

**GM ECONOMY, BUSINESS GROWTH AND SKILLS
OVERVIEW AND SCRUTINY COMMITTEE**

Date: 10th November 2017

Subject: Update on the Northern Powerhouse and the Autumn Budget

Report of: Sir Richard Leese, Deputy Mayor of GM (Economy and Business) and Jim Taylor, Chief Executive of Salford City Council and portfolio lead officer for Economy and Business.

PURPOSE OF REPORT

This report updates members on progress with the Northern Powerhouse agenda and discussions with Government regarding the Autumn Budget.

RECOMMENDATIONS

Members are invited to:

- provide any comments and note the content of this report.
- agree that a paper on the outcomes of the Autumn Budget should be brought back to the Committee's meeting in December.

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1. BACKGROUND & INTRODUCTION

- 1.1. Since the Northern Powerhouse was launched in June 2014 by the then Chancellor of the Exchequer George Osborne, Greater Manchester has been committed to working with Government to progress the agenda.
- 1.2. The Northern Powerhouse Strategy, published in November 2016 by the current Chancellor of the Exchequer Philip Hammond, sets the national framework for the Northern Powerhouse. This is based on the evidence base that the North itself put together in the summer of 2016 when Northern council leaders and LEP chairs came together to produce the Northern Powerhouse Independent Economic Review. Government's strategy for the Northern Powerhouse sets out its objective to achieve a sustained increase in productivity across the whole of the North, which is at the heart of the Government's ambition for an economy that works for everyone. It identifies four priorities:
 - Connectivity: investing in transport infrastructure to improve connections between and within the North's towns, cities and counties;
 - Skills: working with local areas to raise education and skills levels across the North;
 - Enterprise and innovation: ensuring the North is an excellent place to start and grow a business; and
 - Trade and investment: ensuring the Northern Powerhouse is recognised worldwide as an excellent opportunity for trade and investment.
- 1.3. The current Government has made several high profile announcements about its on-going commitment to the Northern Powerhouse project, most recently when the Prime Minister said on her visit to Greater Manchester: *"The Northern Powerhouse is at the core of our work to spread growth across the entire country. Over the past few weeks we have demonstrated how important this agenda is with announcements such as the £400 million boost for northern transport, ensuring we maximise the economic opportunity from HS2 and invest in transport improvements across the whole of the North. Over the coming months I will be meeting leaders from across the Northern Powerhouse, starting today in Manchester, to talk about how we can progress this vital agenda."*
- 1.4. This paper sets out how Greater Manchester is working with Government and partners across the North to progress and develop the Northern Powerhouse agenda. Recognising the remit of the committee it focuses on the wider economic and business growth aspects of this agenda. It also sets out the scope of discussions with Government with regard to the Autumn Budget and the progression of GM's wider devolution agenda.

2. NORTHERN POWERHOUSE UPDATE

- 2.1. Greater Manchester remains committed to playing its part in supporting the Northern Powerhouse agenda. While not everything needs to be done at the level of the North, there are some areas where there will be strong benefits in achieving collective collaboration (particularly across core cities), and which can help to give greater scale and visibility on a number of key issues which drive economic growth. These include supporting the region's Prime Capabilities, trade/ investment, innovation and culture. At the same time it is critical that we continue to engage central government (for example in shaping thinking around the Industrial Strategy) while ensuring the Northern Powerhouse project is owned and led by the North. This includes harnessing

the voice of business to keep pressure on national government to make those key infrastructure investments to improve transport connectivity.

International trade and investment

- 2.2. Since the publication of the Northern Powerhouse Strategy, the Department for International Trade (DIT) have created a Northern Powerhouse team and have also funded local areas to improve the account management of key firms across the North. In the November 2015 Autumn Statement, Government committed £15m of funding to support Northern Powerhouse trade missions. A further £7m was provided to fund a Northern Powerhouse Investment Taskforce.
- 2.3. Going forward, it is recognised that close and collaborative working between the cities and regions within the North and between the North and DIT will be especially important in shaping new trading relations post-Brexit. Not only to maintain, but also increase the flow of inward investment into the North and international trade by businesses based in the North. A meeting has been called by the Leader of Manchester City Council to bring together the Leaders of the Northern Core Cities, the 11 Northern LEP Chairs, and the 3 Northern Combined Authority Mayors with DIT on 3rd November to discuss how collaboration on trade and investment across the North can be strengthened.

Innovate North

- 2.4. Northern LEP innovation leads, the N8 Partnership of universities and InnovateUK have been working over the past 6 months on proposals to address innovation at the level of the North. This includes the active participation by the BEIS Smart Specialisation Unit (who can help with some of the evidence base/ data) as well as Universities UK (with the aim of reaching out beyond the eight research intensive HEIs). The approach focuses on consolidating the North's evidence base; bringing regional leaders together to get behind a strategy and a set of actions; and raising the profile of the North in an international context and understanding wider connections. In due course actions could include running competitions with industry around the prime capabilities. Northern LEP Chairs wrote to the Chancellor of the Exchequer in September to raise the profile of the work in the context of the Autumn Budget.

Northern Growth Hub Network

- 2.5. In August Northern LEP Chairs wrote to Margot James, Minister for Small Business at the department of Business, Energy and Industrial Strategy (BEIS) to flag the progress made in establishing and developing a Northern Powerhouse Growth Hub Network. The letter set out the aims to address common ambitions and challenges through a powerful partnership approach – including the sharing of common issues, solutions and opportunities for collaboration; and amplifying and communicating shared key messages to central government, partner agencies, and to businesses. The current work includes thinking about how Growth Hubs can collectively leverage and drive support for scale-up businesses by combining the best of public and private sector knowledge and services. But also – in the light of Science and Innovation Audits – to find new ways to foster Growth Hub collaboration with universities and HEIs.
- 2.6. Margot James responded on 15 August giving a broad welcome to the collaborative work, particularly the focus on supporting entrepreneurial activity and businesses to scale up to increase productivity, and asking to be kept informed of developments. Subsequent to this BEIS officials have made visits to a number of LEPs (GM included) to collect examples of where Growth Hubs are making a difference to local businesses – in order to inform a strategic debate within government about the direction of travel on policy.

Culture

- 2.7. There is only one year to go to the Great Exhibition of the North event to be hosted at Newcastle Gateshead. The organising team have been keen to make it represent the whole North and have gathered support from some key players in the region, and offered to open this up to contributions from the wider North. Discussions are ongoing to ensure plans remain on track and the extent to which the Northern Powerhouse LEPs and cities have genuinely been engaged. In parallel it is helpful to ensure all Northern partners are engaged in the efforts by Liverpool to organise the International Business Festival in 2018.
- 2.8. On 4 August the Department of Digital, Culture, Media and Sport (DCMS) announced a £15m capital fund, "The Northern Cultural Regeneration Fund" to help towns and cities in the North 'build a lasting regional legacy from the Great Exhibition of the North'. All eleven Northern LEPs are eligible to submit one application of up to £4m each. Bids to DCMS must be submitted by 30 November. The scale of the funding available and the relatively short timescales to bid for, and spend the funding, suggests that eligible projects are likely to seek investment in existing assets, infrastructure or projects rather than creation of a new facility.
- 2.9. Greater Manchester (GM) encouraged projects to come forward that align with the GM Strategy - in particular in the contribution the project will make to town centres; supporting enterprise and entrepreneurship; creating strong and productive sectors; and enabling residents to get the skills needed to succeed and progress. 11 proposals have been received from the GM local authorities and these are being assessed and one will form the basis of the formal bid to DCMS.

Transport

- 2.10. Improving transport connections across the North of England is at the heart of the Northern Powerhouse agenda. Transport for the North is currently developing a Strategic Transport Plan and long term Investment Programme, setting out the case for investment in infrastructure. The Plan will build on the Northern Transport Strategy, jointly published by Transport for the North and Government in March 2015. Informed by new evidence, including Major Roads and Integrated Rail Reports, the plan will have a wide-ranging and ambitious scope, setting out the priorities for connectivity that will inform the Investment Programme required to transform economic performance until 2050.
- 2.11. The route between Manchester and Leeds has been scheduled for electrification as part of the route upgrade programme. The committed work for TransPennine is currently forecasted for completion by 2022 in the Network Rail Enhancements Delivery Plan (EDP), and considers a mixture of capacity improvements, linespeed enhancement and electrification (an enabler of both). In a separate statement on 20 July the Secretary of State for Transport suggested that the TransPennine route may be unlikely to be fully electrified and instead a 'smart' approach could be taken using bimode locomotives. GM continues to stand by the original investment plan and a preference for full electrification of the line. This tried and tested solution guarantees lower operating costs, better performing services and greater capacity; however we have seen, and acknowledge, escalating cost of electrification infrastructure. Full electrification of the route must continue to be considered, alongside any alternative options, to the committed deadline of December 2017. For any alternative solutions to be seriously considered, we believe that evidenced reassurance is needed, that bi-mode train technology and discontinuous electrification methods are robust in delivering the committed outputs.
- 2.12. Northern Powerhouse Rail (NPR) is intended to transform rail travel across the North, resulting in a step change in connectivity to support the North's vision for a healthy and

growing economy. NPR needs to be linked with HS2, so the combined benefits of both schemes can be fully realised. The economic revival of the North requires both HS2 and NPR. Their impact will be maximised if they are planned, designed and delivered together. HS2 and NPR should not be seen as mutually exclusive schemes. The strategic importance of Manchester Piccadilly and its future all-mode deliverability must be recognised and early plans developed to increase its size and capability. The integrated transport network at Manchester Piccadilly must be fit for the next century, not just the next decade, and be a world class gateway. Decisions will be taken in autumn this year that see the integration of the NPR and HS2 rail networks with a report to follow in December 2017. This is in response to the NIC recommendations of March 2016 to kick-start NPR, integrating it with HS2 and planning for the redevelopment of the North's gateway stations.

Northern Powerhouse Partnership

- 2.13. The NPP (chaired by George Osborne) continues to be a useful vehicle to articulate actions, bring key partners together, and raise the profile of the NPH in the media. On 29 September it launched its second report ("Powerhouse 2050: The North's Route-map for Productivity"), which looked at the Prime Capabilities of the North. This set out details of how the North can tackle productivity gap and create an extra 850,000 jobs, by being world-leading in four specific sectors critical to the UK economy – Advanced Manufacturing & Materials, Energy, Digital and Health Innovation.
- 2.14. The report's recommendations include £60m for the North to be the first region in the UK to commit fully to Industrial Digitisation (how UK manufacturing can increase its use of digital technology, such as the Internet of Things, and automation to become more productive and competitive); £100m to reinforce the North as the UK leader in health data by investing in Connected Health Cities, harnessing patient data to diagnose, treat and deliver services more effectively and efficiently across the region, as well as further improving clinical trials; £1bn to create a new Northern industry in small nuclear reactors, capable of being manufactured at a plant and brought to a site to be built and allowing for better nuclear material security; and £2bn to replace the entire gas network of Leeds with hydrogen which would significantly contribute to the UK's 2050 and Paris Agreement commitments on reducing carbon emissions.
- 2.15. The next stage of the NPP work is to look specifically at skills, with a third report planned for completion at the end of the year. Within NPP it is being championed by Collette Roche at Manchester Airport Group. Issues being looked at include improving leadership and management of schools and colleges; increasing employer investment; improving the skills pipe-line. Work will also look at "hot spot" areas to give examples of what works well or what does not work.

3. AUTUMN BUDGET DISCUSSIONS UPDATE

- 3.1. A key part of the Northern Powerhouse agenda has always been further devolution to the North's main cities. GM's existing devolution settlements transfer additional powers and resources from central government to Greater Manchester to enable local government and local members to be better able to discharge their existing functions. Local authorities retain all existing powers: there is no intention to transfer the powers of individual districts to Greater Manchester.
- 3.2. GM has established which functions are best delivered at GM level and what functions are best delivered at individual local authority level. A highly effective partnership has also been developed with business leaders, ensuring that they are able to play a full part in helping shape the strategic direction of GM, and to assume direct responsibility within an accountable framework for overseeing the delivery of key growth functions.

This model has placed Greater Manchester at the forefront of the debate around devolution for some time, working closely with partners to develop a strong and evidenced case for reforming the way that services are delivered across the city region. This culminated in Greater Manchester securing a ground-breaking devolution settlement in November 2014, followed by additional devolutions agreements in February, July and November 2015 and in March 2016.

- 3.3. GM has always been clear that our ultimate ambition is to exercise significant influence or control over all public spending in Greater Manchester, securing the additional powers and responsibilities required to drive growth and reform throughout the city region. As such, the devolution settlement secured to date should be viewed as an initial step along a 'roadmap' to further devolution.
- 3.4. GM continues to make a strong, evidenced case for further reforms to grow the GM economy and reform public services based on our understanding, knowledge and experience of local priorities and the outcomes to be delivered. As part of Government's process to develop its 2017 Autumn Budget, GM is in discussions with Government about furthering the partnership between national and local government to ensure that the Greater Manchester Strategy can be delivered in full. Priorities include:
- **Skills & Work:** continuing to seek greater influence over the skills system to ensure that employers have access to the skills they need and that GM residents are connected to the opportunities that economic growth brings. To date, only limited powers over the post-19 part of the skills system have been secured. GM continues to make the case for a fair funding deal for GM schools and stronger influence over all aspects of education and skills policy.
 - **Early Years & Early Intervention:** ensuring that the reform agenda which is underway across GM is properly resourced. The GM Strategy has placed improving outcomes for young people at its centre.
 - **Science & Innovation:** backing up with investment the outcomes of the GM and Cheshire East Audit and placing it at the heart of the delivery of the national Industrial Strategy.
 - **Infrastructure Investment:** securing the resources required for long-term investment in GM, integrated plans for High Speed 2 and Northern Powerhouse Rail, and greater investment in digital infrastructure.
 - **Housing:** implementing a strategic approach to delivering the scale of housing development required to support growth in Greater Manchester, enabling the development of the affordable homes that our residents need and supporting the growth and regeneration of our communities. The Prime Minister recently committed to agreeing a new Housing Deal with Greater Manchester by early 2018.
 - **Trade & Investment:** ensuring that there is a transparent process for representing the voice of the North in EU negotiations, and that GM has created influence over nationally commissioned trade and investment support.
 - **Environment & Low-Carbon:** providing financial support to meet air quality targets, and longer-term carbon reduction targets.
 - **NHS & Social Care:** delivering a fair funding deal for GM's NHS and social care system, unlocking capital investment in digital and estates, increasing local control over workforce planning, and taking full responsibility for mental health and learning disability services – which will all support GM's ambitious and ground-breaking approach to integrating health and social care.

4. RECOMMENDATIONS

4.1. Members are invited to:

- Provide any comment and note the content of this report.
- Agree that a paper on the outcomes of the Autumn Budget should be brought back to the Committee's meeting in December.