

Business, Energy and Industrial Strategy Committee

Oral evidence: Regional investment and growth, HC 2126

Tuesday 16 July 2019

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

Questions 75-131

Witnesses

I: Anthony May, Chairman, Midlands Engine Operational Board, Chris Hobson, Director of Policy and External Affairs, East Midlands Chamber, and Julia Goldsworthy, Director of Strategy, West Midlands Combined Authority.

Examination of witnesses

Witnesses: Anthony May, Chris Hobson and Julia Goldsworthy.

Chair: Thank you very much to the three of you for coming to give evidence this morning on supporting regional growth and investment—especially Julia, because I know that she has rearranged her diary to be here. We very much appreciate it. Mark Pawsey will start the questions.

Q75 **Mark Pawsey:** Good morning. Thank you for coming to talk to us about the Midlands Engine. Perhaps I can express an interest at the outset: I represent Rugby, which is slap bang in the middle between the west midlands and the east midlands, although it is officially part of the west midlands. Mr May, could you start by telling us a little about the thinking behind the creation of the Midlands Engine and what its aims and objectives are?

Anthony May: Of course. Thank you very much, colleagues, for the opportunity to be here this morning. Yes, I am very happy to do that. Ostensibly, the Midlands Engine is a partnership. Perhaps what separates it from other vehicles of economic development, such as the combined authority or the Northern Powerhouse, is that it was a group of local authorities, LEPS, universities and businesses that felt the need to come together to create a single voice for the midlands, look at the evidence base on what might promote economic growth and development across the midlands, and then come forward with some potential themes, priorities and interventions.

The engine is based on a number of principles, chiefly that it adds value, so it does not try to tread on the toes of the combined authorities, LEPS or local authorities in the region. Because it is a coalition of the willing, there is a great deal of good will to have a look at what would work in the region, suggest interventions, themes and priorities, work with other partners to bring them forward, identify partners who might take the lead in certain areas, and create an interface with Government.

Q76 **Mark Pawsey:** Okay, but there are very different economies in the east and west midlands; in fact, I would argue with Chris Hobson that there are very significant differences between the northern and southern parts of the east midlands. What is there in common that brings these disparate economies together? Why is creating an additional layer of bureaucracy going to be helpful in boosting growth and investment?

Anthony May: First of all, because it is a partnership, it has a very thin administration. We have deliberately tried not to create additional bureaucracies, and it does not have discrete devolved powers or responsibilities; it brings together like-minded people and agencies. However, it is also trying to establish the themes across the economy of the midlands.



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We have a piece of work underway called the independent economic review, which is being undertaken by something called the Midlands Engine Economic Observatory, which we established through the Midlands Engine. That is examining the data that drives and underpins the economy of the region, whether that is sectoral data or data about occupation and skills. What we are trying to do is draw together not only the synergies across the regions, but the distinctions and the differences, because you are absolutely right that it is not a homogeneous economy.

Q77 Mark Pawsey: Julia, what is in it for the west midlands? Why link up with the east midlands if the economies are so different?

Julia Goldsworthy: I think you could argue that the economies within the west midlands are also very different. As Mr May said, it is about understanding where that variation is and working out horses for courses. What are the right interventions at the right level? Where is it appropriate to think about the region on a cross-midlands scale? What does that mean for how we set out our shop window for the rest of the world? What are the interventions that we need to address the inequalities and differences in productivity and growth across the region?

From our point of view, it is a productive collaboration. I would say that both organisations are still in development, so there is still work for us and for the Government to do to help clarify our roles and agendas, but we are both well used to working with a bit of uncertainty or complexity of relationships. The west midlands geography is made up of seven combined authorities, a number of non-constituent authorities and multiple LEPs. Despite the institutional complexity of that, it does not get in the way of us getting things done. First and foremost in all that is building that sense of place and of what our unique selling points and opportunities are.

Q78 Mark Pawsey: The combined authority came together in order that an overseas investor would have a single point of contact. By creating the Midlands Engine, in addition to the West Midlands Combined Authority, are we not creating two points of contacts when one was sufficient?

Julia Goldsworthy: We have our own arrangements for investors and growth, but actually that nests very well with the work that the Midlands Engine is doing. It has been working on a set of internationalisation proposals; the west midlands region's plans, particularly around the Commonwealth Games, are complementing rather than competing with that agenda. I think that we have to recognise that different kinds of investors will be looking at different kinds of scale.

Q79 Mark Pawsey: Mr Hobson, what is in it for the east midlands?

Chris Hobson: One of the problems that the Midlands Engine had in the early days is that it was not very clear what it was. We supported the launch of it up at Garrandale in Derby. The parameters were not set initially, in terms of what it was trying to do and what it was not trying to do. I think we made quite a lot of progress there. For example, when it comes to inward investment, as colleagues have just said, there are certain customers for whom the Midlands Engine scale is the scale that



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they would want to look at. The China-UK summit 2020 was announced yesterday, and the Midlands Engine played a key role in that.

There are areas where the Midlands Engine absolutely can bring things in for both the east and west midlands that individually we would not be able to achieve. I also think that there are areas that are perhaps outside the Midlands Engine's parameters in terms of what it is trying to achieve that have not really been fully explained or understood. That potentially causes confusion among some businesses and among other stakeholders as well.

Q80 Mark Pawsey: If this is such a great idea, why hasn't it happened before?

Chris Hobson: Why hasn't the Midlands Engine happened before?

Mark Pawsey: Why hasn't a pan-midlands engine happened? We have seen the midlands in terms of what goes on in the west midlands, which is engineering and manufacturing, and what goes on in the east midlands, which is different sectors. If this is such a great idea, why hasn't it been created before?

Chris Hobson: I am not really sure. I suppose you could say that about lots of things: "If it's a great idea, why hasn't it happened before?" It doesn't stop it being a good idea, does it? In terms of the sectors in the east midlands, there are synergies with the west midlands. Engineering and manufacturing are incredibly important in the east midlands. In terms of very large rail, automotive and aerospace, the supply chains for those businesses zigzag across the midlands. Making sure that they are better connected and integrated is really important for the success of those businesses. It is a good idea; on the fact that it has not happened before, ask the people who came before me, I suppose.

Q81 Drew Hendry: Good morning. The Midlands Engine might give more focus to the challenges facing the midlands, but is it all just a branding exercise? Is there enough money and enough autonomy behind the initiative for real progress to be made?

Anthony May: I am happy to take that question. The simple answer is yes. What characterises the Midlands Engine is its partnership ethos, and people coming together because they want to join together on initiatives and things that would make a difference across the midlands. They recognise that in all partnerships there are strengths and weaknesses, but in this particular partnership, because we have LEPS, universities, local authorities and the combined authority all instinctively behind a pan-regional initiative and bought into the value base and the principle that we only try to do things that add value and are complementary, people come to it with the right spirit.

Does it have sufficient money and powers devolved to it? That is an entirely different question. That is about policy around devolution and decentralisation.

Drew Hendry: Since I have asked it, you might as well answer.



Anthony May: That wasn't the motivation for the Midlands Engine. Do I, as a local authority chief executive in my day job, and as a volunteer in the Midlands Engine, think that the Government should come forward with a framework for devolution and decentralisation in the near future? Yes, I think they should, because their own industrial strategy and the future of their public services depend on clarity in that respect. Will the Midlands Engine deliver that? No, but I don't think that is its purpose. Will it deliver an evidence base, partnership, potential themes, priorities and interventions? Will it help the region to speak with one voice? Yes, I think it will.

Q82 **Drew Hendry:** Does anybody else want to comment on that? Chris Hobson, you look as though you do.

Chris Hobson: Yes, I was just reflecting on what Anthony said. It comes back to the point that I was trying to make before: we need to be very clear on the parameters of what it is and is not trying to achieve. It is not about replacing LEPs, I don't think. It is not about replacing the work that the local authorities or the combined authorities do in the west midlands. It has strengths when there are macro-issues that are best understood at a midlands-wide level.

For example, Midlands Connect has a strong dotted line into the Midlands Engine, looking to the east-west transport, road, rail and connectivity that are absolutely essential to get the midlands working. Likewise, looking at how we extract inward investment on a large scale when we engage with countries such as China, et cetera, is where it comes into its own. At a local level, and with a strong steer from others as well, we need to be very clear on what it is there to do and, importantly, what it is not there to do. I think it will be very important to be clear.

Q83 **Drew Hendry:** Julia Goldsworthy, picking up on those other things that are affecting it, are the recent investment commitments made by the Government dependent on the existence of the Midlands Engine, or would they have been made anyway through other means?

Julia Goldsworthy: Anthony may have to respond on some of those points. I would say that what we need is a healthy ecosystem of organisations to help support growth in the region. Certainly, from the perspective of investments that the West Midlands Combined Authority is making and has responsibility to deliver, we are very mindful of the need to ensure that we are joining up with what the wider regional view looks like.

We have already spoken about the internationalisation agenda, and there is the observatory as well. As part of the development of our local industrial strategy, we spent a lot of time getting under the bonnet of the economy of the region. We are collaborating very closely on the development of the observatory, so that we have different layers to a single version of truth in the region, rather than competing versions of those things. That is really important in helping us understand what is



going on and where there are synergies and where we need to drill down into the differences at a sub-regional level.

- Q84 Drew Hendry:** Can we just pick up on the specific of the question I asked? Would these commitments have been made by other means if the Midlands Engine did not exist?

Anthony May: Can I give a couple of examples to help with that? The development corporation, which is currently in feasibility around the Toton HS2 station, the power station at Ratcliffe-on-Soar and East Midlands Airport, is an initiative that was entirely driven through the Midlands Engine, which acted as a catalyst to take that notion to Government in their dialogue with the Treasury around last year's budget settlement. Without the Midlands Engine it is extremely unlikely that an enormously exciting opportunity would have come forward. That initiative is pan-regional, because if we get development right, it will be complementary to the work in the west midlands.

The second example is the civilian element of the Defence and National Rehabilitation Centre. Capital has been set aside in the budget to build the civilian element to complement to relocation of the military side from Headley Court. My view is that without the Midlands Engine bringing that forward and acting as a catalyst, that would have been less likely to come to fruition.

- Q85 Drew Hendry:** Let me finish my questions by asking something more. In terms of specific projects, how did partners such as businesses and the combined authorities work together with the Midlands Engine on any given project? What evidence base is required before central Government will commit funding to this? Who wants to tackle that one first?

Anthony May: I am happy to start. In 2017 we published a report called "The Midlands Engine Vision for Growth", which was the partnership's response to the Government's Midlands Engine strategy. It set out a range of themes—I think we called them work packages at the time—and under that we set up a governance structure and a sub-governance structure, which is representative of the partnership, whether it is businesses, through our LEPs or businesses themselves, universities and local authorities. Those sub-groups worked up emerging projects and products using the evidence base. We took them on the road around the partnership and eventually had a dialogue with the Treasury in the lead up to the Budget last year.

Some were more successful than others, but that is the nature of projects and project development. We sometimes led, and we sometimes sponsored and allowed others to lead. It was a healthy dialogue across the partnership and some things came forward that otherwise probably would not have. Could we make that a more sophisticated process in future? Yes, as Julia said earlier, we are learning. This is a very new partnership and we could always do better. My view is that we can collate evidence, bring people together in that way and there is a great deal of momentum and enthusiasm to do so.



Julia Goldsworthy: Looking forward to future proposals, the engine will be supporting internationalisation. As a region, we recognise that this is going to be critical in delivering post-Brexit growth across the whole region. It is absolutely important that we work together to make sure that our plans are dovetailed and that we plan at sufficient scale. It is a really important relationship in helping central Government Departments understand what the region has to offer and where those synergies are, and to factor that into their trade missions. There are forward-looking pieces of work where the ability to take that pan-regional view and set out how it might be practically applied and delivered across the region is going to be really important.

- Q86 **Vernon Coaker:** Good morning, everyone. I want to put on the record that I know some of the people very well, for obvious reasons, as a Nottinghamshire MP. We met the British Business Bank earlier this morning, and it highlighted how important it is to have good transport links, and that poor transport links restrict investment into a region. As you will be aware, Midlands Connect recently wrote to us to say that it had put in a £2 billion bid to Government for railway improvements. This is a massive topic, but I wonder whether you could outline for the Committee the transport priorities for the region, both east and west—specifically east-west connectivity—without getting into HS2 arguments. I know you have been particularly focused on east-west connectivity, which is the real problem. Chris, do you want to start?

Chris Hobson: Of course. I suppose it picks up partly on the last question that was asked. That work was very much a joint effort, and we had the Rail Minister up in Leicester two weeks ago to introduce it to him. Starting with rail, being able to get more quickly between Leicester, Derby, Nottingham and Birmingham will absolutely transform the opportunities for agglomeration and competition, which will bring opportunities and challenges for somewhere such as Nottingham. It is incredibly important. At the moment, you cannot go directly between Leicester and Coventry by rail. I am not sure whether there is another area of the country where you cannot go directly by rail between two cities of comparable distance. It is amazing, and that is wrapped up in the hub. There are lots of other things that my colleagues might talk about. When we think about the midlands, one of the things that often gets missed out is the opportunity to improve freight movement, particularly when we look at how the economy is going and how we want to encourage exporters.

- Q87 **Vernon Coaker:** Can I just interrupt, Chris? That is particularly the case, given the East Midlands Airport, which I believe is the premier airport in the country for freight.

Chris Hobson: It is the largest pure freight airport in the whole country, but Heathrow is bigger by tonnage base. The strategic freight rail interchange is being developed next to East Midlands Airport. In terms of priorities that will help support freight movement, the A46, which runs north-east and south-west—from Grimsby and Immingham all the way down to Bristol—is incredibly important. The A5 goes in the opposite direction, from the south-east going up towards the north-west, and is



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incredibly important. Key sites, manufacturers and hubs of freight are developing there and will be incredibly important to the UK economy, but their potential will be hindered if the A46 and the A5 are not properly brought forward.

Q88 **Vernon Coaker:** And the A453 near the airport.

Chris Hobson: Absolutely right.

Q89 **Vernon Coaker:** Can I just ask Julia and Anthony something? Chris has outlined many of the agreed transport priorities. How do they work in terms of your bidding for money for that? How does the Midlands Engine, east and west, make that a reality? Everyone agrees with it, by and large. If we all agree with it, why can't we make it happen? How will the Midlands Engine make it happen?

Anthony May: Most observers—after they ask the obvious question, “What is the Midlands Engine, and what is it supposed to be doing?”—understand what Midlands Connect is doing. Midlands Connect is more established. It has been going longer and has a really clear focus on its evidence base and the priorities that are emerging from that. Chris has mentioned a number of those. Between the combined authority and Midlands Connect, we work really hard through the key leads—Maria Machancoses at Midlands Connect, and her equivalent in the combined authority—to ensure that our thinking is aligned, that our priorities are aligned and that we are politically aligned, if we want to push things forwards.

One of the key principles of the Midlands Engine is that it is apolitical. It has Sir John Peace as its chair—it has not got an elected politician in the chair. Clearly, lots of local authorities are involved in that, and there are therefore competing interests. I have worked in the east midlands for 15 years—I appreciate that it does not make me a local yet—and one thing that has particularly characterised the area in all the time I have worked there is that there is no political consolidation around infrastructure and transport priorities. Midlands Connect has given us that consolidation.

Because we work so hard to make sure that those conversations and the emerging priorities are complementary with the combined authority, it helps to create a powerful single voice that we have never had before. I think its chances of success depend on politics more generally, but also on the quality of the relationships between the combined authority, Midlands Connect and DFT, which I can tell you are second to none—they are excellent.

Q90 **Vernon Coaker:** But we have got some work to do, because we failed on the Midland main line, even with political consensus, in terms of electrification all the way.

Julia, can I ask you specifically about how it works for you in the West Midlands Combined Authority? Do you have electric vehicles and all that within it for the future? We have had very good testimony from Chris and Anthony about bidding for specific projects, but what about how the



system works for the West Midlands Combined Authority?

Julia Goldsworthy: We have a really coherent and mature interface with Midlands Connect, I would say. Maria Machancoses is very often in the same building and working closely with our managing director, Laura Shoaf. From the point of view of transport in the west midlands, the region is very well connected to other parts of the country, but there is very poor connectivity across the region. What we are trying to do across the west midlands is create an integrated transport network. Ultimately, the interface with Midlands Connect is about how we plug into the wider region and maximise the benefits of that.

In our local industrial strategy, we have identified the future of mobility as one of the major new market opportunities for the west midlands region to go after. That is partly based on the strength of our automotive sectors, but it is very much broader than that. It is looking at how there will be modal shifts in how humans transport themselves across the region and how we can use data and AI to inform that, and it is using our manufacturing experience with advanced materials in terms of building our battery manufacturing capability. We think that there is a really big opportunity for the region to play a leading role in helping to define globally what we think the future of mobility opportunity is.

Q91 **Vernon Coaker:** That is interesting. Chris, can I finish with one last point for you? If A46 and A453 east-west midlands connectivity through Midlands Connect was what you all decided was best, would the Government say "Fine, we agree with you," irrespective of the money, or would they still have to make the decision? In other words, who has the power? Who decides the transport priorities: you or the Government? Not you personally, but you know what I mean.

Chris Hobson: I feel that we are coalescing across the midlands around what is important. In east mids, as you know, we are still getting less funding per head for infrastructure. I think that something is still not quite matching up when it comes to understanding and evidencing what the priorities are.

Q92 **Vernon Coaker:** With who?

Chris Hobson: When it comes to Government level.

Q93 **Vernon Coaker:** East midlands or midlands generally?

Chris Hobson: Central. When DFT decides where the money will go, the business community still feels that it sees political opportunism when it comes to election time and places to go.

I don't think we have been quite enough in the midlands. Other parts of the country have been quite good when it comes to understanding how to pull the levers—they have people who have perhaps been inside before and understand how to pull them. In terms of that architecture around influence, we are probably still lighter in the midlands than in some other parts of the country.

Vernon Coaker: Interesting. Thank you.

- Q94 **Stephen Kerr:** Unlike Mark and Vernon, I do not have any declaration of interest to make about the midlands—other than the fact that my mother came from Birmingham, so I have a personal interest in the west midlands.

I was concerned to discover in preparation for this session that the midlands skills base is as weak as it is. I was surprised and disappointed to read that the region has the highest proportion of people with no qualifications and that outcomes in schools in the midlands are below the national average. What is your assessment of why that is? Obviously, we have a lack of skilled workers.

Chris Hobson: That is a really tough one. In every meeting that I have with a group of businesses to talk about their problems, skills is always one of the first things to come up. The challenge that I always put to them is “What do you mean? Do you mean entry level? Do you mean attainment levels? Do you mean leadership? Do you mean graduates?” If I were to try to generalise about these conversations, which is nigh on impossible to do, I would say that the biggest comment that businesses have when it comes to accessing people will mainly be around younger people, and around work readiness—the softer stuff. That is perhaps not what you are talking about, but that is what businesses will be talking about.

Whose responsibility is it to get that right? It is good that Ofsted are starting to measure careers development and engagement more now. We still need to see that being impactful. I think there is still variation in how that is taking hold. I also think that there is an onus on us, and on the business community. The challenge I always give a business is, “How do you engage with local schools? How do you engage with young people?” It is one of those areas where, on that particular part of it, I think it is something that we need to take on ourselves, rather than push back at Government. When it comes to the education system at large, my personal view is that it gets tinkered with and tinkered with, and you can over-engineer potential solutions, and that causes confusion at a local level.

- Q95 **Stephen Kerr:** Let’s ask Julia, because adult education and skills are devolved to your authority. What is your answer to that question?

Julia Goldsworthy: It is probably partly a historical legacy, but it really exposes the fact that, at a headline level, the west midlands had really strong growth over the last three years. How is it possible to do that, and to have some of the most productive parts of the economy in the region, and to have our universities base that attracts the number of undergraduates and produces the number of graduates that we have—we have excellence in research in those universities—at the same time as such poor skills outcomes exist?

For me, it gets to the heart of what the West Midlands Combined Authority is trying to do, which is to ensure that we are delivering growth in the region that everybody gets the opportunity to contribute to and benefit



from. The adult education budget is an important plank of that. It does not go live until the beginning of August, so it is not in flight yet, but what we have been trying to do in gearing ourselves up to deliver that is to be much clearer about the connection of the provision to local business need, and to much more clearly rationalise the number of providers so that it is much easier for businesses to navigate.

Q96 **Stephen Kerr:** Chris, how are local businesses doing in taking up the challenge of playing their part in shaping these priorities?

Chris Hobson: I think there are some areas where they are doing it very well, and other areas where it is not being done very well. I think part of the reason behind that—I can only talk for the east midlands—is that it still feels like a very confusing landscape for them.

Q97 **Stephen Kerr:** Too many initiatives?

Chris Hobson: Lots of initiatives, some private-sector led, some public-sector led—some national and some local.

Stephen Kerr: Yes, it is crowded, isn't it?

Chris Hobson: From the business point of view, we have more small businesses and microbusinesses than the rest of the country. From a leadership point of view, being able to properly plan for growth and understand what your needs are is probably still lacking as well. It is a really complex question and answer, I am afraid.

Q98 **Stephen Kerr:** Let me go back to Julia. The Government have announced a number of initiatives. There are a whole series of them—work coaches, language training and so on. Is what the Government have put in play sufficient, or does something more radical need to happen?

Julia Goldsworthy: It is quite a complex system. If you had our director of skills, Julie Nugent, here, I think she would say that within the region we are doing quite a good job of trying to join things up on the ground across the DFE and the DWP, in practically making those things make better sense, not just for businesses but for people as well. However, I think she would also argue that there are still some big building blocks, for example around careers and the question over the broader school readiness agenda, which have the potential to make a significant impact on growth in the region. We do not have control—

Q99 **Stephen Kerr:** What is your assessment of the midlands skills challenge content that the Government have announced?

Julia Goldsworthy: I would be more than happy for my director of skills to write to you on that.

Q100 **Stephen Kerr:** That is fine. Anthony, do you want to comment on what we have been talking about?

Anthony May: Yes, please. First of all, to tackle skills at a regional level we have talked about the interface between the Midlands Engine and other public or private sector vehicles. Tackling the skills challenge at a regional



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level is difficult because no agency at a regional level controls the levers of commissioning. In school improvement or skills improvement—I come from that background—the levers of commissioning are absolutely critical. For example, in school improvement either the local authority or the academy chain controls the levers that make things happen at the coalface. You can effect improvement because you control the money and the commissioning. No one agency across the region controls that. The Skills Funding Agency and so on control where the money goes, but the institutions themselves—particularly FE institutions and training providers—by and large are autonomous, and they provide services on perceived need and against a national framework.

At a regional level, it is very difficult to come up with a coherent package of skills measures. Nevertheless, there are areas where we can contribute. We can do work on apprenticeships, and sector and skills clusters in areas such as supply chains where, particularly post Brexit, we need to upskill the workforce and improve leadership and management. We can bring communities of interest together. Our skills subgroup is led by an FE principal—a very dynamic colleague called Angela Joyce, who has come up with a number of things you could do at a regional level. They are complementary to the work of the combined authority. Coming back to the basic point, if you want to effect skills quickly, you need the levers of commissioning.

Q101 Stephen Kerr: Yes, or you need to be able to co-ordinate them very effectively from the get-go. I accept that. Julie, you have an adult education and skills budget at your disposal, so you could influence this co-ordination—he who pays the piper, and all that good stuff.

Julia Goldsworthy: We certainly have an ambition. As I said, the programme is not live yet, but the early work we have been doing in getting it ready to go has definitely demonstrated that we can create efficiencies in the system, rationalise a complicated and fragmented system, and become more clearly focused on the economic need. There are a whole range of other areas where we don't have access to some of the levers. Youth unemployment is another example. It is still higher than we would want it to be. That is a complex set of things to try to bring together.

Q102 Stephen Kerr: So it is too early for you to say if you have enough powers.

Julia Goldsworthy: It is too early to be specific about the detail of the impact of the programme, because it is not live yet.

Q103 Stephen Kerr: Okay. Are there particular skillsets lacking in the midlands that should be a focus of attention, Chris?

Chris Hobson: The biggest thing that my businesses would say to me is, "If we can get the right attitude into the organisation, we can teach them what they need to know to do the job, but we need the right attitude." It can be a tough one. I sometimes think that "softer skills" is not the right



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term, because it sounds like it might be derogatory—it is not meant to be—but that is what we need in younger people.

In terms of how it is impacting business at the moment, 60% of our members are struggling to recruit—they tell us that every quarter—but are finding ways to work around it. At the moment, I don't think a lack of skills has impacted growth potential, because they are telling us that they can't recruit, but they are—

Q104 Stephen Kerr: Your overall concern is the work readiness of younger people.

Chris Hobson: Yes. Businesses will say—some people might not like the message—"I can teach the skills to do the job when they are in here, but I need to know they can turn up on time, talk to customers and so on."

Julia Goldsworthy: As part of our local industrial strategy, each of our sectors has developed a local action plan, and there will be skills elements to all of those. There is the point that you have been making about fragmentation, but there is also a need for specificity to really understand where there are particular skills gaps. Some of our programmes are focused around that. We have a construction skills programme and digital training. We have a £40 million apprenticeship levy, which is specifically looking at supporting SMEs around STEM subjects. There are targeted things that we can do.

Q105 Stephen Kerr: Are you going to deal with Chris's concern about work readiness as part of that? That is all subject matter; this is attitudinal as much as anything else, isn't it?

Julia Goldsworthy: I think it goes back to Anthony May's point. That is an issue that we might be able to make some headway on once they become adults, but it is about the wider educational system.

Q106 Stephen Kerr: Chris, I am going to put you on the spot now. I have a series of very quick questions, and I would like you to give me your response. How best can businesses support employees and managers to upgrade their skills?

Chris Hobson: Internally—to support their own managers?

Stephen Kerr: Yes.

Chris Hobson: I think it would be interesting to look at ways of supporting business investment in training. I know that we have levers to support business investment in capital and shiny new kit, which is quite exciting. Investment in training is perhaps something that would be useful to look at.

Q107 Stephen Kerr: Incentives for businesses to make investments in training—is that what you are looking for?

Chris Hobson: If I was trying to think of blue-sky solutions, I think that would be interesting to look at.



Q108 Stephen Kerr: You mentioned how crowded the landscape is when it comes to public and private initiatives. What changes would you like made to make it easier for companies to find out what is available to help them?

Chris Hobson: The growth hubs in the LEPs are getting to a point where they are doing a good job. Three or four years ago it was still difficult. I think the growth hubs are the way to help businesses navigate that.

Q109 Stephen Kerr: Right, so making that a single point of information and contact. What about informal support and peer-to-peer support? How strong are the informal networks that we know make all the difference?

Chris Hobson: I think they are good. Lots of informal networks have sprung up across the east midlands. The private sector and businesses will only wait so long for a solution before they take it on themselves. That is why, when it comes to the solution to work readiness, the private sector has to, and does, take some onus on itself to make sure it gets into schools. It is doing work placements, interview sessions and so on.

Stephen Kerr: Yes, it has to detail its specification to education, absolutely.

Q110 Mr Liddell-Grainger: One thing I am fascinated by—I am south-west, as you remember—is devolution. If you want to devolve more to the west midlands, what would devolution ideally look like?

Julia Goldsworthy: We are still on a journey in the west midlands. Our initial focus has definitely been on transport infrastructure as the thing that is really going to unlock growth. It has evolved to incorporate levers that help us to accelerate housing delivery and get into skills. We would like to take it next to the broader set of things that we need to do to invest in human capital to unlock growth and ensure that everyone can access, contribute to and benefit from growth.

At the moment, we have quite a lot of delegation, but not an awful lot of devolution. My challenge to Government would be: "How can we help you unlock capacity in central Government?" There is a risk that the process that I have talked about tends to be a series of transactions rather than a single conversation. Mayoral combined authorities and their programmes are managed by Government Departments rather than devolved to mayoral combined authorities. There is an opportunity for the cohort of mayoral combined authorities, which have clear democratic accountability, to provide some additional capacity to allow central Government to focus on the whole range of other issues that are also on their plate.

It is about changing the nature of that conversation. It also means that it is easier for us to join things up. In our local industrial strategy, we are looking to join up the strategic economic plan that we developed in the region to demonstrate how our skills deal connects to our housing deal and to the investment that HS2 is going to unlock. Sometimes, that can be impeded or made less effective if we bilaterally have to manage each of those programmes in a slightly different way with Government Departments.



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Mr Coaker talked earlier about funding. The transforming cities fund has set an important principle in giving places the kind of autonomy to determine and develop their priorities. That could be expanded to a larger single pot. It could initially focus on infrastructure—housing, transport and potentially digital infrastructure. Those kinds of principles need to be extended. How do we broaden the single pot, how do we make funding allocations longer, and how do we make sure that responsibilities are fully devolved, rather than simply delegated?

Q111 Mr Liddell-Grainger: That brings me on quite nicely to Chris—the lack of devolution disadvantaging the region. Has it disadvantaged you not having more devolution? Could you do better?

Chris Hobson: I imagine that, at times, it could be quite frustrating for central Government trying to do business with the east midlands because we are quite a disparate bunch in how we are set up. It is impossible to say whether it would have been different if we had had a devolved administration. When we tried to go for it a few years ago and we were unsuccessful, there was definitely a frustration there. What businesses are most concerned about are the outcomes and results; the means and the mechanisms by which that may or may not happen are by the bye. We were very excited by the prospects for development co-operation in the east midlands, because it cuts across key geographic boundaries, so it takes some of that issue out of it. It cuts across time boundaries, so it takes some of that issue out of it. We are very excited about the opportunity for that.

We are excited by the conversations that are taking place around a strategic alliance between the upper-tier authorities in the east midlands, and whether that can make it easier for central Government looking to do business with the region. However, there is definitely a feeling that the lack of a single point of contact, and the fact that a vision has been coalesced around at a slower rate than perhaps it would have been if there were a different arrangement, has been problematic; but we are where we are. I think we are in a good position in terms of the conversations that are currently taking place, which I have just outlined.

Q112 Mr Liddell-Grainger: Does there have to be a cultural change here in Whitehall and, if so, what does it need to be? There is so much money in the pot, and so much money to go around—we know all that. What is the cultural change?

Anthony May: I was involved in the devolution deal that Chris mentioned in the north midlands. I was part of the team that was negotiating it with colleagues in central Government so, if I think of this in a positive sense, rather than unpicking that, I think a framework would be really helpful. It seemed to me, in negotiating that deal, that it was very transactional, and nobody really understood the rules. Some clarity around what can and cannot be devolved, the principles that underpin that—I think Julia drew a distinction between delegation versus the real decentralisation of power and responsibilities—and some criteria around that would be extremely helpful, as would an understanding of what the endgame is. Are we



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looking at increased productivity through devolution? Are we looking at inclusive growth through devolution, or is it an overall means of rebalancing the economy?

Unpicking that and understanding what you are trying to achieve would be extremely helpful. More people would be interested if they knew what the rules and the endgame were. Equally, it has to be the case that any Government looking at devolution in the future looks at a system that goes beyond cities and metro areas. Eighty-odd per cent. of the country is covered by counties, districts and boroughs. It is a complicated landscape, but the incentives are probably not there in those areas in the same way as they are in the metro areas—where, in truth, elected mayors fit better.

Finally, it is about being specific about the areas that are available for devolution. Julia mentioned some, and I have others. If we go back to your colleague's point about skills, there are things that work in skills. We are doing some really good stuff in supply chains, which has fidelity. It works. We know it works, but it is in certain sectors—in auto and aero—rather than being devolved to a particular area.

I think single pots work. The plethora of funding, whether it is local growth funds or the shared prosperity fund that is to come, overlaid with the European structural funds, makes it a complicated landscape. Often, decision makers in this arena are elected lay people or local politicians. They are supported by professionals, but it is very complicated. Overall, I would set some rules, simplify it and make it worth doing in and outside of metropolitan areas.

Julia Goldsworthy: There are some examples of good practice with individual Departments. I am thinking particularly of the Department for Transport and the Department for Education. There are good working-level relationships to progress this agenda, and conversations that are continuing. I highlight the development of the local industrial strategy as a really good example of how collaboration has worked, not just in the co-production of a document but in the development of an evidence base, and the conversations that are continuing afterwards in terms of implementation. The contribution that the west midlands can make to help to rebalance the wider UK economy is very clear, so it is not in a little bubble all of its own.

However, it is not systematised across Government. Anthony has talked about how a framework could help with that, but there are potentially opportunities around the spending review to think about how you create some of that systematisation, not least because—we may get around to this anyway—there are new funding routes. How they are framed will need to be considered, for example around the shared prosperity fund. If we have a full spending review process, there is an opportunity to think about how cross-cutting themes such as place can be factored into some of those conversations.



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I would say that there is good practice. How do we build on it, systematise it and use the key fiscal events of a Government to progress that agenda and bake it into interactions with individual Departments?

Q113 **Chair:** Thank you. This morning, as has been mentioned, we met the British Business Bank. What interactions do you have with it? To what extent is it supporting smaller businesses' access to finance in your regions?

Julia Goldsworthy: From the west midlands point of view, those interactions will primarily be with the local enterprise partnerships. We work very closely with them, but I would say that they provide the growth hubs—the core frontline of business support in the region.

Q114 **Chair:** Chris, what interaction have you had?

Chris Hobson: Good interactions. Lewis Stringer is their man on the ground—their representative in the east midlands—and I meet him relatively frequently. They always make a point of asking us what businesses are asking about finance and what their needs are. Our interaction is quite good. It is interesting to understand why the take-up of the Midlands Engine investment fund in the east midlands looks different from other areas, but that is a slightly different conversation.

Q115 **Chair:** Do you think that many businesses are accessing finance because of the British Business Bank that they could not access otherwise?

Chris Hobson: I think some are. I think the take-up numbers in the east midlands are slightly lower than in other parts of the country.

Q116 **Chair:** Why do you think that might be?

Chris Hobson: It is interesting. There are probably a number of reasons. A lot of the intermediaries in the east midlands tend to be smaller bodies. I do not know if this is east midlands-specific, but there is still a sense among a number of businesses that they will try to finance stuff themselves. There is a reluctance to take finance from elsewhere, particularly among smaller organisations. There are a number of things, probably.

Q117 **Chair:** Interesting—thank you. Julia, the west midlands local industrial strategy was agreed in May. What sort of results do you expect to see? How will you measure success?

Julia Goldsworthy: The strategy document itself is founded on an evidence base. It is about making sure that we understand the key characteristics and strengths of the region and then map them to opportunities. A series of actions are identified in the local industrial strategy. The next stage, which we are kicking on with as quickly as possible, is developing more detailed implementation plans.

For us, the measures of success will be whether or not it is helping to improve productivity in the region and whether we are delivering growth that is clean, inclusive and sustainable for the region.

Q118 **Chair:** Have you got metrics for all that?

Julia Goldsworthy: It does identify some success metrics, but part of the next phase of development of what we do, particularly around the new major market opportunities that we have identified, will be developing action plans for each one of those. Part of that process will be defining what success needs to look like in each of those areas.

Q119 **Chair:** When do you think would be an appropriate time to measure whether you have been successful or not?

Julia Goldsworthy: We are a trailblazer on local industrial strategy.

Q120 **Chair:** How many others are there?

Julia Goldsworthy: Greater Manchester has published its local industrial strategy. We had expected some of the routes to delivery to become clearer once the spending review was complete, and how our plans form will be influenced in quite a significant way by what kind of fiscal event we have in the autumn. What we are focusing on at the moment is looking for the tactical opportunities to continue to make progress. We knew that this year would be a year of uncertainty, but it looks like it could potentially be extended.

Q121 **Chair:** To what extent has the East Midlands Chamber fed into the local industrial strategy for Derbyshire and Nottinghamshire?

Chris Hobson: To a great extent, and for Leicester and Leicestershire as well—we cover that area, too. We are excited by the potential that the LISs will have, and by the focus not purely on the sector but on cross-cutting themes such as low carbon, use of data and so on. The LISs have done well and have really good potential, and we feel that we are part of that conversation.

Q122 **Chair:** What are the big opportunities for the low-carbon economy in the east midlands, Chris?

Chris Hobson: I think the east midlands is a really good place to talk about this, because we have the full spectrum; we have high-energy users and manufacturers, and lots of energy producers. On my patch, I have six universities. All of them to some extent, and some of them to a great extent, have real expertise and specialisms in low-carbon products and processes. I am quite excited. We already have a number of businesses doing some quite interesting things and exporting—again, these are products and processes that can be exported and used around the world. There is massive potential for the east mids.

Q123 **Chair:** You spoke about being pleased that the local industrial strategy is not focusing just on sector. One of the pillars of the industrial strategy was place. Is that a break from the past? If so, can you explain how?

Chris Hobson: I think the greater emphasis probably is different. Place has been mentioned a lot for a number of years, but it definitely feels like there is a different emphasis on that now. It harks back to some of the earlier conversations. The east midlands is polycentric—I worked in



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Derbyshire and Nottinghamshire last year—and we have three big cities of the same kind of size. All have complementary skills and expertise, and all have flows of people and goods between them. Having the two LISs and D20 in Leicester and Leicestershire talking to each other, and ensuring that the place element and the Midlands Engine have a role in this, is something that fits across both and will be really important. For somewhere such as the east midlands, it could be really important if it is done well and got right.

Q124 Vernon Coaker: Unless I have misunderstood you, one of the things that you have all said is that a single pot of money to simplify the funding streams that come into a region would be more helpful, with decision making made more at a regional or local level, rather than the Government flooding it down, dictating to you and ringfencing. I am sorry if I have got that wrong, but that seems to be what you have been saying. One of the funds is the UK shared prosperity fund, which is to replace EU funding, but it is all very unclear. What would be your priorities for that? If you are starting to do priorities, have you got an estimate of how much you are expecting? Have you been given any indication of what is coming, or is it all still up for grabs? I am certainly a little bit confused about where we are with that. I wonder whether you have any more information that you could give the Committee. Anthony, do you want to start?

Anthony May: I am very happy to. It sounds like there is a common understanding that the local industrial strategies will be the platforms for setting priorities at a LEP level. Eventually, like the local growth fund, that is where the money will go in areas that do not have a mayor or combined authority. That suggests to me that, at a pan-regional level, it is really important that we are reading across those local industrial strategies and working together to identify the things that you can do at a regional level, or the interventions that have an impact at a regional level—they are not always the same thing.

I have not got any idea of the quantum, but I know the process is really important. I have seen the list for the D2N2 in the LEP evidence base, because I am part of that. It is really good. As a process, it is excellent. We need to work hard to draw out from that the things that would work across the region—be it access to finance, energy distribution or common innovation clusters—because there are things that work at a regional level. The process of understanding the evidence base at a LEP level, and joining that up so that when the fund arrives—hopefully we will have a chance to influence its criteria—it is as far as possible a single pot wherever it is devolved, is critical.

Q125 Vernon Coaker: The single pot is critical?

Anthony May: Yes.

Julia Goldsworthy: I don't think we know yet where the shared prosperity fund will be on the spectrum, in terms of a fully integrated, single pot or a series of strands that have some kind of shared prosperity



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fund bow tied around them. As we think about local industrial strategy implementation, the shared prosperity fund is quite critical to how we go about delivering that. So is the future of the local growth fund that funds the LEPs, which also runs out in 2021. There is a need for clarity from the Government in terms of how replacement and additional funding will be delivered to support the local industry strategy, and around the quantum as well. There are a lot of concerns.

Q126 Vernon Coaker: Quantity and clarity. Chris, do you want to add anything to what has been said?

Chris Hobson: Yes, I have a couple of points. First, in terms of focus, for somewhere like the east midlands, and in the west midlands as well, the high proportion of smaller Ss and micros in the SME family, and the important role they play in the supply chains of our large OEMs, means that leadership and management skills in those organisations are incredibly important. The link between them and productivity is really strong, and perhaps that is not as shiny as some other areas and gets glossed over sometimes. I would like there to be a focus on that, and also on how—maybe it is not for the SPF—the OEMs and the larger organisations support those smaller organisations from the sustainability point of view, rather than just driving up the competition.

Secondly, in terms of what is measured, one of the frustrations of some of the funding that has gone before—the ERDF moneys and so on—is that it has been very output driven and focused on three-hour interventions and 12-hour interventions, and that is what you are getting measured on and marked on. Actually, that is not a good way to drive lasting improvements in businesses. A focus that is more about the outcomes and more in-depth support for businesses, which looks at areas such as innovation and diversification—

Q127 Vernon Coaker: Is the private sector making that point to the Government?

Chris Hobson: Absolutely.

Q128 Vernon Coaker: On the £250-million Midlands Engine investment fund, what impact is that having? We have the global figure of £250 million, but how is it being used?

Chris Hobson: That builds on the Chair's question. There are some very good examples of businesses in our area that have made use of it and have gone on to do something that they would not otherwise have been able to do because of it. There are examples and really strong case studies out there. There are also examples of businesses that are frustrated because they found it confusing to engage with or they—

Q129 Vernon Coaker: They found the process of accessing the finance confusing.

Chris Hobson: Maybe not so much the process, but maybe they felt that it was not something that was designed for them—rightly or wrongly. It comes back to the fact that it is really important to have a good set of



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intermediaries that are doing the job properly. We are very supportive of it, but in terms of its success in the east mids, there are some really good success stories—

Q130 **Vernon Coaker:** Has it all arrived yet? Sorry; I should know that. Is the £250 million all there now? Has it all been delivered and distributed?

Chris Hobson: I don't know if it has all been distributed, but as far as I am aware it is all available.

Anthony May: The question from the Chair earlier supplements the one that you just asked, Mr Coaker. I think if we did not have the Midlands Engine investment fund, we would be looking to invent it. We should celebrate it. If there are issues, they are about the way we market it and communicate it, and the relationship between the engine, which we have to take some responsibility for, and the investment fund colleagues. It is a key objective for the partnership to improve that, so that more businesses get access to the money.

As for the criteria, such as what it is for—patient capital versus normal equity-style investment—we could be more nuanced about them. Remember, however, it is also supplemented by other funds. There are other funds involved in the Midlands Engine, because our chairman, John Peace, comes from that background—he has collected together a range of opportunities for local business. The money is there and it is very welcome. It is clearly not enough—it is never enough in this sector.

When I talk to businesses, they want simplified access to the money, but at the end of the day there has to be a relationship between the business and the investors. Equally, we are trying to promote more entrepreneurs and more start-ups and get money to them that they can use—and de-risk that relationship. We want to work really hard with the investment fund, the British Business Bank, to see if we can improve that in the coming months. It is something we should celebrate and just work harder at, because it is a really good opportunity, particularly in the coming months and years.

Julia Goldsworthy: Reflecting on the conversation, we have had discussions on skills and on resource, but a significant driver of the output gap, in the west midlands anyway, is lower levels of innovation in business. Another key element that we are working through as part of the industrial strategy implementation, but which was also drawn out in some of the earlier work of the combined authorities, is this: "How do we make it easier for businesses to adapt, to identify opportunities for smaller businesses to see the connections through to the work that larger businesses are doing, to draw on the huge amount of research and development that goes on in the region?" There is a broader question about how you build those ecosystems and networks, and how you signpost the support, which needs to build beyond the work that the growth hubs are doing.

Q131 **Vernon Coaker:** Just to finish on this point, you have all talked about the



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impacts and measuring them, but isn't one of the key impacts, as the British Business Bank said, that success breeds success? Even within the Midlands Engine, there will be areas that are booming and areas that have missed out. Is one of the impacts that you are measuring how far you drive business into the old coalfields, the coastal areas of Lincolnshire or whatever—that bit there? Is that something you will measure as well as the centre of Nottingham, Leicester or Coventry? Anthony, you made a point about the rural areas and having an impact on those broader areas so that there is equality of opportunity, rather than investment driving into the same places that are always invested in. Is that something you will measure as you go on?

Anthony May: Interestingly, the Midlands Engine Economic Observatory is looking at business location and relocation as part of its evidence base. That is absolutely critical. You know that I work in an area that is very diverse in its economy and has a former coalfield running down the western side. Getting business into those areas, particularly business relocations, especially post Brexit, attracting international trade and investment into those areas, and de-risking trade and export from those businesses into the international market are critical. Connectivity running up and down the M1 and A1 is central to that, as is east-west connectivity. This is an ecosystem, and all the parts have to work together to add value.

Increasingly, we are seeing businesses set up small or microbusinesses in rural areas that rely more and more on connectivity—not physical, but digital connectivity: 5G, the roll-out of broadband and all those things are central to our economy. It is a polycentric economy, particularly in the east midlands, but most economies these days are polycentric, with the rise of microbusinesses and technology-enabled businesses, so as a country we must gear up to support them.

That includes everything from access to finance through to business advice, leadership and management advice and skills advice. A lot of businesses, particularly start-ups, are crying out for that, and if we are to regenerate those areas and generate our rural areas where there is a great deal of potential for that kind of business, we must all come together in this way and ensure that we understand the levers of change.

Julia Goldsworthy: The core mission of the combined authorities is to deliver inclusive growth. That was reflected in the local industrial strategy. It is not enough just to say, "Well, if we can push up GVA across the whole region, we don't care what happens underneath. We don't care if we are only investing in the most productive bits of the economy. We don't care if we are just sucking in higher-qualified workers from outside the region to commute in on a daily basis." We have to demonstrate that we are delivering growth that will benefit the people who live there and that they can access.

We have been developing some tools: we have an inclusive growth framework, which helps us to understand that. It is developing toolkits to help ensure that we are following that through in our actions. In housing, in particular, we have developed a single commissioning framework that



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makes it absolutely clear that projects will be resourced on an assessment of whether they are going to deliver against that wider set of outcomes. Having a more complicated LEP geography in the region has been quite helpful, because it has ensured that we have stayed honest on those sub-regional dimensions.

It has also meant that in our evidence base we have been careful to think through and to map out the complete supply chains, which cover the region much more broadly than at first you might expect. Our constituent members—the local authorities that make up the combined authority—will demand that they understand the impact that is happening on their own individual local authorities as well as the whole. I would say that the way we have geared up the development of the strategy and some of the governance arrangements we have had have kept us honest in terms of pulling us back to that broader, inclusive growth set of ambitions, which is really important.

Chair: Thank you very much; it has been a really useful session. We look forward to continuing this inquiry, probably after the summer recess, but thank you very much for your time today.