshire. I will be going to see them next week, at their invitation, to discuss their current plans. I would make the case, very much as James outlined as one of the partners—the local enterprise



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partnerships are absolutely partners to this—that you need to find a model that will work for everyone.

The democratic aspiration, as shown by a couple of plebiscites in Doncaster and Barnsley, is to achieve One Yorkshire. The only way to achieve that is to complete the deal in the Sheffield city region, to show Government good faith that previous commitments made by those councils will be met, and to consider what sort of transitional arrangements and funding could be applied in West Yorkshire before you would have time to elect a new Mayor of Yorkshire.

I think all those involved need to show good faith. That means that, if there is a model that can attract broad-based support, that is the one to be taken forward. At the moment, there are some differences of opinion; for instance, in Sheffield and Rotherham, they prefer their current Sheffield city region proposal and the model they have already signed up to with Government. Some progress needs to be made on that deal, and funding secured for West Yorkshire. Regardless of whether you have a Mayor, the reality is that, as we have alluded to, there are priorities that need to be delivered in that area.

Before there is a One Yorkshire Mayor, if that is the eventual model, there has to be a funding settlement in the interim. Manchester is not always an example that people in Yorkshire look to, because it is considered to be a very different model, but there were a number of devolution deals before the final mayoral deal. I would draw a parallel to say that Government need to think about what the steps are to mayoral devolution, if that is still what they would like for Yorkshire and they are prepared to work towards that. They need to see how those intermediate steps could start to unlock economic growth.

It is not a question for me, Rachel; I could not tell you the right answer, but I think the current impasse is of the making of Government not being prepared to be flexible enough at times, and those in South Yorkshire maybe not showing enough good faith in collaborating. That has caused some real issues. I sympathise very much with the Mayor of the Sheffield city region, Dan Jarvis, who has been trying to make progress both on his own deal as the current Mayor, and on a future One Yorkshire settlement. He and others have tried in good faith to make progress.

Q8 Chair: The Government are very wedded at the moment to these city region deals. Do you think there is a case for looking at devolution to a region rather than just a city deal, if that is what the local community and leaders want?

Henri Murison: I think it has to be considered. There are strong arguments for some degree of local economic geography still being a component of how deals are structured, but the lack of willingness to make any changes to the legislation has probably caused some of that. You probably would have to make some changes to pursue regional devolution but, at the moment, Government do not have a parliamentary



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majority to get that sort of stuff through. Even if there was a solution to look at alternative models, it is pretty much ruled out.

- Q9 **Chair:** One thing that you mentioned, Henri, was skills. Twenty or 30 years ago, problems in London schools were very much on the political agenda, and London Challenge was used to turn around London schools. Do we need some sort of model like that for schools, and FE and adult education potentially as well, to turn things around and ensure not just that we get the skills for businesses, but that everyone can benefit from a renaissance in the north of England?

Henri Murison: One of the things that the West Yorkshire Combined Authority, led by Susan Hinchcliffe, has rightly argued for is devolution by default of the adult skills budget. That is the budget that took years to devolve in Manchester. I do not see an argument why you have to have a Mayor to be able to devolve that budget. It is spent so ineffectively by central Government that I do not think anybody could do worse, regardless of whether they have a Mayor. Linked to that, if you had a northern-wide schools challenge across the whole north, that would make a real difference.

Chair: Thank you. I will bring in Jo very briefly, then we had better move on to the next question.

Jo Lappin: I was just going to say that the London Challenge was a massive investment in education performance. We have to look at what the component factors were within that, and how to replicate that in different places.

- Q10 **Stephen Kerr:** You were talking about the subject matter of my question. I am a Scottish Member of Parliament, obviously. We have been on a 20-year evolutionary journey with devolution, and I think Drew and I may be able to relate to many of the frustrations that you feel. Asymmetrical devolution can be a strategic strength for this country. The problem is that it appears to be made up as we go along. Would you agree with that? There seems to be a lot of ad hoc-ery in what we do. There does not seem to be a model that allows the gradual release of further powers.

James Farrar: We have been waiting for the devolution framework forever.

Stephen Kerr: There's just no framework.

James Farrar: We continue to wait. If you want some consistency, you have to have a framework with which to work. I could not agree more, from that perspective. Provide a framework, and—

Stephen Kerr: There isn't a framework within Whitehall, either, to cope with devolution.

James Farrar: That's right.

- Q11 **Stephen Kerr:** It is almost as if devolution happened and Whitehall just carried on. Certainly from a Scottish perspective, it often feels that way.



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What would the gold standard for Yorkshire be in terms of devolution?

James Farrar: The critical thing about devolution is what Jo said: it is about right decisions at the right level. Clearly the political aspiration in Yorkshire is One Yorkshire devolution. The fact is that you have alignment across 18 of the 20 authorities in Yorkshire—very strong political alignment with One Yorkshire devolution. You have the strength of brand.

From a local resident perspective, through to the business perspective, right through to the politicians, you have buy-in to that—to Yorkshire and the Yorkshire concept. It also provides you with the scale to compete internationally. The most effective international regions operate at scale. It needs to be at the very least Yorkshire, if not the north of England, when we are looking to compete with regard to the international regions.

Q12 **Stephen Kerr:** Help me to understand something, from a Scottish perspective again. Why is there so little appetite for a legislative devolutionary framework for Yorkshire?

James Farrar: I don't know. That is a really good question. Ultimately, you have to start somewhere. We have the local authorities across the whole of Yorkshire lined up, wanting to go in a direction. We have Government, who are currently reluctant to do that. We need to bridge that gap in whatever way to get to first base, in real terms, so that we can then move forward from that perspective.

Q13 **Stephen Kerr:** Are you saying that without the devolution framework, which we have both identified is missing, it is hard to define what the gold standard would be for Yorkshire?

James Farrar: I think it is, yes; absolutely. If you do not know what you are playing with, you do not what the best is. Obviously, transport is something that is really important. We have talked before about skills, trade and investment. Those are all things that are absolutely critical at a local level, and decisions need to be made locally. You cannot make those decisions out of Whitehall, to make effective decisions and leverage the most private-sector investment. At a very basic level, there are three things there that must be part of the devolution deal.

Q14 **Stephen Kerr:** When I think of Cumbria, I think of the very rural part of England. Devolution in its rawest terms is power in the communities where people live. Should we not have started devolution in rural areas?

Jo Lappin: It is interesting, isn't it? Most of the deals—this is the point we made earlier—are focused on cities. It is really important that we have things that work in all our geographies, particularly around devolution. That is a really important point. For me, if we were looking at the gold standard, it would be very much focusing on investment devolution, as opposed to structural devolution.

Stephen Kerr: Can you explain that a little more?

Jo Lappin: This is very much about investment in growth. The two largest investment vehicles for this agenda have worked in ways that has made

them probably more difficult to bring together funding-wise than at any point in time. Our growth deal was entirely capital, and during Sir Patrick's time we had brilliant investment in the growth deal from the Department for Transport.

Stephen Kerr: Of course!

Jo Lappin: Genuinely. It was very focused on infrastructure and capital investment. European programmes were very much focused on revenue, and looking at different investment streams. Trying to make those work cohesively in place was fairly challenging. For me, it is about how we create an integrated part that is very much about the specific things that should be devolved to a local area, and looking at how collectively public and private partners do that with very targeted interventions on the issues that matter most in the place. Without knowing place, you cannot make the best investment decisions.

Q15 **Stephen Kerr:** All this is underpinned by the spirit of collaboration that you are describing at all levels of Governments.

Jo Lappin: At all levels. The Government's current vehicle for economic investment is the local enterprise partnerships, which exist across England and cover every geography, and work very closely with their public sectors and their devolution partners.

James Farrar: Place is the important part of this. The strength or the opportunity of the industrial strategy is that it talks very heavily about distinctive places. That is what we need: successful, distinctive places. That means that you need to be able to integrate what you are doing with transport and with schools.

Q16 **Stephen Kerr:** Across the region and across the nation.

James Farrar: Even within the growth deal, while we welcome the growth deal—it was a really significant investment—it was still “you have your transport element, you have your skills capital.” It wasn't a single pot, as it were, which allowed us to properly understand our places and make the integrated investments that would make a difference.

Stephen Kerr: And local priorities.

James Farrar: Absolutely.

Q17 **Stephen Kerr:** What about taxes, Henri? Should taxes be part of this devolution?

Henri Murison: We would absolutely argue that should be part of it. Picking up on what Jo said, fiscal devolution is probably much more important than the structures, but it comes after structure.

One of the things that having a mayoral devolution deal should unlock is the ability to levy tax—greater powers—because you need a mandate to vary taxes across the geography you are in. One of the arguments we have made is that we need to revisit vehicle excise duty anyway, because



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it does not really work in the electric car era, so while you are doing that anyway, why not devolve that to places like the north of England? We could then do a much better job of tying infrastructure to investments.

Q18 Stephen Kerr: What about business rates?

Henri Murison: One of the challenges with that is that it is also a tax that is disappearing. What you need to do is not just give local councils or those parts of the country the taxes that are disappearing without a plan to reposition them. I would be really excited about devolving the future replacement for business rates much more extensively than is currently proposed for local government, but you need to have some security that you are not—

Q19 Stephen Kerr: But in principle, yes to taxation.

Jo Lappin: My question would be that you need to have a care, because those that are most able to raise tax—if we are talking about reducing disparities, you are in danger of growing disparities.

Stephen Kerr: Yes, the tax base.

Jo Lappin: Because your tax base in certain places is much lower. We just have to have a care about how we do that.

Q20 Stephen Kerr: We have to be mindful of that. One last question: what I am gathering from everything you have said so far to Sir Patrick and to the questions I have been asking is that you need a long-term, strategic view on this, not a—

Jo Lappin: Absolutely.

James Farrar: Absolutely.

Stephen Kerr: Which is what I am afraid we haven't had, as opposed to what I have been describing as this ad hockery.

James Farrar: Ultimately, we are trying to attract business investment, and businesses take a long-term, strategic view. They will invest in local areas that have a clear ambition and a clear vision.

Stephen Kerr: James, I wish I had a pound for every time the word "certainty" has been mentioned since I joined this Committee.

Q21 Mark Pawsey: Can I go back to very first principles and ask you why all this matters? Jo, you spoke about reducing disparities; well, does it matter if there are disparities in income with those who live in London and the south-east? Perhaps those who live in the north with a lower income have a better quality of life. You have wonderful countryside and less congestion. There are people who are moving from London, happy to take a lower income. Why is this all important?

Jo Lappin: It matters because there is an issue that matters to the nation. If you have parts of the country that are less productive, then the whole of the country is less productive. If we have people who are left

behind, they actually cost money to Government in support mechanisms, benefits and so on, so you want equality because it is good for the nation.

Q22 Mark Pawsey: But we are not striving for equality, are we?

Jo Lappin: I mean economic equality. If we reduce disparities, it grows the productive pot for the nation, which creates wealth. I would also argue that an overheated south-east is not good for the people in the greater south-east, and it is also not good for the north. You do not want to have further acceleration of house prices and more and more long-distance commutes as more and more people move to certain parts of the country. I actually think it is in the national interest that disparities are reduced.

Your point about selling the north was brilliant, Mark. We have beautiful, affordable locations, a very high standard of living, and great quality of life. What we need to do collectively in the north is convince young people that there are brilliant careers to be had in the north. I mentioned earlier that my middle one is in the civil service. He believes his career has to be in London. If we look back even 10 years, there were great civil service regional careers. They have all gone. I think those things are really important, and I very much appreciate you selling us so well.

Q23 Mark Pawsey: Okay. James, why are we talking about this?

James Farrar: The reality is that there is a huge cost to the country in health and wellbeing and all those associated costs. One of the best ways to reduce that is meaningful employment, which means not minimum-wage employment but good employment, because it also needs to bring in in-work poverty. While you have this disparity, you might be reducing unemployment in the north, but you still have a lot of in-work deprivation and challenges around that.

We need the UK to be driving its productivity. We need the UK to be driving its tax take in real terms to be able to fund everything we want to do, but we also need to be addressing the health and wellbeing issues, which means everybody right across our country having a better quality of life and standard of living. That means good-quality employment right across the country.

Q24 Mark Pawsey: Henri, do you have anything to add?

Henri Murison: My take would be that it is the fiscal transfers argument. The point of this was always that Manchester, the first to articulate a devolution ambition, was seeking to reduce their dependence on central Government and become independent, so that they could fund their own services.

Nobody in the north wants to be receiving revenue subsidies to deal with the consequences of economic failure, as James argued. What we want to is rebalance the country in the national interest. The "Power Up the North" campaign, which is arguing that the Tory leadership contenders should focus more on these issues, is not just signed up by 33 regional newspapers in the north. Sir Patrick McLoughlin's previously referenced George Osborne, whose newspaper, the *Evening Standard*, also supports



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this. George made a very cogent argument for why the northern powerhouse benefits people in London; it absolutely does, because we have one global city. The City Growth Commission showed that cities still generate 61% of the country's wealth, in connection with their hinterland and the towns and other areas that link to them, but the reality is that the only global centre in the country is London.

We are saying that the north is the UK's second global important destination. That is not in place of London, so not another financial services capital, but a strong manufacturing and productive economy that can genuinely contribute to reducing the productivity gap, because those 850,000 jobs that we can create if we transform the north will be significantly more productive than the jobs that are being created in all our cities and regions at the moment. What we are seeing at the moment is that productivity is going down not up, because we are not creating productive enough jobs. You have to back a vision like the northern powerhouse if you are going to address that.

- Q25 **Mark Pawsey:** Thank you to each of you because I thought it was important to get on record why we are actually in this room talking about this topic. The Government's principal tool for that—Jo you spoke about it and you've been involved with three of them—is local enterprise partnerships. Are they working?

Jo Lappin: I think, genuinely, that local enterprise partnerships are doing a phenomenal job, given the resources. When local enterprise partnerships were set up, on Stephen's point around frameworks, it was very much let a thousand flowers bloom. Every area was very different and that was the expectation. Over time, and certainly through the strengthened local enterprise partnerships report, all LEPs are now operating to a consistent framework.

- Q26 **Mark Pawsey:** Is that true? Isn't it the case that some of them are doing a cracking job, whereas others haven't really yet got their act together after eight years?

Jo Lappin: I would hope that everyone has got their act together, strengthened—

- Q27 **Mark Pawsey:** We all hope that but, you have been involved in three. Why did you move from one to another? What is the difference between the LEPs you have worked in?

Jo Lappin: When I went to Cheshire and Warrington, it was to establish the LEP and to start their strategic development and structures. I was doing that as part of something that I was doing for local government at the time.

I then went to Northamptonshire—where we met, Mark. That was very much about a high-growth area, one of the fastest growing places in the country, with a very exciting agenda. We were the first LEP in the country to merge, with SEMLEP.



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At that point I decided it was time to go back to the north. In Northamptonshire I would say we did a fabulous job, with really good stuff. We were three national pilots; we had unemployment at the lowest level; we piloted the new enterprise advisers programme, which was subsequently rolled out nationally.

In Cumbria, I came to a very different LEP, a LEP that needed, I recall, significant transformation, so that is what I have been working on over the past 12 months. It is now, I would say, a very good LEP. Our local industrial strategy was produced and submitted to Government at the end of March, even though we weren't even slotted to be anywhere near that. We have got really good governance in place; we have got a very big governance structure that works with all of our businesses and all of our wider partners, and a very clear programme of work as to what we want to do.

For me, LEPs have done an excellent job. They cost Government £19 million a year for every LEP in the country. That is extremely lean. My only frustration is that I and my LEP could do so much more if we had integrated finance and probably a bit more surety about our organisational funding.

- Q28 **Mark Pawsey:** Right, but there's no external audit of LEPs, I don't think. You say that they are all operating well. There may be some businesses in some areas who would say, "What has my LEP done for me?" Should there be an external audit, in the same way that we have Ofsted?

Jo Lappin: What we have been looking at within the LEPs is moving and agreeing with Government to a peer review process. James can talk about that because he has been one of the peer LEPs that has been involved. It is similar to the kind of thing that the Local Government Association does on peer review.

In addition, all LEPs have to be either part of a combined authority, or a company. In terms of external review, we will be subject to the standard company audit procedures. In addition to that—

- Q29 **Mark Pawsey:** You said that you "will be," so after eight years there has been no effective audit on them?

Jo Lappin: A requirement of the strengthening local enterprise partnerships review last year was that every LEP had to become a company. A few LEPs in the country were not, including the one that I had taken over 14 months ago. My previous LEP in Northamptonshire had had audited accounts, an annual general meeting and an annual report every year for years. All of those things were in place.

- Q30 **Mark Pawsey:** I think that we would have all assumed that that was a natural thing to happen for all LEPs. Are you saying that that is not the case?

Jo Lappin: It is now.

- Q31 **Mark Pawsey:** But it hasn't been?



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Jo Lappin: It has not been everywhere, but recognising that we have moved LEPs from being a very loose set of organisations into something that is now very clear about its governance, accountability and transparency, all LEPs are either a combined authority or a company. I would go back to my starting point: I think that LEPs have done a phenomenal job. They have made great progress delivering the growth deal. They have done it in partnership, have engaged business very well, and have done that with very limited resources.

- Q32 **Mark Pawsey:** We have heard it expressed that there are too many LEPs and that some of them are too small to be effective. A good example might be Coventry and Warwickshire, which is my LEP and, I think, the smallest in the country. Do you agree that there too many and there should be some mergers or do you think that the ability for LEPs to form their own economic geography has led to us having the right number?

Jo Lappin: It goes back to my point that we get overly hung up on structure. It is very good if we have clear lines. For me, it is about the functioning geography. You could say that Cumbria is a small LEP in population terms, but in geographic terms, it is half of the north-west of England. It is not one place; it a genuine polycentric economy. I have nine sector panels because there are that many real sectors that operate in place. I also look at my geography; it is the most self-contained geography in England. Ninety-six per cent. of people live and work there. So we could say, "You've only half a million people," but being dispassionate about it, I am not convinced that their needs would be better served by merging with somewhere else, because of the scope of the economy and the geographic breadth. I think that ours is the right size and we are arguably a small LEP.

- Q33 **Mark Pawsey:** James, is your LEP the right size? Are you effective and are your boundaries the appropriate ones?

James Farrar: We are a LEP that has significant overlaps. With regard to the strengthening local enterprises review, we are going through a period of change that requires us to get rid of those overlaps. We have East Riding, which overlaps with the Humber, and we have York, Harrogate, Craven and Selby, which overlap with Leeds city region from that perspective. We have had to take a very pragmatic approach to how we move forward. Functionally, you cannot separate Hull and East Riding; it just does not make any economic sense to do that. We have accepted that Hull is a part of the Humber LEP, so we have to let East Riding go that way, which leaves us with York and North Yorkshire.

Straight lines do not work in functional geographies. I am afraid that business operates on what makes sense to business, whether or not we like it. York, Harrogate, Craven and Selby absolutely have strong links to Leeds city region and the West Yorkshire conurbation, but equally, they are made the drivers of the whole of the North Yorkshire economy from that perspective. The overlap made a lot of sense and from the way that we operated the LEP, we made it work. We collaborate with Leeds where it



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makes sense; we have joint programmes where it makes sense; and where things are localised issues we focus on them ourselves.

We are currently in discussions with Leeds about how a merged LEP between the two will happen, but in reality, there are only two practical options. One is a very large LEP, but then you have to separate the governance that can understand a large conurbation alongside two national parks and a coastline—so you have a huge deeply rural area and the coast, and the issues that come with that. You either have a large LEP with governance that understands the separate issues, or you have two separate LEPs and a formal collaboration around how we work on that overlap together. That is the discussion that we are going through at the moment. Both we and Leeds have really strong governance, but Leeds has governance that is suitable for an urban environment. We have governance that is suitable for a rural environment. Actually, marrying those two up is not that straightforward.

Q34 Mark Pawsey: James, what is the budget for your LEP?

James Farrar: The operating budget? The contribution from Government is, on an annual basis, £0.5 million, but it is about £1.8 million.

Q35 Mark Pawsey: How much do you allocate on behalf of Government? What is the spend that you put into—

James Farrar: The capital spend varies year on year. Our growth deal was £140 million over the five-year period.

Q36 Mark Pawsey: I want to ask you about accountability. You are responsible for allocating £140 million. Jo has just told us that until recently some LEPs had never been audited. What are the audit arrangements for your LEP?

James Farrar: Our accountable body is North Yorkshire County Council. They have independent auditors, Veritau, who are completely independent of the council. They audit us on an annual basis. Equally, we have the annual—

Q37 Mark Pawsey: For how many years have you been audited?

James Farrar: Since we got the money.

Q38 Mark Pawsey: So since inception. Have I got the wrong end of the stick there, Jo?

Jo Lappin: I was going to ask whether I could clarify that. We were talking about the running costs of the businesses, as opposed to the growth deal funding. Growth deal funding has been audited every year. The money does not actually flow into the organisation; it goes to our accountable body. The accountable body, which will be a local authority, needs to go through all their standard practices for dealing with grant funding. It is very highly audited and regulated.

Q39 Vernon Coaker: James and Jo, it is very interesting what you are saying. Can I just probe a little more what Mark Pawsey said on this question?



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Without combined authorities or elected Mayors, do you have the capacity and strategic direction to do the work that is expected of you? To put that question together, you formed the NP11 group. Does that not, in a sense, go to the heart of the problem? You want to be local, and of course I totally accept that you need the local input, but you also have the challenge that the NP11 has been formed because you need a bigger, more co-ordinated response strategically for you to deliver what you need to. Is that fair or unfair?

James Farrar: It is about the right decisions at the right level. Some things absolutely make sense to do at the north of England level—strategic transport, trade and investment, and innovation. Innovation is not about connecting a business to your local university; it is about connecting a business to the university that is best in whatever sector it operates in, from that perspective. On issues like that it makes sense to either collaborate formally, through a northern powerhouse model, or informally, and that will always happen.

However, to be effective across the whole of the north of England you also need to reflect where decisions are very local, and you require the local engagement of stakeholders to be able to make a difference. For lots of the skills issues, that is very true. For the housing market, it is absolutely true, and for a lot of business and business opportunities. You need to be able to engage with businesses at a local level to understand the opportunities and how you can make a real difference.

Q40 **Vernon Coaker:** Is the argument that you need a two-tier devolution structure?

James Farrar: Yes, in real terms. It is about decisions at the right level—absolutely.

Jo Lappin: We totally support that. LEPs are about looking at all the determinants of growth in their place. Some issues will clearly go up. On cross-regional transport, we will work collaboratively. For innovation on key themes, it makes sense for us to work collectively. If we have disparities, it makes sense for the north to come together to highlight what those key policy issues are, how we want to work with Government, how we want to create a voice, and how we want to sell ourselves outside of the UK.

That matters at a northern level, but at the place-based level it has to be at a lower level of geography. The northern powerhouse is not going to resolve intergenerational worklessness in Whitehaven. That has to be very localised, and it has to be created by people who really know and understand their place, and who have the right relationships to get the whole machinery to operate differently.

You asked about capacity and capability. Looking around, I was talking to one of my LEP colleagues who has the biggest growth deal settlement in the country. His team is probably about twice as big as the Committee team here. We are leanly resourced, but we are doing a very good job.



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That is because it is not just about the LEP team; it is about the entirety of places coming together to make this happen.

My local industrial strategy was written through a seven-stage consultation process with all of our partners, so it is widely owned. The development of the work programme to make it happen again is through all of our governance, so it is widely owned. We are looking for individual organisations all to do their bit to make it happen. For me, it is about how we mobilise the machinery and bring everyone together to change places.

Vernon Coaker: I want to move on to local industrial strategies, but I think James wants to add something.

James Farrar: Just on the capacity issue, the danger with LEPs is that they are successful and give Government a reach to a very local level, but they were initially resourced to do a job, and yet, because they do that well, they then get additional asks. There is this constant putting on—"Can LEPs do this?", "Can you consult on that?", or, "Can you respond to this?"—and that is what becomes the drain. If you run a business, you focus on your core objective, and you do that objective and you do it really well. The key for LEPs to be successful with their limited resource is to be very focused about what their role is. We resource them to do that, but then we must not expect them to be all things to all people.

- Q41 **Vernon Coaker:** Thank you both very much for that. Henri, on the local industrial strategies, Greater Manchester was in the first three, I think. On a very practical level—rather than a theoretical, "We ought to have local industrial strategies"—what is the difference? What practically happens that will drive growth and jobs across the whole of Greater Manchester in a way that does not happen now? What are the practical implications, rather than just saying, "This is a good thing"? Do you see what I mean?

Henri Murison: Yes. The principle is that you would have, in their case, an independent prosperity review to tell you the problems in Greater Manchester's economy. So they have this employment that is becoming less productive, but you can add more people getting a qualification. If you halve the number with no qualifications, you increase productivity overnight by 2%. It is very useful to know those things, because they focus you.

- Q42 **Vernon Coaker:** Why do you need a local industrial strategy to do that?

Henri Murison: The point is, if you know what your problems are, when you go to Government to say, "We think we should invest money"—in their case—"in making sure the health economy keeps people in work and productive for longer", you come up with a way to deliver that, say with full fibre and 5G infrastructure ahead of time or by 2040, along with becoming carbon neutral. In reality, that is based on some evidence that that will make a positive difference. The problem in some areas is that people say, "I would like to do a project, or do something", but with no evidence to back up whether that would make an impact.



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The argument of Government has always been, “Well, why would we give you this money? We don’t know it will make any difference.” If you have a consistent evidence base to say what the challenges are, and a clear plan for how to fix them, then rather than having this amorphous Government strategy or approach to grand challenges which is that somehow it can all be done from Whitehall, you start to understand that when it comes to health innovation or, particularly, manufacturing in materials—a big strength of Manchester University—Manchester is the place that can lead that agenda. You also start to tie things together—if I am making a national investment in, say, materials, I should be thinking about doing it in Manchester.

Historically, George Osborne as Chancellor did those things from the context of day-to-day policy making. The local industrial strategy—particularly the attempt by Greg Clark to make this work, because it’s not just a northern thing, but a national endeavour—is starting to make that the way to do things, rather than relying on a particularly committed politician to make it happen, so that the civil servants in the system are geared up to enable places to attract the right levels of funding to make the difference that I know the Chair and the Committee as a whole would want us to make, rather than of having to go to war on every single issue, saying, “But this is the right thing for Manchester.” Some of these things have been re-litigated time and time again, but if Government accepts that the way to make Manchester’s economy is to follow the local industrial strategy, that means that every bit of money that Manchester gets will be prioritised for that.

When you look at what powers and funding to devolve, you give places the responsibility for the things that will make a difference. That is what the local industrial strategy gives you: evidence that you are making the right investments; and certainty for Government that they will in the end have the payback of reducing the fiscal transfer and be good value for money for the UK taxpayer, not just the citizens of the individual places.

Q43 Vernon Coaker: Coming to Jo and James, how far advanced are you with respect to your local industrial strategies?

Jo Lappin: We have submitted our local industrial strategy to Government. It went in at the end of March—

Q44 Vernon Coaker: You have been a bit worried about the process—who has gone first and so on—haven’t you?

Jo Lappin: I have a slight concern. We were clear that we were going to have our strategy ready for the end of March, for submission, but we were not prioritised in a wave until wave 3. Clearly, we have to wait to be formally in the system. Hopefully our evidence base was being formally considered this week, and we will then start the negotiation process.

Q45 Vernon Coaker: What is the timescale for knowing whether you have been successful?



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Jo Lappin: We now enter what I would call a co-production process with Government, where they take our local product and work through with us to make it a daughter document of the national industrial strategy. Very quickly, on the question you asked about the value of the industrial strategy, for me the big difference with the industrial strategy vis-à-vis its predecessor, the strategic economic plan, is that they are genuinely socioeconomic as opposed to the hard economics of the SEP. They are less bid documents, because clearly the SEP was very tied into the growth deal and these are about a much more holistic view of how we change economies and change places.

- Q46 **Vernon Coaker:** This is a fundamental point; I just want to ensure I have understood. The difference now is that it is a socioeconomic model of growth, rather than just an economic model of growth?

Jo Lappin: Yes. It is about people and places.

- Q47 **Vernon Coaker:** That is interesting. So it is about health inequalities, carbon footprints and all those sorts of things as well? Have I understood you correctly?

Jo Lappin: Absolutely; our strategy operates on twin platforms of productivity and inclusive growth.

James Farrar: Place is such an important part of the industrial strategy. I know it has been identified as one of the foundations of growth, but place is at the heart. Coming back to Jo's point, to properly understand a place, you need to understand all the socioeconomic factors. We are slightly behind Jo; because of the merge, we were put into wave 3. Ours will be complete and submitted to Government by December this year, whether that is joint with Leeds or not. The reason that local industrial strategies are so important is that as you go to a larger geography, a simple rule of maths is that the numbers aggregate around the largest settlement and largest agglomeration.

If you operate on a very large geography, you lose the distinctiveness of local places, because you average out. If we merged with Leeds and we were to look at earnings to house prices, it would be just over six, collectively. Actually, in Leeds it is six and for us it is multipliers of nine or 10 in certain places. The law of maths means that if you get to the wrong geography, you lose what is distinct and unique about local places.

- Q48 **Albert Owen:** If I can move on to the UK's shared prosperity fund, what do the three of you think should be the key features of that fund?

James Farrar: Ultimately, the focus must be delivering the local industrial strategy. We are writing strategies that are a long-term vision and plan for how to drive prosperity in our places. The shared prosperity should be as flexible as possible to deliver the priorities that come out within those local industrial strategies. As I say, we do not want a shared prosperity fund that is a set of very siloed pots of money that have to do specific things, because what I need to do in the Yorkshire dales will be different from what needs to be done on the Yorkshire coast, in the middle of Leeds or in



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Manchester. A pot of money that can be shaped around the socioeconomic needs of our places is critical. Timing is our other big concern. We are currently running two programmes—the capital programme local growth fund and the EU, both of which come to an end in 2021.

- Q49 **Albert Owen:** So the key feature for you is the alignment with the industrial strategy? We will come on to funding.

James Farrar: Absolutely right.

Jo Lappin: For me, there are lots of lessons that we can learn. First, we need a funding pot that is both capital and revenue, because frequently the revenue funding is doing the catalytic stuff that we currently struggle to deliver. We must have some certainty on funding allocations so that we are looking at five years, which allows us to develop proper investment plans. One to guard against is excessive bidding processes, which just consume a lot of time and energy; it is the investing strategy point. We need to think seriously about the formula for distribution and how we get the balance right between need and opportunity. There must be some flexibility on annual funding profiles, not rigid ones.

- Q50 **Albert Owen:** There is an awful lot there, but again, it is the alignment with the industrial strategy. It is out to consultation now. Have you, as local enterprise partnerships, been involved in that consultation, and are you speaking with one voice? If we have a disparity of opinions coming from the different LEPs, it will be very difficult for the fund to work.

Jo Lappin: We have been working closely with Government colleagues on the shared prosperity fund. We have had regular conversations through our network.

- Q51 **Albert Owen:** Am I correct in saying that the consultation has officially started?

Jo Lappin: To be honest, last time I checked—and that was very recently—it had not yet opened. We were told “summer”. If we have missed it in the last couple of days—

Albert Owen: I am told in Wales that there have been targeted forums for this, as part of the consultation. Henri, what do you think?

Henri Murison: I think there are lots of concerns that colleagues are putting out. I think I would sum it up by saying that if you believe in economic rebalancing, you cannot determine this from Westminster. Obviously, one of the big worries is that the pot will get smaller, because a lot of the EU money that is being repatriated is being promised for other things. What will be the total funding envelope?

There is also a little bit of jiggery-pokery where lots of funding streams that were not part of the current funding streams are being counted as being part of the shared prosperity fund. I would say there is a lot of questionable maths from the Department. Essentially, they are trying to reduce the amount they give people while making sure it doesn't look like



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they are really reducing it by very much. That is a little bit—I think that is not fair.

There is a challenge about the northern powerhouse. If you were serious about it, the places in the country that receive the most are almost exclusively in the north of England: Tees Valley is second, the north-east is third per head. The reality is—the Joseph Rowntree Foundation made this case as well—that if you were to split this money equally across areas and do it by capita, then you would see massive funding reductions in the north of England. The challenge about creating a northern powerhouse is that if you do the shared prosperity fund wrong, then you may end up creating a significant impairment on the ability to close the productivity gap, while you are supposedly investing in other projects.

I think there needs to be a northern powerhouse lens to the shared prosperity fund. It would be very easy for an incoming Prime Minister to guarantee that the north's overall allocation would be at least as big as the previous funding streams.

- Q52 **Albert Owen:** And when you say the north, you are talking about the north of England, of course. There is also Scotland, Northern Ireland and Wales. It is a UK shared prosperity fund.

Henri Murison: Yes. The challenge is that the regions and nations will have some protection, because of the reality about how Barnett and other formulas work. I am most concerned that perhaps those in the shires in the south will say, "We didn't get any money from EU money, or we got fractions of money. We want a bit more." The reality is that if you reduce the total pot and give everyone a bit of jam, and spread the jam, then there will be nothing left for the most challenging areas of our country. Those of us in the north will lack something.

- Q53 **Albert Owen:** That is interesting. It leads on to my next question. It is currently based on need. Do you think it should continue to be so or should there be opportunities as well? Should there be two funds, split for dynamic innovation and helping the needy, in rural areas of Cumbria, for instance?

Jo Lappin: We have got to think very carefully about how it fits with other funding pots. We have got to think about what is going to happen in CSR. If we look at transport funding per head, London and the greater south-east does far better than the north, so we have got to start with the idea that the shared prosperity fund has got to be used within the context of the much wider Government funding envelope.

As Henri says, we have got to make sure that we do not find areas in the north that have been significant beneficiaries from European funds actually having that money cut down when we are trying to reduce national disparities.

- Q54 **Albert Owen:** Absolutely. Just to remind the Committee, the EU social fund had match funding from London as well—from Whitehall. It was a big package, and it drew down from Westminster as well.



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James, you mentioned that timescales have to be correct. The current EU structural funds are based on a seven-year period. Do you think it should be extended to a 10-year period, and have a longer focus?

James Farrar: At the end of the day, the hardest thing is when you have a cliff edge; you fall off the cliff edge and then you have to start from scratch, and we get momentum. LEPs across the country have been working really hard to get momentum. If you take the local growth fund element, which is a capital programme, anyone who is running a capital programme knows that you have to overcommit in order to deliver your targets. You have to over-profile. We are currently in a situation where we are now 20 months from the end of that programme, so it is hard to move capital money around. There is no certainty about what comes beyond. Who is going to take that risk of me over-profiling? I know that if I don't over-profile I will probably miss my target.

Q55 **Albert Owen:** Are you confident this is going to be in place by 2020?

James Farrar: I am not confident that it is going to be in place by 2020, but something needs to be in place to bridge that gap. We need to be able to deliver; it is fundamental. The local growth fund money that has been allocated is making a huge difference; we need to make sure that is continued to be delivered.

Q56 **Albert Owen:** So plug the gap and make sure there are no cliff edges in 2019, and in 2020 there's a fund for an extended period. Is that what you think Jo?

Jo Lappin: I was going to say, in addition to what James has said, that momentum really matters. We are not going to get people developing programmes and projects, when there is no surety and certainty on funding, because that costs a lot of money. If you think about the changes that may happen in our economic environment over the next 12 or 18 months, it is really important that we have got momentum and that we are doing everything we can to move growth forward.

Q57 **Albert Owen:** This is on the same question, but with two additional questions on which others can comment. How can the impact of the funds be measured? Henri, can you deal with what James said about the possibility of no funding gaps?

Henri Murison: Some of the things in the old SEPs are still relevant actually, because you don't want to lose that lens on what you are doing. I would argue, if you have got significantly more powers going to places, what comes with that is enhanced accountability locally.

I would argue against an application element to these funds. I think they should be based on a needs allocation and then allocated directly to places. I don't think any of this should be left back for bidding. The example that was set by stronger towns, which is a derisory pot of money in terms of its scale, of having a bidding element is not something that we would suggest should be repeated. A lot of people were worried that some of the less attractive elements of the stronger towns fund would be



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replicated in the shared prosperity fund, because we haven't seen the consultation yet, as colleagues have said.

If you have got that genuine local accountability, you need to trust communities and stakeholders to hold LEPS—or LEPS in the context of combined authorities—to account. As has been discussed, there are pretty robust governance structures in place for doing that. I don't think having a set of Government targets for what the shared prosperity fund is for is a good idea.

- Q58 Albert Owen:** But one of the criticisms of the European structural funds is that there is not proper monitoring and measuring of how the funds are spent. Do you agree with that?

Henri Murison: You can have a framework for identifying what money has been spent on, but my argument would be that, if you put strings on funding streams, you tend to find that they are used less effectively and you can't allocate them to a purpose.

- Q59 Albert Owen:** Can you just finish by saying whether you would formally be part of the consultation?

Henri Murison: We will be making our representations to BEIS and to colleagues at HCLG through the process.

- Q60 Drew Hendry:** In terms of other current sources of funding, how has the take-up been of the British Business Bank's northern powerhouse investment fund?

Jo Lappin: In Cumbria, it has been exceptional. It was a very small allocation; we had only £2 million to begin with. That has been spent and we are working to bring in more of the funding.

James Farrar: It has learned the lessons of some of its predecessors. Some of the predecessors were very strong in the big cities and not particularly effective elsewhere. To be fair to the NPIF, it has been really successful in the Humber and getting across there. York and such like has done really well. The deeply rural areas have been more of a challenge, but that is as much around demand as it is supply, from that perspective. I think NPIF generally has made steps forward but you can always improve the reach.

Henri Murison: It is worth saying that the private sector has also come in and put in its own funds alongside it. Barclays, for instance, now has its own dedicated northern powerhouse fund, alongside NPIF, and is open to blending that with the public money. The private sector has responded very positively to it, which is one of the reasons why Roger Marsh, as well as chairing NPIF, also chairs that group. There is a strong case for continuing NPIF beyond its current lifespan.

- Q61 Drew Hendry:** Perhaps you could outline the criteria for accessing those funds.

Jo Lappin: It is the basic European eligibility criteria, so it has got to be about the size of the business, the sector, the eligibility of the activity. Then any businesses that meet the criteria can come forward.

Henri Murison: It is broadly underserved segments, so it is people who would struggle without that money to unlock either the whole funding package or any of it.

Q62 **Drew Hendry:** Given that point, we know that some of the investment comes from pooling EU funding. What will happen if the NPIF does not have those funds available?

Jo Lappin: Clearly, that is a question to ask the British Business Bank. The NPIF is meant to be a revolving fund, so that funds that are there initially will come back in.

Q63 **Drew Hendry:** After the UK leaves the EU, those EU funds will not be available. What will happen then?

James Farrar: You are right. The way that revolving funds work is that you invest the money up to a date and then you have a period of years while money comes back in. If there is not anything to replace it, you are going to have several years where you are not able to make reinvestments. Again, it comes back to the previous point about momentum, brand awareness and reach. You lose all those things. We would strongly recommend that it is maintained.

Henri Murison: The Government's patient capital review does set out what some of the replacement funding streams could be for previous European Investment Bank funds. That is the source that that money will need to come from. It comes back to what a future Chancellor will commit in the coming Budgets. A CSR is now unlikely this year, so provision will have to be made to do that, as the decision at the moment does have an end date, and that end date has not been extended yet.

Q64 **Drew Hendry:** James, you were talking about the cliff edge, and both you and Jo talked about the impact on momentum that is required earlier. If the shared prosperity fund does not perform the function that you just outlined, have you quantified the impact that will have?

James Farrar: It is hard to quantify at the moment because there is such uncertainty about what the shared prosperity fund will even be. We monitor our performance and the performance of our economy really closely from that perspective. We continue to do that, and we know where we are making our investments. We have not quantified the exact impact of nothing coming.

Q65 **Drew Hendry:** What do you think would happen if that is not replaced in time? What is your feeling about that?

Jo Lappin: My view is that it will be very difficult, because the only finance that is currently visible and available to fund the local industrial strategies is that finance. If that is not available, what tools will we use to make that strategy a reality? We will do lots of things locally to bring



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people together to mobilise certain things, but some parts of it will need funding. We are looking at those challenges. Cumbria has been identified as one of the most vulnerable places in the country to a no-deal Brexit, given the shape of our economy. I would be extremely concerned if we were not in a position very quickly to have tools and techniques available, particularly to support our farming and visitor economy communities.

- Q66 **Drew Hendry:** Just to clarify, you have had no information about what might be coming to replace those funds.

James Farrar: No.

Jo Lappin: We have had genuine conversations with colleagues in Government about what they are looking at, how they are looking at structuring the funds and what kind of features we want to see—that is the point we were feeding through to Albert. We have genuinely had the opportunity to feed in our thoughts, but we have not yet seen the formal consultation.

- Q67 **Drew Hendry:** Would you say it is critical that you know that?

Jo Lappin: Yes, absolutely.

James Farrar: Absolutely.

Stephen Kerr: We were pleased that you mentioned the patient capital review.

Henri Murison: Wrong Committee.

- Q68 **Stephen Kerr:** It is the wrong Committee, but it is an area that interests me unendingly, because there is a lack of Government response to that review, which they commissioned. The stronger towns fund was touched on earlier. Jo, you were quite positive about it, but what do you know about it?

Jo Lappin: In terms of stronger towns, we had the initial, "This is what it is going to do; these are the initial amounts of money." We were told informally that it was going to be formulaic and there was a view about the formula that would be used. Since then, to be honest, it has gone very quiet. We have raised concerns in the consultation about the size and scale, because for Cumbria, if we are looking at a certain size threshold, many of our towns would not be eligible. We want to be clear that some areas that could most benefit and most need it will qualify.

Henri Murison: The top slice is pretty annoying, as well. The reality is that it is less generous. If you do the maths based on the formula as it was announced, places would get a lot more if it did not have a national bidding part. That is one of the real issues with how the Government have approached it—there is still an element for Government Ministers to be able to pick favourite projects or areas. That does nothing for people's faith in the system being about genuinely rebalancing the economy, because whether you happen to be in favour with Government or whether



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you are with the right party should not impact whether your place gets any money.

Leaving an area where perhaps a future Secretary of State—I don't think Greg Clark would do this—would have the ability to make decisions not based on the evidence is unfortunate. Lots of people would trust Greg to approach that scheme with only the best intentions, but the Secretary of State who eventually launched it but did not design it, James Brokenshire, left that area of discretion and it does not fit what we need, and there is a derisory amount of money involved. The challenges around dealing with the causes of Brexit, not just the consequences, are massive.

Stephen Kerr: You are both concerned about what you do not know about it—that's the short answer.

James Farrar: I back up what was said, but it is aimed at larger towns. We welcome the move from a pure city focus to one of cities and towns, but in a very large area such as ours, the majority of our towns fall below the threshold for the primary resource. Across North Yorkshire, there are only two towns that fall within that threshold.

Q69 **Stephen Kerr:** It is another fund and another set of criteria and another set of applications. Is the rather cluttered landscape of this whole area a hindrance or a help? I think I know the answer, but I'll leave it to the witness.

James Farrar: It is absolutely a hindrance from that perspective. They are all slightly different. They all have slightly different criteria and a slightly different focus, and they all have a significant cost in bidding—

Stephen Kerr: Can I ask about that?

James Farrar: Ultimately, what we are trying to deliver across the UK is more prosperous and more distinctive successful places. It comes back to Jo's earlier point about how everything is very siloed in how we approach it. Actually, what we want is a pot of money that is about understanding place and delivering successful places across the UK.

Q70 **Stephen Kerr:** Can you say a bit more about the cost that goes into making applications for these types of funds, and also about the cluttered landscape?

Jo Lappin: The start point, Stephen, is that we should invest in strategy and not get single pots of money, because then it becomes a distraction. For me, it also depends on the process, because there are different capacities and capabilities in many places, particularly in smaller places, so you might find that the well-oiled machine is far better able to access the funding than some areas that might desperately need it, whereas a strategy approach evens that out because the evidence has identified the target areas. It clearly takes time in terms of individual areas compiling the evidence base, doing the thought process in terms of how they meet the eligibility criteria, and spending time gathering the buy-in of partners to the proposal. All of these things consume significant time.



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Q71 Stephen Kerr: If you do not have the resources to start with, you are at a competitive disadvantage.

Jo Lappin: The bidding process might not be through a LEP. Our role in this, in stronger towns, is not defined, so it is likely to come from local authorities.

Stephen Kerr: Well, if it is not defined—

Jo Lappin: It is not defined.

Q72 Albert Owen: I just want to ask the three of you a general question. Jo, you mentioned learning the lessons on the shared prosperity fund, for example. Do you have much co-ordination with the devolved Administrations on best practice and the pitfalls that they have had since devolution 20 years ago?

Jo Lappin: Being very honest, the only real link that we have had is through the Borderlands inclusive growth deal, where we work with the top end north of England and south of Scotland. We have not had anything more formal, other than the experience of working together on that and thinking about how we can work on certain issues like skills.

Q73 Albert Owen: It is just that we are celebrating 20 years of devolution in Wales, Scotland and Northern Ireland. I am somebody who wanted it earlier in England as well. I have always believed in decentralisation, and I think it would be a good idea if you were all to meet up and share experiences.

Henri Murison: We have very active links with those respective organisations, as you might imagine, partly because, as has been described, we take a wider view of the north. The economic north includes North Wales. I would argue that the Government's northern powerhouse strategy goes to Anglesey. You are not an English MP, but the northern powerhouse is as much about you as it is about anyone else in terms of your community. The same is true of those links on issues like transport, where clearly you need to work collaboratively across the different sub-national bodies that have been created.

We are doing a piece of work on devolution at the moment for publication later this year. We are absolutely looking at the lessons from devolution in other parts of the UK, because we think that that is an important part of how you make the next step in terms of the types of accountability structures that you would need for much more significant devolution.

Q74 Albert Owen: James, you represent a continent in Yorkshire.

James Farrar: Absolutely. Again, our primary links are through the northern powerhouse and the NP at that level. I am very interested in how the Borderlands actually works. It genuinely crosses between them both. To understand how that governance works could be relevant for Yorkshire, so there are lessons to be learned.

Chair: Thank you very much. It has been a really good start to this



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inquiry. As it progresses, we will learn more about other parts of the country and ensure that this inquiry also takes in visits to other parts of the country to see some of the fantastic work that you are doing, although, of course, the work that is happening on devolution in Yorkshire is very close to my heart as a Leeds MP. The sooner we can get on with that and deliver the devolution that we want to see, the better. Thank you to all three of you for giving evidence this morning. We look forward to working more closely with you in the future.