WORKING TOGETHER

DEVOLUTION IN THE NORTHERN POWERHOUSE

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Devolution is one of the six key ingredients required to realise the long-term ambitions of the Northern Powerhouse; once and for all closing the gap between the North and South of England. Together with transport, education, skills, business engagement and ambition, devolving further power and control to regions of the North could have a transformational effect in increasing productivity so the North truly pulls its weight in economic terms.

Based on economic analysis, as well as engagement with civic leaders, businesses and many others across the Northern Powerhouse, this paper assesses the effectiveness of devolution deals in Greater Manchester, Liverpool City Region and the Tees Valley; the prospects for Dan Jarvis – newly elected Metro Mayor for Sheffield City Region; and the implications for the rest of Yorkshire, as well as many other regions including North of Tyne, Cheshire and Warrington and the Borderlands.

Working closely with the Ministry of Housing, Communities and Local Government, in particular the Northern Powerhouse Minister Jake Berry and new Secretary of State James Brokenshire, the Northern Powerhouse Partnership (NPP) expect to play a leading role in supporting those parts of the North with a credible case for devolution and ensuring the powers they are awarded by central government are employed to bring the maximum benefit to the people of the North of England.

1. In October 2014, the Cities Growth Commission, which I chaired, published a number of recommendations to boost UK economic growth based around the 14 largest ‘metro’ areas outside of London, 10 of which were in England.

2. We only considered metro areas of 500,000 people or more as it was believed that increasing economic growth in these areas would be capable of boosting the UK economic growth rate. The Commission did not consider the case of smaller cities and towns; nor rural areas, even though it was impossible not to consider them.

3. This paper takes a wider focus than its recommendations on a number of things, including evidence from around most of the 14 metro areas. In that spirit, this report was influenced by a visit to a number of Northern Powerhouse locations, none of which have yet had any kind of devolution. They included: Cheshire and Warrington, Leeds (and Yorkshire), Newcastle (and North of Tyne) and Carlisle. I am grateful to them for their time and ideas.

5. Three and a half years since the Commission’s recommendations, less than four years since the then Chancellor and current Northern Powerhouse Partnership Chair George Osborne introduced the idea of the Northern Powerhouse, and one year since the introduction of elected Metro Mayors, there appears to be wide and strong acceptance of the concept of devolution. This acceptance and approval of existing deals has led to a strong desire for something similar amongst others.

6. Of the 10 English metro areas considered by the Commission, five lay outside the Northern Powerhouse, two of which now have Mayors and some devolved powers. Of the five within the Northern Powerhouse, Greater Manchester, Liverpool City Region, and now Sheffield City Region, have deals, and there is the basis for a devolved deal in North of Tyne. There is also a devolved agreement, of course, with a Metro Mayor on Teeside, Ben Houchen, who is also a Board Member of NPP.

7. The government still needs to complete elements of what they have committed to, such as local transport and adult skills in Greater Manchester. In addition, key opportunities, such as control of the Adult Education Budget, must be extended quickly beyond its current proposal to, including the Tees Valley and Liverpool City Region.

8. In addition to the North of Tyne agreement, there is a credible deal put together by Cheshire and Warrington. There remains a strong desire in the rest of Yorkshire beyond Sheffield but there are considerable challenges with the framework and geography. I believe there would be a rationale for Yorkshire county-wide health devolution but the economic rationale for other responsibilities on a county basis remains unclear.

9. In the context of the areas ‘left behind’ I believe the proposal for a Borderlands partnership based around Carlisle but also including two rural areas over the border in Scotland is compelling. Aspects of their approach, as well as those that pertain to Northumberland within this and the North of Tyne plan, may have relevance for other rural areas in England including some outside the Northern Powerhouse.

10. As far as the nature and scope of devolved responsibilities, I continue to believe - in the spirit of the Cities Growth Commission - that the ultimate resting place is unknown but we are probably closer to the beginning than the end.

In this regard, it seems that potential future devolved agreements may have less in common with those already in place and will instead rely on the individual characteristics of the places involved.
a. Can we judge the success of devolution one year on?

In many ways it is not objectively possible to make such judgements, not least as it is only a year since the first elections of Metro Mayors. In fact, in the case of Greater Manchester, some committed devolution of funding – such as the Adult Education Budget – are yet to be implemented in full.

Greater Manchester signed its city deal in 2012 alongside fellow Northern cities like Newcastle with a revolting infrastructure fund, economic development investment framework and skills and SME capabilities. Since that point, through signing the first of their devolution deals – Greater Manchester in late 2015 – there may be enough of a time horizon but there are significant data limitations. Using what is currently available, the Office for National Statistics CVA per head growth in Greater Manchester in 2016 was 3.2%. This was close to that achieved by Greater London, 3.7%, and the highest of any combined authority in the Northern Powerhouse. My assessment is that the 2017 figures are quite likely to show some narrowing between the North West and London, but the significant time lag in these statistics makes it hard for us to make evidence-based arguments. Among other things, there is a strong need for more reliable, up-to-date data on this sort of crucial regional issue.

b. Regional growth

At the end of 2017, when growth was slowing in much of the country 1, the North West posted its highest rate of growth in over three years, well above the national average. Though growth slowed in the most recent statistics for March 2018 (as did it in all English regions bar the South West), the North West remains above the national average and the level experienced in London. House price data also paints a positive picture across the North. According to ONS and Land Registry data, the annual change in prices in the 12 months to February was 3.5% in the North East, 3.1% in Yorkshire and the Humber and 4.8% in the North West compared with a fall of 1% in London. Prices within Greater Manchester have even outperformed this North West average, raising the possibility that CM is playing a leading role in driving economic growth across the wider North West. As these small pieces of data suggest, the North West appears to be doing well and it is here where devolution action and spirit is strongest. This could be a coincidence but my suspicion is that it is probably not.

c. Labour market productivity

Ultimately, the success of devolution in the Northern Powerhouse is about stronger absolute and relative productivity. An encouraging potential indicator for future productivity growth is the increase in the proportion of the working age population with level 4 and higher qualifications. As seen below there are signs of improvement in the majority of regions considered here: In the Tees Valley for example, the proportion of the population with level 4 and higher skills has increased from 19.8% in 2014 to 30.1% in 2017. Providing further powers to local areas, in particular around skills, should add momentum to this trend, and indeed hopefully accelerate and intensify them, as they should ensure that the qualifications acquired are relevant to the jobs and industries in a particular area.
Despite the significant progress, the Northern Powerhouse has a number of notable regional gaps in devolution. I believe that a number of these are at an advanced stage of being resolved. In other cases, the way forward is less clear, and further thinking is needed.

What unites them is the benefits that devolution could bring in unlocking economic growth. It is vital that government does not seek to impose a standardised blueprint or straightjacket based solely on existing models. Those places that have led devolution have proven the case for what can be achieved. It is important that others have their own identity and freedom, given their unique circumstances, and be convincing about their ability to deliver and take responsibility.

North of Tyne

In the North East, a North of Tyne devolution deal extending from Prudhoe on the south bank of the river to Berwick in the North, down to North Shields on the Tyne, and with Newcastle-upon-Tyne as a core city, is a distinctive proposal. Fundamentally, it is based on the economic opportunities in the area and what is needed to unlock growth. The proposal promotes inclusive growth, as well as inclusive geography as it is both an urban and rural deal, responding to the specifics characteristics of the places it covers.

The policy focus is not simply a copy or version of the Greater Manchester deal or wider devolution agreements. The proposal includes an Education Commission for the North of Tyne, addressing many of the areas raised our 2018 Educating the North report – with an Opportunity Area to promote social mobility a component NPP believes government should offer. There are also specific pillars around housing, growth and economic inclusion. The remaining local councils on Tyneside, Wearside and County Durham have agreed to allow Newcastle and North Tyneside to proceed without them. In Tyne and Wear they will continue to collaborate on transport including the Metro, for which funding for new rolling stock was agreed in last year’s Budget.

Yorkshire

In Sheffield City Region, there is a new Metro Mayor, Dan Jarvis, elected last week. The deal itself still requires the agreement of the four council leaders in South Yorkshire before full powers, and the related resources, are made available to the Mayor and Combined Authority. There is a requirement from Sheffield and Rotherham to have their interests protected if Barnsley and Doncaster were to leave without them to join any future One Yorkshire deal, specifically to ensure longstanding transport arrangements would be protected – as has been provided in the North of Tyne deal. The willingness to consider further devolution for the Mayor, specifically for health, demonstrates the aspiration here to continue to think about the future, with housing perhaps surprisingly absent. The housing deal in the West Midlands and developments in Greater Manchester demonstrate what could, and should, be considered for devolved areas across the North.

As Sheffield relates to wider Yorkshire and the Humber, there remain significantly different views about the best model. It should not be forgotten that the original models, a Sheffield City Region covering the full functional economic area and a Leeds City Region crossing the traditional boundary between West and North Yorkshire, were halted by the interests of some in the Conservative Party. As elements have been put back together, the new Mayor of the Sheffield City Region joined some civic leaders in wanting to pursue a pan-Yorkshire deal. Now that the Sheffield City Region has a newly elected Mayor, those who wish to pursue a One Yorkshire deal need to establish the economic benefits with some considerable detail to convince the policymakers. The largest questions remain around the economic logic, if this is to be the path, the economic rationale needs to be more persuasive.

Another significant concern is around the Hull and Humber, an area that seems to be a collective economic unit. South of the Humber, which is outside of Yorkshire, would not be part of any Yorkshire-wide deal, even though major businesses such as Associated British Ports (ABP) operate on both sides of the river. Brining in the south bank of the river would demonstrate that One Yorkshire is about economic benefits and not just tribal and regional loyalty, or notions of the external brand.

It is worth noting that in the Cities Growth Commission final report, West Yorkshire and Greater Manchester were the only Combined Authorities highlighted as potentially being ready for devolved responsibility. Yet nearly four years later, there is a realistic chance that West Yorkshire might be the only major urban area in the Northern Powerhouse without a deal by 2019. Focused thinking based on economic rationale is needed rather than emotive judgements.

In this regard, health, which has not been considered by any local authorities as part of a notional pan-Yorkshire devolution deal, is an area NPP has identified a significant possibility. This would diverge from the rationale of the Cities Growth Commission to go beyond the metro areas, but it would potentially play a preeminent role in supporting employment and growth across Yorkshire. If there is a genuine basis for a pan-Yorkshire devolved areas, this is the sort of rationale that needs to be developed, rather than repeated focus on the marketing brand of the name Yorkshire.

Cheshire and Warrington

Cheshire, like Yorkshire, does not correspond to the predominantly city-based model for devolution. However, I consider the strength of the proposition in Cheshire quite compelling. Alongside key economic centres such as Warrington and Chester and in particular Crewe, which will be directly connected to HS2, key sites in advanced manufacturing and energy function alongside world leading assets like Alderley Park. This demonstrates the significant importance of the corridor in health innovation stretching out from Cheshire linking the wider assets in Liverpool City Region and Greater Manchester.

Furthermore, there is a high level of consensus between the local authorities involved, as well as the full support and input of the Local Enterprise Partnership and business, taking advantage of being the country’s second most productive place to contribute even more to the Northern economy. Specifically, the barriers of transport connectivity within the economic area, as well as priorities in skills, make a compelling case which demonstrates a combined authority and Metro Mayor government should have confidence in. My firmly-held view is that government should be prepared to conclude a deal immediately, ensuring it is one of many steps to decentralisation the Chancellor can deliver in this year’s Autumn Budget.
Embracing devolution is key to the Northern Powerhouse. Giving evidence to the Education and Select committee this month, George Osborne and I made the case for the importance of devolution for skills in particular. A centrally-driven skills policy which does not seem to respond to the needs of business remains one of the greatest weaknesses of public policy, preventing the Northern Powerhouse from being delivered.

Devolution has been a considerable success for the Northern Powerhouse; delivering the right deals in the right way must be a priority for the Northern Powerhouse Partnership and all that want to see the North of England fulfil its potential.

I believe the first year of elected Mayors has shown that the proposals originating from the Cities Growth Commission, adopted and brought into policy by government, are indeed central to delivering more balanced and stronger economic growth in England, and therefore the UK. Delivering on the agreements already made, devolving more powers, especially skills, and agreeing fresh, varied devolution deals are all goals that I believe are feasible and desirable in the next 12 months. Devolution has been a considerable success for the Northern Powerhouse; delivering the right deals in the right way must be a priority for the Northern Powerhouse Partnership and all that want to see the North of England fulfil its potential.