HOUSE OF COMMONS

Levelling Up, Housing and Communities Committee

Oral evidence: Levelling Up White Paper, HC 1158

Monday 28 February 2022

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Watch the meeting

Members present: Mr Clive Betts (Chair); Bob Blackman; Ian Byrne; Brendan Clarke-Smith; Florence Eshalomi; Ben Everitt; Kate Hollern; Andrew Lewer; Mary Robinson; Matt Vickers; Mohammad Yasin.

BEIS Select Committee Member present: Darren Jones.

Questions 1 - 57

Witnesses

I: Neil O'Brien MP, Minister for Levelling Up, The Union and Constitution, Department for Levelling Up, Housing and Communities; and Andy Haldane, Head of the Levelling Up Taskforce, Cabinet Office.

Examination of witnesses

Witnesses: Neil O'Brien MP and Andy Haldane.

Q1 **Chair:** Welcome, everyone, to this afternoon's session of the Levelling Up, Housing and Communities Committee. This afternoon we will look at the very relevant question of levelling up following the White Paper being produced the other day by the Secretary of State. Before I come to our witnesses today, I will ask members of the Committee to put on record any of their interests that may be particularly relevant to this inquiry. I am a vice-president of the Local Government Association.

Mohammad Yasin: I am a member of the Bedford Town Deal Board.

Ian Byrne: I employ councillors in my office.

Kate Hollern: I employ a councillor in my office.

Bob Blackman: I am vice-president of the LGA and I employ a councillor in my office.

Matt Vickers: Family members and I employ councillors.

Andrew Lewer: I am a vice-president of the LGA and a member of the Northampton Forward Board.

Q2 **Chair:** Thank you. Also welcome to Darren Jones, Chair of the BEIS Committee, who is joining us as a guest this afternoon.

It is a pleasure to welcome our witnesses today. For the first time to this Committee is Neil O'Brien who is the Parliamentary Under-Secretary of State for Levelling Up, Housing and Communities and Minister for Levelling Up, The Union and Constitution. With him is Andy Haldane, the Permanent Secretary for the Levelling Up Taskforce at the Cabinet Office. You are both very welcome to the Committee this afternoon to answer our questions.

To begin, clearly the ambition for levelling up is very much part of the Government's agenda; I would say that it is one of their top priorities. However, the idea of levelling up is not new, is it? It is something that successive Governments over decades, generations, have been trying to achieve, but we have not got there. The fact that we have not got there suggests that every previous effort has been a failure to some degree. How can you convince us that this time you will get it right?

Neil O'Brien: It is a very good observation and question. Yes, Governments of different political parties have been trying to in some way level up different parts of this country for at least 100 years in different rounds of policy. When we say that we have not achieved everything that we wanted to, of course we do not know what the counterfactual is. We do not know for sure exactly how things would have looked in the absence of some of those policies. However, the vision is one that we share and our answer to your question of how things will be different this time has several parts to it.

One part is recognising some of the work, which Andy Haldane can talk about, done as part of the Industrial Strategy Council. That noted that there has been far too much chopping and changing of policy with many different local growth policies coming and going over the years. In the last 40 years there have been at least 40 different policies and schemes to try to promote growth and often they have had brief lives—no sooner rolling out than being dismantled—and have often had unclear or overlapping objectives.

Alongside that fragmentation of policy between Departments and programmes, there has also been a lack of consistent approach to how to empower local areas. Over many years we have gone through a cycle of having urban development corporations, regional development agencies, local enterprise partnerships as the main driver of large spending programmes, but we have not had what a number of other countries have enjoyed, which is powerful, locally accountable leaders with the resources and tools to drive growth forward for their communities, somebody who can join up the different things needed to drive growth in a particular place, the single phone number that inward investors often ask us for, somebody you can ring up who can sort out your skills, transport and planning needs and so on, and can champion these places.

In 2010, the only part of England that had devolved government was London and that was good for London. It was good to have a mayor who was internationally visible and could broker inward investment. It was also good for London to have a powerful inward investment agency. The only problem was that we did not have enough other places with those kinds of tools and that kind of authority and accountable leadership. In the process of city devolution that we have been in since 2014, I think we have started to make progress on changing that. The White Paper commits to going further as part of our manifesto commitment to take devolution to 100% of England where they want it.

We have had a mixture of fragmented and stop-start initiatives. We have lacked local empowerment. In the centre, we have had too little ability to manage data and performance manage what we are achieving or not achieving. We have had a fundamentally fragmented approach in central Government as well where there has been a tendency for Governments of all colours to have a small regional policy over here and then the normal siloed business of Government over there, and of course that cannot work. We need to mainstream, for want of a better word, that kind of thinking into everything that Government is doing in all these different fields and Departments so that there are much bigger budgets, and bigger powers are also serving the goal of levelling up.

Defragmenting spending, trying to have continuity and a longer-term vision and mission, which Andy Haldane can talk to you about in a moment, empowering local places properly and having a more data-led and less fragmented approach by central Government are some of the ways I would characterise the difference in approach. There are some other important points that, with your permission, Andy might want to make.

Q3 **Chair:** Yes, Okay. Andy?

Andy Haldane: I think Neil O'Brien captures the main points very well. Let me add just one or two wrinkles from my side.

As you say, the UK has not lacked for regional policies. They have come thick and fast since World War II. Therein, of course, is the problem: that they have come thick and fast and have not had the longevity necessary to reverse what are pretty deeply entrenched, and indeed widening, problems over the last 70 years and counting.

No one single thing will undo that, but what the White Paper sought to achieve was to put down some fairly deep-rooted stakes in the ground that give hope that we will stick to this path over the long term. Some of that is about empowering local leaders, and Neil has spoken to those initiatives. Part of it is about a rewiring of the Whitehall machine so that spatial considerations are more front and centre, that they are the golden thread that is laced through departmental decision making. Some of that is relatively straightforward—the arid matter of data. A great many Whitehall Departments right now could not tell you quite what their geographical footprint is for spending initiatives. Plainly that needs to change if each and every part of Whitehall is to pull behind levelling up. Right now, it is pretty clear if you look at the data that the geographical spending split of many Departments has not been supporting levelling up; it has been acting against levelling up. Look at the disparities in transport, culture, housing and R&D spend per region.

Data is part of it, and individual Departments being held to account for their spatial footprint is also part of it. Overarching all of this will be the missions that we have set. They are by design very deliberately long-term, rolling, decadal missions and they are, I hope, ambitious, clear and quantitative in their composition. The importance of that is that they become a target, a means by which Governments, whatever Government of whatever hue, can be held to account for sticking on the critical path necessary to achieve those missions over the medium term.

I think that the combination of clear, quantitative targets and rigorous evaluation, including by this Committee, will be fundamental for us avoiding the errors of the past, which have been too much chop, too much change and too little consistency.

Q4 **Chair:** There have been a lot of comments about the White Paper. One of the concerns raised is that the aspirations are great—everyone could sign up to them; who wouldn't?—but probably the big question is whether the mechanisms and funding to deliver the aspirations are in place. We will come on to explore some of those issues in due course but coming back to the last point that Andy Haldane made about the medium-term missions, again everyone will accept that you are not going to turn these issues around in a couple of years. Also it seems very convenient to say that we will measure our success in eight years when there is probably not going to be a Minister who is in post now in the same job so it is always going to be somebody else's fault, isn't it? No one will be held personally accountable for any of this.

Neil O'Brien: Personal accountability and missions: why doesn't Andy Haldane start and I will follow on?

Andy Haldane: My point on that is that to evaluate whether we are on the critical path we do not need to wait for eight years. As we speak, there are analysts across the country figuring out what the implication of this 2030 end state is for a path of policy from here to there. The annual report that the Government have committed to producing, and that I hope will be enshrined in statute, will be a means of providing a running score, year by year, on whether we are indeed on that critical path. Short of waiting, crossing our fingers and hoping, there are mechanisms that will help prompt some course correction in policy if course correction is needed to keep us on that critical path.

Q5 **Chair:** Are we going to get a yearly report on how the Government are doing against all the targets in the White Paper, all 12 missions?

Andy Haldane: That is right.

Neil O'Brien: I would say broadly the same thing. As well as committing us to 2030, there are commitments to do certain things by much earlier dates, for example to increase R&D spending outside the greater south-east by one third over the spending review, over three years. There is a mixture of long-term goals—because some of these things can only be achieved over a slightly longer term and they will be monitored annually—and some other commitments in the White Paper have much shorter time horizons.

Chair: Can we move on to one specific issue that is raised in the White Paper, the devolution framework? This Committee has called for a devolution framework before, maybe on slightly different terms from the ones proposed in the White Paper. Let's explore those matters.

Q6 **Kate Hollern:** The White Paper contains a devolution framework, as the Chair has just said, that lays down various requirements for agreeing a devolution deal but it also says that the framework is not a minimum guarantee. Surely that fatally undermines the framework.

Neil O'Brien: The framework is intended as a guide to roughly what areas will get for different forms of governance. That is the core function, which I think is what you are were trying to drive for.

Broadly speaking, it has an initial tier of the beginnings of co-operation between places, another tier of co-operation without a single directly elected leader and a top tier with a directly elected lead across what we would call a functional economic area. From previous sessions in this Committee, you will be familiar with the reason for that rough framework, which is a desire to work across functional economic areas rather than traditional administrative geographies because of the practicalities of some of the powers that we are devolving. If you take a county with various associated unitaries, why do you want to operate across a functional economic area that covers them all? If a lot of buses go in and out of a city or a unitary council, it is difficult to have a meaningful London-style franchising of buses on that geography if you only control part of their route, accepting that no area ever has complete closure, containment of these things.

Another area where we have had quite powerful devolution is adult skills. A lot of learners will typically live in one authority and study in another. That is quite typical for a lot of areas that are yet to have devolution deals. The goal of having that kind of encouragement to work across a functional economic area is respecting the practicalities of how much more effective we think that devolved governance will be if we have that kind of all-of-an FEA approach.

The reason we have a tier that is higher up, which is where you have a single directly elected leader, is recognising some of the advantages of having a single visible figurehead, someone who is very visible to the outside world and can be their representative on the world stage and at the same time be highly accountable to voters. I suppose there is another world in which we could have recreated a sort of metropolitan and county-councils framework of the kind that we had before 1986 but mayoral systems for city regions is a model that works well across most of the world. You have that clear personal accountability. When you interview most of the MCA mayors, as you do in this Committee, they will tell you that there is a lot of advantages in having that kind of simple, accountable leadership, and also someone who, where you have someone spanning multiple local authorities, is not just a creature of any one of them but can speak truly on behalf of the whole area and be an honest broker for local authorities that often have a lot of things that are shared, things that they want to do together and, a lot of the time, that ultimately leads to tough decisions.

You are right to draw attention to the fact that there is flexibility within that framework. We recognise that not every single part of the UK is the same. This is a step towards a system that is a bit more under a framework than our previous approach since 2014, where, because of the novelty of what we were doing, the first-of-the-kind nature of the deals with the larger cities, there was inevitably a degree of local places inventing new ways of doing things. There has been an iterative process of agreeing further deals and top-up deals with a lot of the large city regions, but this is, for the first time, giving places a rough sense of what they can get for different types of structures and how much we think we can realistically successfully devolve to places if they have different types of governance. Very clearly, at the top that kind of pyramid, is an approach where you have a single functional economic area with a single directly elected leader.

Q7 **Kate Hollern:** Some of the actions you describe, the powers of a mayor, transport and education across boundaries, already happen. We do not need an elected mayor for that, but it is interesting that there are no additional powers for your directly elected mayor compared with those of current combined authorities.

The White Paper says that to be eligible for a devolution deal an area would either have to be a county or be a functional economic area and have more than 500,000 people. How do you define that? In talking about levelling up, each area will be different, so what is the guidance for the 500,000 people? For example, Lancashire two years ago put forward a bid for three larger unitaries and we had cross-party agreement. Currently Lancashire is struggling to get an agreement from the districts. There are 15 districts, two unitaries and a county.

It seems that the White Paper is offering many more opportunities if you go for a directly elected mayor, that locally appears to be rejected, when there was a perfectly good solution put forward and accepted two years ago. I am struggling to understand the 500,000 and where you see the constraints or lack of funding opportunities for people who do not go for that model. How can that be levelling up? Surely it should be driven by local needs, local agreements and local understanding of the issues.

Neil O'Brien: There were several good questions there. On your first observation, I completely agree that it is not the case that places cannot work together outside the devolution framework, and in lots of cases they do and they have good relationships. However, the framework of the devolution deals is encouraging quite a lot more co-operation and also more accountability in many cases.

In a lot of the MCA deals that we have done so far, they had shared transport authorities and various other shared bodies but they were effectively quangos; they were not directly accountable to anyone. What if something goes wrong? Let's take a very topical example, the two unsuccessful attempts to get a metro for Leeds. If you quite liked your city council at the time, but were not happy with the performance of Metro, the combined transport authority for West Yorkshire, what were you supposed to do as an ordinary voter? It was quite difficult to know how you could have any kind of accountability. You could not vote Metro in or out. There is no one you could vote in or out.

It is absolutely the case that places can work together and often devolution deals are being done first in the places where those relationships are most established. One of the best things about the devolution deals process is that it is encouraging places to come together and in some cases to set some things aside. Sometimes there has been a history of scratchy relationships between local government leaders. That is inevitable in politics, isn't it, whether two parties are of the same colour or not? This process is encouraging places to work together.

I misunderstood your question about there not being more powers. I emphasise that for places that already have devolution, we also have an agenda of deepening the devolution deals. In that top tier, clearly more resources and powers are available. I probably misunderstood your point.

To your central question about why the 500,000, in the end, any number to give places guidance would be arbitrary. You could always say: why not 480,000, why not 520,000? I think most people would agree that you have to have a certain degree of scale to make these things work. Thinking about the nearest local authority outside the one that I live in—Rutland with 40,000 inhabitants and a top tier unitary local authority—very few of the things that we have been talking about, very few of the issues would be captured within that local authority. You could say that was a reduction to absurdity, that there are places that are more at the margin, and I am sure you could think of some. But of all the criticism and commentary on the White Paper, I have not detected a great sense that that is a terrible place to land because to run some services well, you need a certain degree of scale to have a central authority to manage them.

I pay tribute to some of the things that are being achieved through this agenda. I meet the people who are running adult skills in the West Midlands now and I think they are doing a brilliant job. For the same amount of money, they are greatly improving what is delivered. They are getting away from what you would call bums-on-seats courses, providing the kind of local co-ordination that Whitehall could never provide so that they do not have every college trying to provide the same thing but have a degree of co-ordination instead. To do that, you need a bit of skill. You need to hire an experienced team of people who can look across a wider area. A degree of scale is needed and we have arrived at that number as a rough guide. As it happens, there are not many places just to one side of that for which it seems to be creating any kind of issue.

I would like to use the opportunity to separate out local government reform and unitarisation on the one hand and the devolution agenda on the other. Quite often, people want to talk about both but they are two separate agendas and you can do one without the other or any other direction. You can either have unitarisation and not be going through the devolution process or you can be going through the devolution process and continue to have a two-tier system. I think that is an important distinction without providing any comment on the merits or otherwise of any particular unitarisation or whatever solution in Lancashire, which is very much for local people. Our approach on the question of local government reform will continue to be very much as it has been: locally led and about what consensus there is locally rather than some sort of top-down imposition.

Q8 **Kate Hollern:** Locally led is the important part, isn't it? That causes a bit of a problem because it appears it has excluded district councils from being constituent members of combined authorities although they have the oversight of the Shared Prosperity Fund.

Neil O'Brien: We do not want to exclude districts from involvement in devolution at all. What we are trying to achieve with the White Paper is to avoid a situation in which potentially one small district can hold up progress towards devolution across a much wider area. The devolution deals for Cambridgeshire, Norfolk and Suffolk in 2015 and the Greater Lincolnshire deal came a cropper because individual districts voted against them even though their leaders had all agreed them, and when they took them back to their councillors they did not ratify them. That points to the fact that we were relying on a piece of legislation, the 2009 Act, which had never been intended for that purpose; it had been drawn up with Greater Manchester and unitary-only areas in mind.

Of all the things that people have said about the White Paper, I do not think a lot of people take issue with that or think that it is essential that any one district in an area that may contain many districts and multiple top tier authorities should have a veto over everybody else. You have to respect that, although everyone will fight in their corner, often there are politically different leaderships in these different places. It would be a shame if that were to become an insuperable obstacle to doing devolution in a very large part of England that has two-tier local government. But just because we are saying that there should not be a veto for the districts does not mean that we do not want them to be involved. There is no compulsion but already in a lot of the places that are coming to us with ideas, there is a lot of input from districts and a desire to be maximally involved.

There are lots of different ways that can work. In the Cambridgeshire and Peterborough example, you already have an MCA that has two tiers within it. They have exemplified that in a particular way and I am sure there are others. While we are very keen for districts, boroughs and lower-tier authorities to be engaged and contributing to the devolution agenda, we are also keen to avoid the unfairness of a very small area potentially holding up a very large area.

Kate Hollern: I appreciate that. I am just rather concerned that, unless people go for your directly elected mayor, opportunities for funding could be missed. There are levels 1, 2 and 3 and a difference in the opportunities. I am not sure that rules like that can apply to every area, although I appreciate that it is important to not let districts veto.

Q9 **Chair:** I want to pick up a point about the difference with the devolution framework that we as a Committee were proposing, which I think was a bit more radical. We were talking about devolving to the whole of local government at different levels on the basis that powers and responsibilities should be devolved where they didn't need to be at the centre. We turned the discussion on its head. You haven't got quite that far, have you, with a radical approach?

Neil O'Brien: What a question! The framework marks a departure in a number of different ways. One of the most important is that prior to now there was only one model, the MCA model, and if you were not ready to go for that, there was effectively nothing on offer generically. The framework gives an opportunity for some places to either settle at level 2 and have that kind of combined authority structure but with no directly accountable leader, in the long term, if that is what they want to do, or—and I think this is possibly more likely—to use that as a kind of staging post.

As I reflect on some of the successful devolution deals so far, the one in Greater Manchester, for example, came in 2014 after 20 years of growing co-operation and through AGMA, those local authorities doing more and more together and creating joint institutions of various kinds. It came on top of a lot of established co-operation. In some parts of the country there is a history of great co-operation, in other parts, there is not and in some places—let's be completely honest—relationships between neighbouring authorities have sometimes been somewhat tricky.

The new tier whereby places can start to get significant powers without going for the MCA model that we have been using so far is quite a radical—to use your word—departure from where we have been. I recognise that it is not as radical as your sort of subsidiarity framework where all power resides at the bottom level unless proven otherwise, but I think it is quite radical, as is the intent to further deepen the devolution deals that we already have, starting with Greater Manchester and the West Midlands.

Chair: We will come on to deepening in just a second. There is a further question about that. We will go on for the moment to the issue of public involvement in consultation in these deals being agreed, of which I think there has been some criticism of in the past.

Q10 **Mohammad Yasin:** Engaging with the public is very important. That is why our two reports on devolution in 2016 and 2021 both called for greater efforts to engage with the public before and after the creation of devolution deals, but your White Paper contains no proposals for engaging the public during the process. How will the voice of local people be heard?

Neil O'Brien: I would encourage anywhere that is in the process of negotiating a devolution deal or would like to be in the process of negotiating a deal to involve the public in every conceivable way that they can. In your previous report, there is a fair criticism that I take on the chin about some of the problems we had and some of the reasons we had problems that I have already alluded to. In 2015 and 2016, there was a sense that things were happening suddenly and that it was difficult to understand what was going on.

Having a public framework about the options for different places is part of having a better public conversation. Instead of things being completely novel—and, by the way, for the first couple of these deals we were inventing something completely new in quite difficult political circumstances where people were working cross-party, across the aisle, as it were—having this more public framework that gives people more of an understanding of where central Government is coming from starts to give the public more of a sense of what the options are, as do other bits of the framework that we have already talked about, such as the 500,000. People have a clearer sense of what is and is not doable than they have had before.

All I can say is that I strongly encourage all local leaders who want this to land well and work well to engage the public as much as possible before a deal and then continue to be highly publicly accountable afterwards. We allude in the White Paper to some of the changes that we are keen to make to try to improve accountability and scrutiny. As these quite radical changes we have made to local government bed in and become more important, potentially get deeper, it will become more important for the level of scrutiny and accountability to keep up and avoid a democratic deficit. I broadly agree with the thrust of your point, that places should try to take the public as much as possible with them if they want successful devolution deals, respecting the fact that everyone needs a safe space to agree internally what they want to try to pursue. The observation you make is perfectly sound.

Q11 **Mohammad Yasin:** Do you think that no mention of public engagement in the White Paper is a mistake?

Neil O'Brien: The point of doing the framework gives the public a sense of what the process looks like for the first time in a way that we never have before. It seems obvious to me that if you want to make a success of devolution, if you are a local government leader, you will want to explain what you are doing and why you are doing it. In some cases, those conversations are tricky. You might want to explain why you are working with neighbours who historically you might have been arguing with, publicly arguing in some cases. The process of trying to explain why this is an advantage is crucial and I encourage them all to do it unreservedly.

I am an unashamed advocate for this process, which I think is starting to address in a way that it looks like it might stick, a problem that we have complained about in England for a very long time—that the country is far too centralised. We have had various well meaning goes at decentralising and they have never come off. We tried regionalism in the 1990s. It turned out, when we did the referendum, that it was not what people wanted. It seems to me that this approach is more likely to stick, so I am a strong advocate for it and encourage everyone who is involved in it to go out and explain and advocate for it.

Andy Haldane: If I could come in on this point, Chair, I think you would struggle to find two people who were greater advocates for what you described than Neil and me. In my previous life at the Bank of England, I made a point of directly engaging the public in discussions on the economy and monetary policy. We have embedded that in where we are going about engaging on the White Paper as a whole, including by setting up citizens' panels of various types to provide us with a running score on how the public think we are doing and making good on levelling up. What you say about doing that in the context of devo deals is important as well. I absolutely think that needs to be front and centre.

As you know, we make a big point in the White Paper of wanting to do a much better job of having the data at everyone's fingertips, including the public's fingertips, when holding their local leaders to account. What you describe I see as being absolutely four-square needing to be at the centre of the White Paper nationally and locally.

Neil O'Brien: On page 245 of the White Paper, in the fourth section, we talk a bit about what we will do to help aid that process, convening regional panels, having the new levelling up directors, having our own ministerial tours to try to encourage the kind of engagement that you quite rightly argue for. Us being out and about, talking to places as they negotiate these deals, will be a crucial part of achieving what you quite rightly call for.

Q12 **Mohammad Yasin:** Given that directly elected mayors were the stumbling block for the last set of devolution deals, why not follow the Committee's proposal that the question of having a mayor be thoroughly consulted on with the public before and during the negotiations and a mayor be established where there is public support?

Neil O'Brien: First, of course, nobody has to negotiate a devolution deal; nobody has to engage in this in any way if they do not want to. It is completely up to local places whether they want to be part of it.

I don’t think it is the case that the only stumbling block on devolution up to today has been the mayoral issue. The issue with the Cambridgeshire, Norfolk and Suffolk deals was geography rather than the mayor and a sense, particularly in Cambridgeshire, that they wanted to do their own thing, that they had a different set of opportunities and issues. That was the stumbling block rather than the mayor. In other cases, it is a big change and a lot of people say, “Who is this new big figure? Great that we have someone who is recognised in the world, recognised in Whitehall, but that means a lot of changes for everyone else, MPs and local government”.

Nowhere is forced to do this. I can see why some places are nervous about it but it is interesting that in the places that have mayors, I do not detect any great discussion about going back. If you go out and about in Teesside, does anyone say, “Let’s get rid of Ben Houchen”? I thought the result in the last election was a pretty clear endorsement of the fact that he is bringing visibility and leadership that was not there before, and the same applies to a number of the other mayors. It is optional. I have already talked about some of the advantages, and will not labour the point, but it is optional and it is one of the issues that local places are thinking through.

Q13 **Mohammad Yasin:** Why are fewer powers given to groups of local authorities working across a functional economic area or a county area, which might include areas such as Berkshire and maybe Bedfordshire, where I am from, where there are lots of separate unitary authorities, rather than those that have formed themselves into combined authorities?

Neil O'Brien: I need to understand your question better. Why are there fewer powers available to places that do not go for a mayor, or is the question a different one?

Mohammad Yasin: Why are fewer powers going to an area such as Berkshire where there are a lot of separate local authorities than to those areas where there are combined authorities?

Neil O'Brien: There is nothing at all in our framework or thinking that would stop Berkshire from pursuing a devolution deal; certainly across the six authorities that would be more than 500,000 people. We think that you need some sort of clear, common body to which powers can be devolved, hence a combined authority, whether it is a mayoral combined authority or a non-mayoral combined authority. You need some sort of structure to which we can devolve the powers. A decision that has to be taken about any of these things—transport, skills and so on—has to rest with a body, but there is nothing at all to stop Berkshire pursuing a devolution deal. If that was something that people there wanted to pursue, it would be completely open to them.

Q14 **Ian Byrne:** What do you say, Minister, about directly elected mayors in Liverpool? We will be holding consultations over the next 12 months about going back to the previous model, the council leader model. Do you believe that would be a retrograde step? Does the Department believe that would be a retrograde step? What are your thoughts on that, if that happens and we revert to the model we had before?

Neil O'Brien: It is worth distinguishing for the record the difference between a directly elected mayor model for a single local authority, which is what you are talking about, and a directly elected mayor for a combined authority. For the purposes of devolution, places are free to choose whichever of the three models of local leadership that they want and it is not for us to say in that situation.

Things are somewhat different in a combined authority. You are not just talking about a single local authority, which could have a not-directly-elected leader—and we can recognise that there would be horses for courses there—but for an MCA to have a combined authority where it is effectively just a committee of different local leaders and you do not have a single person who you can vote out or in according to their performance, I do think there is less accountability for the average voter. I think it does less to put places on the map and give them that kind of profile. If you are an inward investor to a large functional economic area or city region, whatever you want to call it, you want to know who is in charge. There are multiple arguments, where you have a combined authority, for a directly elected leader rather than either a committee or a county council-type structure, which are different from the arguments pro or anti having a directly elected leader for a single local authority.

Q15 **Chair:** Picking up on a point there, you keep mentioning functional economic areas and you have also mentioned county deals and I think local identity is mentioned in the White Paper as well. The fact is that they may not all be the same, might they? I will draw on an issue very local to Sheffield. Our functional economic area clearly includes parts of North Derbyshire and Chesterfield, who wanted to come into the Sheffield city region for quite a long time. But it is part of Derbyshire, so people may feel an affinity to an historic county, but that cuts across a functional economic area. How do you square that circle?

Neil O'Brien: That is an excellent, brilliant question and something that the framework is attempting to grapple with. There is no perfect answer, as your question hints at.

We talked in a reasonably clear way about scale and our expectations on scale. Often those things all go together and the functional economic area is the same as the area of identity and in some cases the administrative boundaries as well, but sometimes there are tensions and we have to let local places manage their way through those. This document is not a new version of the Redcliffe-Maud report that says, "Here is the map. We have made a decision. We will tell you from central Government what the geography looks like." Instead, for the reason you just described, it gives places the power and the decision to try to form what they think is the right area and there are places where that is particularly tricky. You mentioned one of them and High Peak would be another. You have a part of Derbyshire that is north of large parts of Manchester.

These are fundamentally quite tricky issues to which there is no perfect, textbook, on-paper answer, but there has to be a political process to work through those things. There is not a single definition of what is local identity or what is a functional economic area. There are shades of grey in some of these things, but we cannot make some sort of imagined perfect answer to that question the enemy of having a felt-fair, roughly acceptable pragmatic answer to it, and that is what has happened in South Yorkshire and West Yorkshire. You can make all the same arguments you just made about West Yorkshire about Harrogate and so on, and people did for several years. A devolution deal there, which at one stage I thought would be the first, ended up happening after a number of the other large urban areas.

On the one hand, it is an entirely sensible and very important question. My argument is that you cannot make the perfect the enemy of the good, and I do not think it is sensible for us to decree or try to decree in a 1960s or 1970s way how different places must work together. I think we have made a lot of progress, although some people hate the idea that you do not have a single map point when you set off on the journey.

We have made a lot of progress with the devolution agenda since 2014. I have been involved in it since then. We now have at least 40% of the population of England covered and about the 50% of the GDP. It is a long way to come in a few years. I think it will, because it is agreed locally and led locally, stick in a way that some of the grand designs of the 1960s and 1970s came unstuck because they were imposed and people did not feel like they belonged to them. You might sit in Whitehall and say, "I think we should have Humberside"; people there did not feel the same way. You can sit in Wells and say, "I think we should have Avon". People wanted to do a different thing, and so on and so forth. I think it is important for there to be local leadership for all these things.

Q16 **Andrew Lewer:** A bit of history here. Clive was leader of Sheffield City Council and I was leader of Derbyshire County Council, not at the same time, let's just say. We never fell out personally about this issue thankfully, although I did fall out with other people in Sheffield.

Do you think it is possible that the reason things did not work out always in those Edward Heath-Peter Walker days was that the decisions then were very clear and, therefore, people locally knew whether this was going to happen or not and had a view about whether they liked it or not and did not want to be in Hereford and Worcester, or Cleveland or whatever, whereas this is so multilayered and complex that the reason you are able to say that things have gone well and people have not caused any objection to them is that they are too complicated for most people to understand anyway?

Neil O'Brien: That is a tough question. I do not think it is the complexity that is the difference. I think it is that they exist where people were able to agree them and they do not exist where people were not, so the iterative process. Government said, "Here is a devolution deal we are going to agree with all of the Eastern Powerhouse: Cambridgeshire, Peterborough, Norfolk, Suffolk, all together", and then people said, "No. We want to do something different" and we have respected that. I think the difference is not just that we have made it more complicated, but that we have made it locally led and we are not forcing anyone to do any of these things. There is a bit of fundamentally starting from a different place. I think you have to go over the grain of local identities in this country.

One thing I did not agree with Tony Blair about was he said that Britain was a young country; I am afraid that is not true. There is a lot of history in this country and a lot of local identity. It is not for us to invent out of thin air new ways that people should feel about their local area. You have to go with what people feel and respect that.

Chair: To come on to the industrial strategy and related elements, Darren Jones.

Q17 **Darren Jones:** Thank you, Chair—you have given the game away. My questions are about the overlap between the scrapped industrial strategy and where it has found a home now in the Levelling Up White Paper. I have quite a few direct questions. If you could give direct answers, Minister, just for time, I would be very grateful.

The first is around empowering local leaders. Under the industrial strategy there were lots of local industrial strategies that were drafted by local enterprise partnerships. They have been advised now that they have no official standing. Should they just take out the words "industrial strategy", put in "levelling up" and then get on with it?

Neil O'Brien: We have been through different iterations of trying to improve R&D, in particular join-up in different places so, as you say, with the science and innovation audits and—

Darren Jones: I am just asking about the local industrial strategies. What is the status of those documents?

Neil O'Brien: They are useful things to feed into one of two things. The first is into devolution agreements and the agenda of devolved Governments and a lot of them are using them. If I think about some of the things that have been done in Greater Manchester now and the innovation districts and now the innovation accelerator that we announced in the White Paper, that is drawing on the ground work that was there to evidence and make credible the proposition there. It is the same thing for the West Midlands as well.

It is not the case that all that work was nugatory at all. I promise that it was all fed into thinking about what the strengths are and enhancing the credibility of that in a system that, as you and I know from being on the Science and Technology Committee together, is a very centralised system with historically not enough of a joining-up function at the local level to say, "No, hang on a minute, here is this opportunity you have missed in all these different agencies" and, "Here is how this non-R&D opportunity fits together with this opportunity that is an R& D opportunity". I hope that innovation accelerators with real money behind them will be the start of a solution to that

Q18 **Darren Jones:** In an area like mine in Bristol there are a lot of local leaders. We have councillors, MPs, a directly elected city mayor, local enterprise partnership, a directly elected combined authority mayor and a powerhouse. As I understand it, it is the combined authority mayor who is the local leader for the levelling up agenda. Will they be given the power to override other local authority council leaders in decision making?

Neil O'Brien: Your question is brilliantly put and you're drawing out a difficult thing. The issue is that a lot of these things operate at different levels and there is a desire locally, and it is not central Government's desire. If you think about the Western Gateway, which you were alluding to about co-operation around into south Wales, right round that arc, up through Cheltenham and down into Bristol, it is a fantastic innovation cluster. It is their desire, rather than our desire, to try to work together and I think it is good to avoid having—

Q19 **Darren Jones:** Will combined authority mayors be given the power to vote in a way differently from other local leaders to get something through, yes or no?

Neil O'Brien: I genuinely do not understand the question. They all have their own constitutions that they drew up.

Q20 **Darren Jones:** Let me give you an example. Local authority council leaders will meet, the combined authority mayor will chair the meeting, but unless they all agree, things do not happen. At the moment, as I understand it, combined authority metro mayors do not have the statutory power to override the local council leaders. Will they be given that?

Neil O'Brien: I understand your question now. It is already the case that this works quite differently in different MCAs. I think the one that you are talking about is at one end of the continuum for how powerful the mayor is. In most areas the mayor has a set of defined functions that they can exercise without the consent of local authorities or, in some cases, the mayor effectively has a veto over plans that are being drawn up. Obviously we encourage them all to work together in a reasonable—

Q21 **Darren Jones:** What is happening under your White Paper, Minister? That is what I am trying to get to.

Neil O'Brien: There is an offer to look at the way that devolution is working and how we can deepen that, starting with the West Midlands and Greater Manchester, the two authorities that are the bigger city regions and among the front runners in how far they have gone on the devolution journey so far. The process of extending and looking at the way things work could go on to other MCAs. It may be that you make a powerful case to extend that to the West of England as well. I would not rule anything out at this point.

Darren Jones: It would depend differently in different areas.

Neil O'Brien: Because they are all starting from different places. In some cases the mayor has been set up to be more powerful than in other places.

Q22 **Darren Jones:** Understood. I will move on because of time. You talked about how central Government, the machinery of government, needed rewiring. One of the criticisms—including from you, Mr Haldane—was that the industrial strategy was not delivering because it was a good document in the business Department but other Departments were not pulling their weight. Could you give me one example of how you will rewire the machinery of government to deliver your levelling up agenda differently? Probably to the Minister first.

Neil O'Brien: I think the R&D agenda is one where the process is, not only will we have a whole of Government target, the third increase over three years in Government domestic R&D spending outside the greater south-east, as I mentioned, but that is then a target that echelles down to individual Departments where, for the first time, we will get the data on where their money is being spent. You might say—and I would agree—that it is disgraceful that central Government Departments do not know where their R&D money is being spent, even at the regional level. It is a crazy situation. We are fixing that through the process we are setting up there. There will be then a process of setting out targets to reshape that spending for each of those Departments that we mentioned. We talk about BEIS, Department of Health and Social Care, DEFRA and DfT.

Q23 **Darren Jones:** Who will enforce that? The problem I am trying to understand, Minister, is that when industrial strategy sat in the BEIS Department, whoever the Secretary of State was at the time seemingly could not get other Secretaries of State in other Departments to do what they were being asked to do, even though there were targets. Now we have the situation where the industrial strategy has been taken away from the Secretary of State for Industrial Strategy, put into the Treasury and then largely copied and pasted and put in your Department with the Secretary of State for Levelling Up. Who will be cracking the whip to make sure these things are delivered?

Neil O'Brien: Your question originally was, "Give us an example of where there is cross-Government, non-single-Department working. I think that the R&D commitments we have made in the White Paper are an example of that, where there is a headline target. For BEIS—and this is all of BEIS including UKRI, which is about 75% of it—and for part of DH's spending there are some initial goals that are specific. Then there is a commitment to set, during the course of this year, similar goals for other Departments that are named Departments. I think that is quite a good example of us working together across Government. I am sure that we will, in another forum, be held to account for it very strongly.

Q24 **Darren Jones:** My last question is very short. You are setting up the Levelling Up Advisory Council. It used to be the Industrial Strategy

National Council.

Neil O'Brien: What happened to those guys?

Darren Jones: They were sacked, Minister, by your Government. Will the Levelling Up Advisory Council be given any new powers different from those which the Industrial Strategy National Council had?

Andy Haldane: As you know, I was the chair of the Industrial Strategy National Council previously, one of those who were sacked.

Q25 **Darren Jones:** The answer to the question: what new powers are you giving to the Levelling Up Advisory Council that the council did not have?

Andy Haldane: It is essentially the same sets of powers, which would be the power to deep dive into the different aspects, in this case of levelling up, as was previously industrial strategy.

Q26 **Darren Jones:** I am sorry to interrupt, but you recognised when you chaired the council previously that you did not have sufficient powers to hold the Government to account as much as you wanted to. You said that to my Committee. How will this Levelling Up Advisory Council be any different if it does not have any new powers?

Andy Haldane: I still think the capacity to deep dive and to publish transparently, openly and rigorously progress on the various missions will give a degree of leverage, not statutory leverage, but none the less transparency leverage.

Neil O'Brien: Can I add one quick point? It is not the case that levelling up is just a new name for the industrial strategy. It is, I am sure you recognise, a much wider agenda with all the components of the public services and opportunity, but also health and the like, and cultural and devolution are also the agenda. Having worked on both, I liked what we did on the industrial strategy, but this is a much broader agenda than that was.

Andy Haldane: On what might be different in joining the dots, I am very conscious that a Cabinet committee is not the answer to any question particularly, but we now have a Cabinet committee for levelling up that meets weekly. There is a representative from Treasury and most of the Departments. That is part of the machinery of Government that ought to be joining up in a way that was not possible and did not exist with the industrial strategy. Neil gave you an example of an issue that will require that degree of cross-departmental co-ordination. Let me give you a couple more. We say in the White Paper that there will be future White Papers on health disparities and on skills. Those issues will be taken to that committee and discussed collectively through a spatial lens that it would not have had previously.

Q27 **Darren Jones:** Cabinet committees notoriously do not publish their minutes or documents or progress reports to committees like this. Will that Cabinet committee do so?

Neil O'Brien: All the different processes that Andy has just referred to are all public documents and once you arrive at there being something to see, you will see it. There is no other way for us to operate. If we are going to publish a strategy on tobacco reduction, we have to publish that and that is the nature of it. There are actual outputs from all these things as we go through this quite long list of further actions and papers and our enormous spreadsheet of all the things we need to do now, having published the White Paper. These are all things that will come to you in different committees and this Committee as well. We will have to work out how we can scrutinise across all those things in a fair way.

Chair: We will move on now to deepening devolution, which we have already referred to.

Q28 **Andrew Lewer:** Which powers are you prepared to grant to Greater Manchester and to the West Midlands? What is your timeframe for negotiating those?

Neil O'Brien: There is no off-the-shelf list of powers that we are prepared to grant. There is nothing off the table. We are happy to have discussions about anything those areas want to talk about, within reason. I think it is for them to say what they want to achieve. It is certainly the case that they are thinking across quite a broad waterfront, ranging from environmental and energy policy in a net zero agenda to further steps in skills and careers. It is not for me to put words in their mouths about what they should seek to get and there is nothing, within reason, that is off the table.

Q29 **Andrew Lewer:** Is that entirely open, broad approach equally open to existing combined authorities if they came to you with the same sort of bold ambition?

Neil O'Brien: I think we have seen a process of emulation in a good way between MCAs and a lot of other deals, in the first place Greater Manchester. There has then been successive deepening of several of the deals and from what we have managed to agree with the two places that we are currently talking to—to answer your question about timing—other places will be quick to come to us and say, "We want to do similar things" or "Now that you have got into this subject, we would like to achieve this". As you talk to places around the country, there are very diverse subjects that are not on the national radar to the extent that local leaders want to see them put on there. It could be anything from an energy interconnector to a railway junction to an issue about the housing market that is specific to a local places. I think that one of the best things about the devolution agenda is the ability of places to use it to put things that are very important to them, but could easily be lost in the Whitehall conversation firmly on the map and get traction for them to make some of those things happen.

Q30 **Andrew Lewer:** Do you accept that that is a one-way street, that once those areas have got the devolution, got hold of those powers, it is up to them to get on with it then? You can't take them back again.

Neil O'Brien: I hope that we will move in the direction of more competent, more successful, more powerful devolved government and more powerful local government generally in the UK over time. If there is grotesque failure, and we are increasing accountability and increasing our ability to spot that at an early stage, there are no guarantees if people violate the basic principles of managing taxpayers' money well that they will continue to do that, but we hope that we don't get there. Over a very long time, there has been a process of creeping and not-so-creeping centralisation in the relationship between the centre and local government, and we hope that we see a substantial swing of the pendulum in another direction.

I think that we have already seen through the devolution agenda some real local successes in things being led locally that either central Government has not done or could not have done. That is not just true of areas with an official devolution deal. There have been some fantastic things done in local government outside the devolution deal areas as well. The direction of travel is towards decentralisation but, of course, there has to be accountability and where there is failure, we will need to step in sometimes.

Q31 **Andrew Lewer:** In trying to prevent that and also mitigating any local centralisation, if that is not too tautological, the devolution report we produced in this Select Committee called for an extension of the powers of the London Assembly, including receiving forward police and crime plans from the Mayor and the Assembly rejecting the Mayor's proposed appointments for deputy mayors and extending that scrutiny to other areas of London governance beyond the Mayor's purely administrative responsibilities. Bearing in mind particularly that successive mayors have effectively sacked two commissioners of the Metropolitan Police, using what you might term soft powers, is it not time to also enhance the powers of the London Assembly?

Neil O'Brien: You raise a good question specifically about London but one that goes wider than that. As I mentioned earlier in this session, I think as power has gone up, and London has already had powerful devolved government since 1998, the need to increase accountability and transparency has increased and is increasing. There was a very specific thing in your question that we will need to think through in detail, using an example just from recent days, but the more general answer is that we need to think through how accountability works in a sharp way for all of our mayors as they become quite powerful players in our national life.

Q32 **Andrew Lewer:** Briefly touching on other sorts of mayors, there is no mention in the report about local authority mayors in places like Bedford, Copeland, Hackney and so on. What do you see as the future of those mayors, especially where there is local government reorganisation?

Neil O'Brien: I think that at the level of the individual local authority we will continue to have the option to have three different types of leadership—your committee, your leader or your mayor. Different places will find different ones appropriate, so I think that all will continue and indeed they do continue even where there are devolution agreements. In the West of England you have the Mayor of Bristol underneath that; in Greater Manchester you have the Mayor of Salford. There is no reason that that cannot work well. It is entirely up to places what they go for and there is no particular connection between that and any agenda for local government reform or unitarisation. I may be missing the thrust of your question, but I think if places have a model that works quite well—

Andrew Lewer: No, I don't think you missed the thrust. The thrust is a certain tension between feeling that all this can be achieved just within existing structures, and existing structures are held now—not a few years ago—to be separate from this issue, rather than part and parcel of achieving devolution. You covered that.

Q33 **Matt Vickers:** The Levelling Up White Paper stated that the Integration White Paper would provide clarity on the future of health devolution. Although there was praise for Greater Manchester, combined authorities and other devolved institutions were noticeably absent in the Integration White Paper. What do you envisage as the role of the devolved institutions in healthcare provision?

Neil O'Brien: I think again it is for places to say to us what they want to achieve. The Integration White Paper you referred to talks about the need for a single accountable person. A number of the places that are exploring devolution deals are interested in doing more in health and social care devolution. It is the furthest in Greater Manchester on that agenda but that is not to say that we would not do more in other places. I think there is a challenge to us that we need to take seriously about how we can make the geographies work for that. In some cases, prior to the ICSs, you have geographies that would not fit with a devolution deal and would make it more tricky. A number of places are thinking about it.

It is for local places to decide how much of a priority it is for them to pursue a joined-up, devolved approach on that. It works better where you have strong relationships between local authority and NHS partners, but I am not telling tales out of school if I say that a number of places are very actively considering that. I hear a lot from local authority leaders in particular but also NHS people about the resource that is wasted in arguing over who will own which patient and who is paying for what. There is a lot of friction. If we can achieve join-up in a system, particularly a system where there is strong, accountable local leadership, that is pretty attractive and could be an important part of answering this massive challenge, which is crushing financially for a lot of local government. It is the No. 1 thing on their minds.

Q34 **Matt Vickers:** On housing, the Committee welcomes the changes to the 80/20 rule but further measures are needed. For example, do you agree that there need to be changes to the Green Book and the additionality rules applied by Homes England?

Neil O'Brien: We have had a letter from your Chairman, to which, if we have not already replied, we will be replying shortly. I should be a bit careful in that this is outside my brief. It is in Stuart's brief.

As you have touched on, we are getting rid of 80/20, which tended to funnel spending towards areas that are more affluent. Arguably, if you already have a good system for assessing the value for money of your interventions, why do you need a second rule on top? That is absolutely going.

Following the Treasury's changes to Green Book guidance and the emphasis on wider value for money rather than narrow BCR, if I can characterise it like that, a set of questions falls to us as a Department that we are actively thinking through at the moment about how one, in quite a technical field, best assesses the question of wider value for money. Part of how one assesses the value for money for these interventions is land value uplift, but obviously that cannot be the whole story. That cannot capture every single dimension of the value of an investment and there has to be wider consideration. As part of the general drift of policy in this area in terms of regeneration, which there has been a heavy emphasis on since my Secretary of State, Michael Gove, took over the Department, we are trying to think in the round about the value of these things.

For some of the things in the White Paper, like the commitment to using some of the £1.8 billion brownfield fund to empower Homes England to get seriously back into the business of urban regeneration on a large scale, we will have to think about the totality of the value of those investments, which are not always easy to capture in a static textbook kind of way. Part of the consideration about where we do some of those schemes—we have mentioned those in Wolverhampton and Sheffield—is about very specific propositions: what it is possible to do, what local partners want to achieve and what they can contribute. That is part of the discussion and part of it will have to be a sophisticated consideration of what I call value for money in the round, which is not always captured by the immediate market price of things.

It is a profound question. It is one partly for Stuart, for my Secretary of State, as well as part of the levelling up conversation, and it is one that we will come back to you on in more detail in due course. I think it is a profound question for us to think through.

Q35 **Matt Vickers:** There was limited reference to social housing in the Levelling Up White Paper. What role do you think it will play up in levelling up?

Neil O'Brien: Sorry, I keep answering all these questions. You might want to bring in Andy. I think it has a number of important roles to play and that is nested within a wider thrust of policy from my Secretary of State to crack down on very low standards in the private rented sector where, having made quite good progress with quality in the social rented sector, there are still quite serious problems. It is part of a wider policy.

The total stock of affordable housing has been going up generally since 2008 and Government are spending very significant sums of money on that. Following on from the question that you just asked, you see £2 billion more spending outside the capital as part of the new affordable housing programme. We absolutely recognise that within that there is also sheltered housing and affordable housing for the most needy people in our society.

It has an important role to play for people in providing stability as well as quality and all the protections that come with it, but it is part of a balanced diet where there is also action to take on slum landlordism and to stop people from renting out houses that are unsafe and have bad effects on the health of their tenants, particularly given that there are now more people with children in the private rented sector. The White Paper goes a bit down the route of drawing out the linkages between poor quality housing and poor health outcomes, which in some parts of the country are quite acute where there are concentrations of really poor housing.

Chair: We appreciate your offer, Minister, to come back when you have had a look again at the guidance that should shape how we evaluate the benefits of the housing investment, particularly regeneration schemes. It is welcomed by the Committee that you will come back to us in due course on that. Thank you for that. Moving on to an even tricker subject, the whole issue of fiscal devolution.

Q36 **Andrew Lewer:** In 2014 the Prime Minister, when he was then the Mayor of London, told us that the advantages of financial devolutions are, "the ability to plan ahead, to look at the needs of the city and to think long term, just because there is that knowledge of the stability of funding. It clearly also would give greater scope to borrow and therefore to do more." With that in mind, do you accept that there is little ambition about fiscal and financial devolution in the White Paper?

Neil O'Brien: I don't accept that there is little ambition. I think that a number of places will want to talk to us about that in their initial devolution deals or in deepening their devolution deals, but as ever the key question is what exactly. There are all sorts of things you can do to have fiscal devolution, from having multi-year budgets, which we are aiming to do for local government following this period of having to have one-year settlements because of all the issues around Covid, to the retained business rates that we have, 100% retained business rates in some cases, to the ability in some cases to do TIFs or mayoral CILs or CIL generally for specific things in local places. We saw in some of the devolution deals that there is already the ability to levy mayoral precepts for business rates. A number of places are thinking about how they could go further on that or refine those powers to make them more attractive to use.

I think of you as a low tax Conservative and one has to be very cautious about doing things that could be bad for local economies. Exactly how to bring off fiscal devolution in a locally accountable way that gives places the ability to shape their local economies and attract more inward investment in a way that does not have wider negative externalities is a big unfinished piece of business for us and one that a number of places are thinking through.

Q37 **Andrew Lewer:** You put your finger on a problem with this area, which often gets framed in terms of places looking for ways to put more taxes on rather than to devolve control of taxation, which is a different thing. In that spirit, the Government have already devolved control of income tax to the Scottish Government and have begun assigning a proportion of VAT revenues to Scotland as well. In our devolution report, we called for some consideration of either devolution of taxation or assignment of revenues to local areas and both of those happen a lot right across Europe. Will the Government pursue in England measures that would enable places to put taxes down as well as up, which can be found across Europe and have already been introduced for Scotland?

Neil O'Brien: My memory is that I think in the devolution deals we have done so far, places can cut business rates without a referendum but require one to raise them. There is already the ability to cut taxes in a number of ways. The question is always financing it, as you know as a former local government leader. I recognise that in Scotland the devolution agenda generally and the fiscal devolution agenda have gone much further. That requires a huge amount of infrastructure and resource of a devolved legislature as well as a devolved Government. In Scotland, you are looking at a functional economy where there are not so many people right on the border of it. There is quite a lot of closure, to use the same word we were using in earlier discussions, about transport and skill spending, whereas if you were to have that on too small a geography, you can see that there would be avoidance and gaming issues.

My sense is that places are pursuing things other than the devolution of income tax. I am thinking more about business rates and things like that and CILs, TIFs and things that are probably more common in local government and city government around the world.

Q38 **Kate Hollern:** Earlier this year, the IPPR reported that in 2017-18, 95p in every pound paid in tax was taken by Whitehall compared to 65p in the pound in Germany. Do you agree that it should be a mission of the Government to reduce that figure?

Neil O'Brien: It is certainly a mission of the Government to produce stronger local leadership and effectively a less centralised country, so absolutely I agree that that is a mission. Obviously one needs to be quite careful about making those comparisons, which can be tricky technically to do, but I completely agree with the thrust of your point. The UK is at one end of the continuum of the centralisation of the state and we should become more decentralised and have stronger local government that can do things and get in on investment and perform the normal role of local and regional government in a lot of other peer countries.

Q39 **Florence Eshalomi:** My apologies for being late and thank you, Minister, for your replies on this. An issue I want to pick up with you—and I hope you will agree—is that one of the ways we can look at the agenda on levelling up and fiscal devolution is making sure that large city regions, including somewhere like London, has more control over the tax they generate. London has less control over the tax it generates in comparison with other global cities, and some local revenue raising, for example £500 million raised by Londoners in vehicle excise duty, goes back to the Treasury and is distributed across the country. If the London regional authority, under the Mayor, had more control over that, we could see levelling up in action. Do you agree that levelling up has to include giving greater financial flexibility to cities like London in generating local income?

Neil O'Brien: We are absolutely open to talking about greater fiscal flexibilities and fiscal devolution, but I think it is important—and I am sure you would agree—to think about the wider ramifications of that for the balance of financing between different parts of the UK, between poor and rich parts, and also the stability of local government finances. Some of these different taxes have very different qualities to them. Some move pretty slowly, like council tax and business rates; others like SDLT and the like can be extremely volatile. If you make that a source of day-to-day spending for local government, you are exposing it to all the volatility that is normally absorbed by it being run through general taxation.

I think that there are two sides to the coin. I am certainly open to conversations about fiscal devolution and decentralisation, but one has to do that in a way that does not unwittingly cause a lot of damage to poorer places or expose the people who have the devolution to a lot of fiscal risk.

Q40 **Chair:** I presume that the Secretary of State thought about those issues when he was advocating that the control of business rate setting should rest with local government.

Neil O'Brien: There is an endless conversation to be had about business rates and the different tunes you could play on that. It is a complicated tax where you have to think about the intentions it is setting up and the risks it is creating as well as the upsides of giving places more devolution over it.

Q41 **Chair:** Yes, but it is still an ambition, we take it, of the Secretary of State?

Neil O'Brien: I think that you will have to watch this space for what happens with business rates. The way that you will see what happens is probably through the deeper devo process and the devolution agenda and what places come to us with. Again, I cannot speak for them but a number of places have all kinds of interesting ideas about what they might do with business rates, as you can imagine and you have probably heard evidence of in this Committee.

Q42 **Bob Blackman:** One of the concerns about levelling up is that it may be used by the Government as a means of transferring money away from

London to other areas. Coming from a local government and also a London Assembly background, I am acutely conscious of the fact that despite the regeneration programmes of many different Governments, the same poor areas in London are still the same poor areas now. The Department for Work and Pensions made an assessment that there are more people on low incomes in London than anywhere else in the country. From that perspective, I trust that we will not see money transferred away from London. I would appreciate your confirmation that that will be the case.

Neil O'Brien: You have a big point there and a supplementary point. On your big point, absolutely it is not about doing down London. That would be a grave mistake. We are not in the business of cutting down the perceived tall poppies and we think that this agenda will have advantages even for places where wages are higher, where they are more affluent overall, accepting that there are massive differences within regions and within local authorities, as we draw attention to in the White Paper. We can see in the empirical evidence from academia and a whole range of economists that economies that are more spatially balanced overall in general are better off, and it is not hard to see why. If you have an economy where some bits of it are overheating, you can't buy a house, it is too expensive, you can't get on the Tube or the train in the morning, everything is overloaded, and at the same time you have bits of the country that are crying out for investment where there is unemployment and you have underused assets and surplus land, there has to be a win/win from all this.

Although we cannot promise to take away some of the huge pressures that fall on London as a global and successful city, I think that a successful levelling up agenda will ease some of those pressures on London a bit for housing affordability, congestion and other things that come with that. It is very striking when you look at the growth of population in different parts of the UK over the last 30 or 40 years that cities in some parts of the country have smaller populations than they did in 1981. Compare that with London where between the start of the GLA and now you have gone from a city of 7 million to 9 million people.

Q43 **Bob Blackman:** Except the belief is that during the pandemic 600,000 people left London, which demonstrates the problem. Equally, the other concern I will highlight about London is that a lot of property that is being built in London is not being bought by Londoners, or even people from the UK. A lot of the developments that take place are marketed in South East Asia in particular and bought by people who are overseas investors. There is nothing wrong with that except that they then rent them out at hugely extravagant prices that people cannot afford or normal Londoners cannot afford.

Can I take you on to one or two other areas of funding? How much of the funding that was announced in the White Paper had not already been announced for other schemes? For example, I know in my own borough there was an announcement of funding, but that would have been announced long ago. How much is there new money, I suppose is the—

Neil O'Brien: I have been working on this agenda since April 2021 and we worked into the spending review—and some of the contents of that spending review are a direct result of the work of the Levelling Up Taskforce—and then also beyond that into the Levelling Up White Paper. Those are effectively a kind of one-two. In the spending review, you see that we have £1.8 billion in our new brownfield fund and then in the White Paper you hear more about how we will spend that through Homes England, getting central Government back into the business of regeneration. In the spending review you see the commitment to the £20 billion and then the £22 billion of R&D spending. In the Levelling Up White Paper you then see us turning that into goals to spend a third more outside the greater south-east, particular targets for particular Departments, and also more detail about how we make that drive the economy. That is the relationship between the two of them that we fed into as part of our work.

I think that the relationship between the spending review and the White Paper is the creation of things in the spending review, like the expansion of the British Business Bank with the extra £1.6 billion to cover all of the north, all of the south-west, Scotland, Wales and Northern Ireland, and like the creation of the Global Britain Investment Fund with £1.4 billion for us to be able to compete fairly with other countries on the gap financing requirements for major mobile, globally competitive inward investments such as the huge investment we saw between Nissan and Envision up in Sunderland.

To pick up two important points that I did not get to in your last question, on second homes you will have seen we have taken action on the loophole. It may well be that there is more to do there and I think that the point you make is a good one.

Q44 **Bob Blackman:** Yes, but with due respect, that is second homes of UK citizens having the option of buying it. What I am talking about is the fact of people from overseas choosing to invest in the UK, but not living in the properties that they are investing in. That is something that I think has to be addressed.

Neil O'Brien: I totally hear your concern on that. I was making the point that we are starting to take action on that, but I think your point is a good one.

To your point about the same areas in London being the same places they were 30 years ago, I would slightly challenge that a little bit because within London you see that some areas have hugely improved, partly as a result of major infrastructure investments. They have become better connected and, indeed, London as a whole has genuinely changed its position. London used to have famously some of the worst schools in the country and now it has among the best. It used to be—

Florence Eshalomi: Thanks to the London Challenge.

Neil O'Brien: Well, thanks to a number of things: the brilliant academies programme that was run under the Labour Government and was hugely expanded under this Government. It is a cross-party success story. It has also improved its position internationally in its competitiveness, earnings and so on.

I will slightly counter the sense that nothing can change and places do just stay poor for ever. There have been real changes in a number of places and a lot of what we have in the White Paper, thanks to Andy's expertise, is trying to draw out the lessons of why in some places we have made progress and in other places we have struggled.

Q45 **Bob Blackman:** The issue will be, Minister, and I think we have to be clear on this—for example we could take you to the Olympic Park where tremendous investment has gone on, but, if you went outside the area of housing and development to the streets around it, people would say, "We got nothing out of this. We are still in the same position as we were in before". That is my point. Money has been spent but it does not necessarily mean that Londoners have gained from it.

Could I prompt you on one issue? You mentioned international comparisons. When West Germany reacquired East Germany, there were huge disparities between the two economies. The estimate is that they spent £70 billion a year redressing the imbalance. That is a huge amount of money. We are not talking about anywhere near that sort of money to correct the imbalance in the UK, are we?

Neil O'Brien: I have two points. On your point about neighbourhoods in London, it is an important one that we echo in the White Paper. If you look at the index of multiple deprivation for neighbourhoods in London, there has been genuine progress across the capital.

On your specific point, that number comes from a report. I think it is the Halle Institute, which is a brilliant institute in eastern Germany. We need to be a bit careful about that because I think that number includes a lot of welfare transfers. If we were to add up everything that the DWP has spent in the north-east, say, over the last 10 years, you would have a huge sum but it would not necessarily be a good indication of what is really driving levelling up. We have made the point that some of the types of spending that are most growth enhancing, like R&D, housing and so on, have historically often, as Andy said earlier in the session, been skewed for understandable but problematic reasons towards already affluent areas. You do not want to look at just the total spend, you want to look at the composition of it and how it is spent, respecting that the quantum is important. One needs to understand what is really going on there, although scale of effort is obviously important.

Bob Blackman: One final point from me, and I know Florence will want to come in on one or two things around this—

Neil O'Brien: Can I just make one tiny point on that as well? Interregional fiscal transfers, which are often used as a proxy for how much levelling up you are doing, in some cases can be a mark of a problem. In a really successful levelled-up economy, you probably do not see big transfers between different regions because they are all successful. You do not have those big cross-payments, welfare payments and so on, what Tony Blair used to call the bills of social failure. You have a strong underlying economy so you do not need to move money around. One must be very careful about what you interpret as level of effort in some of these things.

Q46 **Bob Blackman:** Finally, the Government use a variety of formulae to distribute money for education, the National Health Service and to local government. Those formulae have been in existence for some time. How are you going to adjust those formulae to level up? It is a sausage machine, as we know. If you do not put more in at the beginning, at the top, when you distribute it out it means that someone has to get less if someone else is getting more. Obviously that has a consequence for London in particular for schools and other facilities such as health facilities, where the cost of living is much higher. That is the reason for having that extra money for London. Are you going to change the formula? If so, how much extra money are you going to apply to make sure no one loses out?

Neil O'Brien: There are different things going on in different types of spending, as your question implies. In some cases there is not really a formula. We have talked about R&D and the way that money is spent. There is not a single formula for allocating that, and the processes that it has been run through have had the consequence that spending has been increasingly concentrated in Oxford, Cambridge and London. They are brilliant centres, but one also wants to invest in the strengths of other places.

Quite rightly you say that there are tough choices. If you have a formula allocation of money, it has to produce a distribution and not all these things have been set for that long. In education—you alluded to this in your question—there has been quite a lot of change as part of the creation of the national funding formula that tries to put that on to an objective basis rather than a historical one. I think that it has targeted some of the areas where schools have done less well in recent decades, broadly speaking.

Each of these is different and there are different rationales for reforming funding formulae in each of them, for health, local government, education, policing and the like. There are different things you want to achieve with each of those. I find it quite difficult to answer that question in the round, but Andy may be able to give you a better answer.

Andy Haldane: On the local government side, there is a case for looking again at the formula that is used for that and updating that, not least for the most recent data. I think it is hard to roll all those together into a collective. I think it needs to be looked at case by case.

One point I want to make more generally on the funding side, however, and it goes to the flexibilities point that was raised earlier, is the desire in the White Paper to streamline existing sets of pots available to local areas, on which there has been an ongoing proliferation both of pots and of criteria for those pots. I hope that is a welcome direction of travel that will at least make it a bit easier to navigate the funding landscape than has been the case in the past.

Q47 **Florence Eshalomi:** I echo the comments from my colleague, the Member for Harrow, on London. I am sure the Minister will be aware that London is the most unequal region because of our high housing costs, so obviously we have high levels of poverty. The data from the Centre for Cities high streets index recovery, for example, shows that weekday visitors in the final week of January 2022 stood at 44% of the pre-pandemic levels. I look at Waterloo station in my constituency, where we normally have 30 million visitors per annum coming in. I have the South Bank, London Eye and a number of cultural centres. We are still not there yet, so I hope that the Minister will look at the fact that we cannot inadvertently level down London to level up the rest of the country, and that investing in London will bring that prosperity right across the country.

Neil O'Brien: I completely agree. There is no desire to level down London, nor a lack of recognition of some of the pockets of incredible deprivation that there are in parts of the city. Straightforwardly, no, I agree.

Chair: We look forward to the increasing public expenditure from the Conservative Government as you do not want to reduce it to any particular region, but you want to increase it for others. I could not resist that, Minister. Let’s move on to the issue of the particular levelling up funds that are available with Ian Byrne.

Q48 **Ian Byrne:** I will direct this one to you first, Minister. The National Audit Office criticised your approach to the Levelling Up Fund, noting that the What Works Centre for Local Economic Growth had advised that small-scale investments are not as effective as physical regeneration in transforming struggling areas. Are your funds focused on the right ways to achieve levelling up most effectively?

Neil O'Brien: We always listen to any kind of challenge from the NAO, but I would say that a £20 million investment is not a small investment for a lot of the places that are receiving it. They are large, significant projects.

On physical regeneration, absolutely, that is one of the things that is being done through the Levelling Up Fund. It is one of a number of things. You can use it to do everything from major cultural investments to physical regeneration to transport, and a large chunk of the fund is doing transport projects. It absolutely is driving some of those schemes and is being used for regeneration, married up with other funding opportunities, like the devolved brownfield funding, the £300 million that was announced around the White Paper. I think that it is doing some of those things.

I also recognise that there is a need for a balanced diet in the way that we fund local growth and local regeneration in so far as the Levelling Up Fund is challenge based. It is a competitive fund. There are lots of advantages to that. It gets people sharpening their pencils and it gets you funding good projects, but there is also a need for a baseload of stable, non-competitive funding that places know they will get so they can plan on that basis. They can use it to close funding gaps to have the last piece of a jigsaw to unlock something bigger. That is why we said in the White Paper that the Shared Prosperity Fund that is forthcoming would be done on a formula basis so that you have the balance of some competitive funding—there are lots of good things about that—and some kind of stable, formula-driven funding that brings with it a different set of advantages.

Q49 **Ian Byrne:** Do you see any disadvantages to competitive funding?

Neil O'Brien: One of the problems is that you can have places that are very needy that just happen to lose out in a competitive process. They put in a series of bids that do not make the cut. Another issue that a number of authorities have raised with us and we have tried to address with capacity funding—but you cannot completely do that—is that some of the smaller authorities say that they find it difficult to put together bids compared with some of the larger authorities.

Q50 **Ian Byrne:** Is that financially?

Neil O'Brien: It is not just financially; it is a wider capacity point.

Q51 **Ian Byrne:** On that, because I think it is a very important point, are there any fears that less resourced authorities will lose out on the ability to access levelling up so it defeats the whole object?

Neil O'Brien: There are several layers to that. Obviously, the local government finance settlement for this year has a 4% increase, so resources are flowing into local government.

Ian Byrne: How about the last 10 years of austerity?

Neil O'Brien: There is not much point in us relitigating some of these arguments, but it is worth just making that point.

On the capacity point, although we can provide capacity funding for places to bid in the top priority areas, as we did to help them write bids, it goes much deeper than that. Fundamentally, if you are a local authority like Birmingham, one of the biggest anywhere in Europe, and if you are compared to, I don't know—it is unfair to pick on places—Rutland or North Devon, small unitaries elsewhere, you have a strength and depth that they will struggle to match. I think that is a fair point and one of the reasons why it is important to have a balanced diet of both challenge based and non-challenge based funding because they do have different merits. There are downsides as well as upsides, I am clear about that.

Q52 **Ian Byrne:** To drill down a little bit more into that, would it be more beneficial to the regions that desperately need this levelling up funding to have a devolution style maybe the same as Scotland, Wales and Northern Ireland so that the money is allocated by formula that targets the most deserving areas and lets them get on with it instead of what we are seeing now?

Neil O'Brien: All these things are heavily skewed towards poorer areas. In the Levelling Up Fund something like 75% of the money so far has gone to the authorities in the top tier of need. If that is not the right number I will correct it, but it is very heavily skewed towards poorer areas. The same thing is true in a number of the other funds; the Towns Fund only funds towns in the most deprived half of the UK. The Shared Prosperity Fund will also fund poorer areas more. They all do that, but you are right that it is also good to have through devolution deals, as well as the Shared Prosperity Fund, that baseload of constant funding through things like the gain share arrangements, which a number of the authorities have used brilliantly. Manchester used theirs to get the Airport Relief Road and the new tram line; others have done big cultural things. They have all used them to further their own priorities. The City Region Sustainable Transport Settlements, which are a huge amount of funding—and, to Andy's previous point, they are joined-up funding into a single pot—enable city authorities, places with devolution deals, to approach the question of improving their transport systems in a joined-up way. They are not having to bid into a competition, they can do that in a stable way. A number of mayors and MCAs have told me that they value that.

Q53 **Ian Byrne:** Would you like to add anything, Andy?

Andy Haldane: I am on record ahead of arriving in government saying that I am not in favour of competitive funding pots and nothing over the past five months has led me to change my view.

Ian Byrne: You are pressing that on the Minister, are you?

Andy Haldane: It is an area where people can have different views, but in my preferred world there would be that streamlining simplification, removing of ring fences, lengthening of duration and moving to formula needs-based criteria.

Q54 **Ian Byrne:** To finish, given the various bids that we have touched on that your staff are handling, how do you train civil servants to ensure that they have a good understanding of the places they are dealing with and making decisions about? It is a very important point because I know there is a lot of real concern.

Neil O'Brien: It is a very important point and there is a lot of levels to it. This is something that Andy has done a lot of work on in the fundamental changes to the structures in central Government to improve that relationship. I am happy to talk to you but I don't know if you want to talk to any of the systems and rewiring points.

Andy Haldane: One point I might speak to that has not cropped up so far and is relevant to a number of the issues we have touched upon is that we speak in the White Paper about a new model of Government—that is the rewiring of Whitehall—but also a new model of governance, which is how Whitehall interacts and partners with local leaders, not just government leaders but with vice-chancellors of universities, local businesses, local members of civil society. Many of the best things I see happening across the UK—and I see lots of them—arise from that partnership working between the public sector, the private sector and civil society. We tried to make that a pretty core theme of the White Paper to enhance that different way of doing business, where Government are doing things with rather than to local actors.

You see the fruits of that all the time. Last week I was in Cardiff, at a fantastic, large-scale project seeking to connect the city centre with Cardiff Bay and up into the valleys. That is very much a partnership between the local council, local business, local members of the community and civil society, with a slug of central Government money to help it. That is at the larger scale. At the smaller scale, I then went to a community project in Grangetown, outside Cardiff, a local community project. Again, the same fusion of local council, local business, local community, with a small slug of Government money.

I think that is the way we make good on levelling up. It is a different model of government and a different model of governance from what we have had, but one I hope that the Levelling Up White Paper gives some giddy-up to.

Another aspect of this, and again it goes to the question that was raised earlier by the Chair, is the role of the pan-regional partnerships, whether it is Western Gateway or Northern Powerhouse Partnership or Midlands Engine. Those are ways of making good on economic geography and not being overly constrained by administrative geography. There is big support in the White Paper for giving those a big nudge as well.

Chair: Yes. Moving on to the issue of the Shared Prosperity Fund, I think that Kate has a couple of key issues to raise.

Q55 **Kate Hollern:** Yes, very quickly. Can you tell us exactly how much money will be spent each year in the United Kingdom, in each nation of the UK and in each region from the UK Shared Prosperity Fund?

Neil O'Brien: We have a manifesto commitment to match for each of the nations of the UK, once the fund gets fully up and running, the amounts that were being spent under the previous ESIF funding, which will sum up to £1.5 billion. I don't have off the top of my head the exact number for each of the nations in that year, but I can supply it to you.

Q56 **Kate Hollern:** That would be helpful, and just some reassurance that areas will not lose out from what they were expecting from the EU structural funds.

Neil O'Brien: The whole tenor of the commitment that we made is that we absolutely recognise that for a lot of different bits of the UK this is very important funding. It is an important part of the effort that has been going on to improve things in poorer areas and we are conscious of that as we make decisions. Obviously, you will have to wait to see the specific allocations to specific places but you will not be waiting too long.

Q57 **Chair:** There is not a guarantee, is there, that the poorest areas in England, once Scotland and Wales have their share, will get the same share of the fund that they would have had previously under EU funding, and certainly not the same amount of money because you will spread it, including other areas?

Neil O'Brien: No final decision has been made on how it will be spent and it is a boring answer but you will have to wait to see those allocations to different places. We are conscious of the need for places that have been very reliant on that funding to continue to receive funding. We do not have the same manifesto commitment for every single local authority in England that we have for the four nations, but we are conscious of the needs of places that have had a lot of that ESIF funding in the past. That is something that is very much on our minds as we think about how we make those allocations. It will have to go through a due process and obviously I cannot announce that in this Committee this afternoon.

Chair: We may come back to that point when we are clearer what the Government's intention is. Finally, Florence Eshalomi has one or two questions about the evaluation and monitoring.

Q58 **Florence Eshalomi:** We know that the White Paper includes plans to create levelling up directors, which for evaluation and monitoring should be a good thing. Could you tell us, Minister, what will be the role of these directors? Who will they be, for example? Who will appoint them and when and why do we need them?

Neil O'Brien: They will do more than just take part in the evaluation and monitoring side of things. To the previous question that was asked about how you improve working between central Government and local, they are a big part of that as well, building up from what we already have through the joint BEIS and DLUHC Cities and Local Growth Unit, which is effectively our field forces, a pair of Departments that manage those relationships and alert us to opportunities and to issues as well on the monitoring side of things. They will be high-profile people who take that role to the next level, powerful people who can bring together all the different needs of a place across all of Whitehall, so that you can talk to somebody who can haggle for you in Whitehall if you are a local leader, not just in BEIS and DLUHC but more generally and help us to solve the question we have touched on a number of times this afternoon about the join-up of policies across Whitehall. Andy, I don't know if you want to say any more about this.

Andy Haldane: I think the directors certainly have some role to play in that, but not just them. There is the local government body we mentioned earlier that has been put in place as a sort of data repository and transparency device about local performance. Central Government have just set up an evaluation taskforce, whose job it is to make sure that when it comes to interventions, whether local or national, those are properly evaluated after the fact. Earlier, mention was made of the What Works Centre for Local Economic Growth body, which also has a role to play in keeping our feet to the flame in how these initiatives are playing through.

I don't think we are lacking for means of monitoring and evaluation, but nor should we be because for a lot of what is in the White Paper success is not preordained. There is a degree of uncertainty and the best you can do in that situation is to enact and then evaluate, and that is exactly what the plan is.

Neil O'Brien: If I can add one point on that, there is also a commitment to work with the ONS to generally improve a lot of these different local datasets. I pay tribute to Andy for driving forward this work because what gets measured gets managed, and if you don't have the data in the first place there cannot be any accountability or transparency. We are trying to fix that.

Chair: Thank you very much, Minister and Andy, for coming to answer a wide range of questions, but that was probably almost inevitable, given the wide-ranging nature of the White Paper. I think that we can say this is a starting point and we will probably be coming back as a Committee to look in more detail at some aspects of it and get the views of other organisations and individuals about the White Paper and how they think the issues raised there will work through in the future. I think there is a general willingness to have this become a success. The question is: will the mechanisms and the funding be a success? That is something we will continue to explore as a Committee. Thank you for coming this afternoon and answering our questions. That brings us to the end of our public proceedings for today.