NEXT STEPS FOR THE NORTHERN POWERHOUSE

A CHALLENGE FOR THE NORTH, AND
BY THE NORTH
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The Northern Powerhouse is five years old. It started with a speech in the Power Hall at the Museum of Science and Industry in Manchester, and it has become a project embraced by businesses and the people of the North alike. A project by and for the North, a project which as Northern Powerhouse Minister I am proud to champion with colleagues across the Government.

I am determined to raise our expectations and drive the North’s ambitions to fulfil the promise of a Northern Powerhouse. We must unlock the potential of children from the most disadvantaged backgrounds. We need to build a high-speed rail network east to west across the North, as well as delivering HS2 to reach the Midlands. We need to build more new homes and create more high-value jobs. I recognise further investment is needed to meet these ambitions.

Today the Northern Powerhouse Partnership sets out bold and challenging proposals for how we can deliver an economy that works for all. Their report recognises further investment is needed to unlock the potential of children from the most disadvantaged backgrounds. We need to build a high-speed rail network east to west across the North, as well as delivering HS2 to reach the Midlands. We need to build more new homes and create more high-value jobs. I recognise further investment is needed to meet these ambitions.

To take a great leap we must first take some brave, decisive steps. This report from the Northern Powerhouse Partnership makes strong, independent arguments for how government, business and civic leaders must come together to take the Northern Powerhouse to the next level.

It is the responsibility of us all to deliver this ambitious vision for the North so we are able to highlight even more successes and developments to be proud of when we mark the tenth anniversary of the Northern Powerhouse.

- Minister for the Northern Powerhouse, Jake Berry MP

### SECTION 2

#### LIST OF RECOMMENDATIONS

1. Secure an extra £1bn a year to increase the impact of pupil premium for the most disadvantaged children and young people in the North

2. Build HS2 and Northern Powerhouse Rail by 2033 to create a high-speed rail network for the North, boosting economic growth and access to skilled jobs

3. Establish a £250m Housing Investment Fund to build new communities around Northern Powerhouse Rail stations and areas earmarked for growth, including Cheshire - Manchester Airport growth corridor and Bradford

4. Raise almost £1bn a year by scrapping fuel tax and excise duty in the North and replace with Northern-controlled road charging, following a report by an independent commission of experts

5. Secure devolution deals for Cheshire & Wirral, Yorkshire & the Humber, and Lancaster & South Cumbria with universal coverage of remaining areas by combined authorities

6. Guarantee that the Northern settlement for the Shared Prosperity Fund will be at least as much as current EU funding, supporting skills and infrastructure and fully held in the North

7. Deliver fibre to the premises to every business and home in the top 30 Northern towns and cities by 2025

8. Encourage thousands more businesses to embrace the next Industrial Revolution by rolling out the Made Smarter pilot in the North West to the whole of the North

9. Rebalance spending on R&D to Northern universities have the equivalent share as those in the South

10. Establish world-class Northern capabilities that are privately funded, including support through Treasury guarantees for major projects
Throughout the UK, there is a widely acknowledged disadvantage gap in educational achievement levels of children from poorer backgrounds compared to their peers. The previous coalition government introduced Pupil Premium, but the disparities highlighted in the Northern Powerhouse Partnership’s report between disadvantaged children in the Northern Powerhouse and London suggest this policy hasn’t tackled the scale of the specific issues affecting many of our schools. Many in working-class communities from County Durham to Yorkshire and Lancashire’s old mill towns suffered the most from the closure of traditional industries, and have never fully recovered.

Previous work by Education Datalab has shown that the length of time a pupil is eligible for free school meals (FSM) at some point during their school career allows us to perform a more detailed analysis of those that have been eligible for free schools meals for a number of years.

“Many in working-class communities from County Durham to Yorkshire & Lancashire’s old mill towns suffered the most from the closure of traditional industries.”

**Previous research**

Our partners for this research at Education Datalab have already looked at the impact of long-term disadvantage. They concluded: “for pupils who were FSM-eligible on almost every occasion the school census is taken (90% or more of the time), their attainment, relative to the national average, has actually been falling.” If we are to narrow the disadvantage gap, then clearly this group needs to be increasing its performance relative to the national average.

Indeed, Education Datalab responded to Educating the North by publishing further research which looked beyond our definition of disadvantaged pupils. This work broke the disadvantaged cohort down further to show that ethnicity was a key driver behind educational attainment. One conclusion of this and earlier work is that the problem is not isolated to one geography but is in fact an issue in all areas that have largely white pupils from disadvantaged backgrounds, tied to the widely-held views of teachers in the Northern Powerhouse about the experience they have of teaching white working-class boys. One headteacher in the North East told us they didn’t need a Pupil Premium, but a white working-class boy premium.

Education Datalab have furthermore suggested that our call for greater funding in the North was justified but on demographic differences rather than on grounds of school effectiveness.

**Long term disadvantage and pupil characteristics**

The analysis here focuses heavily on attainment at the end of Key Stage 4. This is for two reasons; firstly we committed to in Educating the North by publishing our friends of the North report between 2015-16: secondly, the larger cohort size and longer school career allows us to perform a more detailed analysis of those that have been eligible for free schools meals for a number of years.

“This should lead to a re-evaluation of how schools spend their current pupil premium.”

There is clearly a correlation between the proportion of the cohort in our group of interest and their attainment. Those schools where this group performs exceptionally well are the ones where this group makes up a very small proportion of the cohort. Conversely, those with the highest proportion of pupils in this group see them achieve the lowest levels of attainment. This should lead to a re-evaluation of how schools spend their current Pupil Premium, to focus more of these resources on those children and young people, rather than all of those that may be receiving free school meals (the disadvantaged group within Pupil Premium). The black line in Chart 2 below indicates where we propose the eligibility criteria should be drawn for any policy intervention. At a headline level, this results in the following number of schools being captured in each region of England.

**Maps**

The map below shows exactly where these schools are located.
For KS2 we have approached this from the perspective of the long-term disadvantage high impact group. However, to avoid running into issues with small sample sizes due to smaller schools and therefore cohorts, we have set the definition of long-term disadvantage at primary school as having been eligible for free school meals for at least 50% of their school careers. Chart 2 below therefore replicates chart 1 except it is based on the significance of attainment for this group at the end of Key Stage 2.

What Chart 2 highlights is that the relationship between the attainment of this group and the proportion of the cohort they account for is not as strong as it is in the KS4 analysis. However, this may be due to the fact that the definition for long-term disadvantage has started from 50% eligibility for free school meals, therefore capturing those children who would not meet our definition of long-term disadvantage at KS4. It would therefore be expected that those captured under this less strict definition of ‘long term’ may attain more highly than their peers.

**TABLE 2: NUMBER OF PRIMARY SCHOOLS MEETING 30% THRESHOLD FOR LONG-TERM DISADVANTAGE HIGH IMPACT GROUP**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Midlands</td>
<td>22</td>
</tr>
<tr>
<td>East of England</td>
<td>5</td>
</tr>
<tr>
<td>London (inner)</td>
<td>0</td>
</tr>
<tr>
<td>London (outer)</td>
<td>0</td>
</tr>
<tr>
<td>North East</td>
<td>95</td>
</tr>
<tr>
<td>North West</td>
<td>142</td>
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<tr>
<td>South East</td>
<td>19</td>
</tr>
<tr>
<td>South West</td>
<td>17</td>
</tr>
<tr>
<td>West Midlands</td>
<td>43</td>
</tr>
<tr>
<td>Yorkshire and the Humber</td>
<td>63</td>
</tr>
</tbody>
</table>

Though looking at a regional level provides a useful summary, it ignores the more local concentrations of this schools. The map below plots these primary schools in the same way as we did for the secondaries.

**MAP 2: LOCATION OF PRIMARY SCHOOLS MEETING 30% THRESHOLD FOR LONG-TERM DISADVANTAGE HIGH IMPACT GROUP**
There is a strong correlation between long term disadvantage, certain pupil characteristics and their attainment throughout school but particularly at KS4. There is a strong correlation between long term disadvantage, certain pupil characteristics and their attainment between long term disadvantage, certain pupil characteristics and their attainment. As expected, the analysis above has shown that there is a strong correlation between long term disadvantage, certain pupil characteristics and their attainment. For completeness we have also placed both primary and secondary schools on the map to show the geographic proximity of the primary and secondary schools that meet the criteria discussed above. Unsurprisingly there is a strong co-location between the two sets of data.

To address this, we propose the Department for Education should provide an extra £1m on average annually to each secondary school that identifies using the criteria set out above, as well as £1m on average to be spent within the primary schools that provide their student intake. To be clear, this is on top of existing pupil premium funding - we are not proposing any reform to this. In addition, the £300m we called for in our White Paper on tackling disadvantage in the North will increase from 2 million today to 4.7 million, and within 90 minutes by 4 million to 8.7 million.

A challenge left open by Transport for the North is to make the case for the wider transformation of the North. A transport business case is important, but it is not the whole economic story. That is of delivering jobs and of housing together. There is a strong case to learn from the mistakes previously nationally, such as the delay at capitalising on the opportunity of Ebbsfleet, and follow the example of those such as CEG already progressing with HS2 and Northern Powerhouse Rail. The local authorities of the Northern Powerhouse have started to decide the fate of transport here in the North. What is now needed is the scale of ambition to accelerate the progress already made by Transport for the North (TfN). Northern Powerhouse Rail is a transformative project linking the great cities of the North with faster journey times, enhanced capacity and greater frequency. It has the potential to open up new labour markets, create further education and job creation opportunities for our young people and go a long way to rebalancing the economy. NPR is a modular railway, alongside new stretches of line are modifications to existing track, signalling and infrastructure that can deliver a step change in connectivity. The impact will be significant.

In terms of international connectivity, more than half of the North’s population will be able to reach Manchester Airport within 90 minutes. NPR will treble the number of businesses able to access four or more cities or Manchester Airport within 90 minutes, from 70,000 today to 260,000. The combined impact of HS2 and Northern Powerhouse Rail will mean that the number of people in the North able to access the new Manchester Airport Station within an hour will increase from 2 million today to 4.7 million, and within 90 minutes by 4 million to 8.7 million.

Having a Northern Powerhouse with enhanced connectivity to the world must also be central to our and the government’s ambitions. Manchester Airport must be at the heart of the modern, integrated rail network TfN are proposing. Northern Powerhouse Rail will stimulate the further development of long haul routes from Manchester, offer new destinations and greater choice and frequencies to existing destinations, as well as mitigating pressure on London airports and transport networks by reducing leakage of air passengers from the North. By linking the North directly to new, high-growth international markets, transformational levels of trade investment and tourism benefits will be unlocked. The North’s prime capabilities will be able to realise the full potential as a result of this quick and easy access to the global centres of excellence in fields like technology, life sciences, advanced manufacturing and energy. Surface access is key to the airport’s development, which is why bringing HS2 and Northern Powerhouse Rail services directly to the Airport will be so important.

The Northern Powerhouse Rail business case is currently being considered by the Secretary of State, and on behalf of the businesses of the North we fully support it. However, there is a concern that many of the benefits of the scheme will not be delivered early enough in the life of TfN’s Strategic Transport Plan. For that reason, we will continue to argue that the whole project must be completed at the same point HS2 arrives in the North by 2033.

**Recommendation: Build HS2 and Northern Powerhouse Rail by 2033 to create a high speed rail network for the North, boosting economic growth and access to skilled jobs.**

**Recommendation: Secure an extra £1bn a year to increase the impact of pupil premium for the most disadvantaged children and young people in the North. Establish a Northern Schools Board with power to take over failing academy chains and scale up existing ones.**

**Recommendation: Establish a £250m Housing Investment Fund to build new communities around Northern Powerhouse Rail stations and areas earmarked for growth, including Cheshire - Manchester Airport growth corridor and Bradford.**
The only way to ensure we can fund the full Transport for the North Strategic Transport Plan, including Northern Powerhouse Rail as well as transport for better connections within cities and metro economic regions, is raising and spending income in the North. Leading businesses and a number of our Chambers of Commerce have made clear businesses will accept a degree of the burden for the cost of infrastructure from which they will benefit.

Fuel tax and excise duty are blunt and unfair taxes that exacerbate the poverty faced by those on low incomes in rural areas without access to decent quality bus services. Our view is that these need to be replaced with a fairer, more balanced system to allow the North to raise revenue, which looks to lower costs for those on low incomes and place the burden proportionately on higher earners.

This is why we propose a devolved system for charging for road use; the Treasury committing to dedicate a replacement charge to be raised and retained at a Northern level and by the city and metro regions where funds are raised. The leadership shown by cities including Leeds and Greater Manchester already on air quality is the basis on which we believe this debate needs to be opened up. In terms of the expected level of revenue from such a scheme, the aim would be to replicate the current revenue raised from vehicle excise duty and fuel duty in the North, an annual revenue of around £7.9bn. Over the period to 2050, this would generate £256bn over 30 years, capable of funding the £120bn needed to fund Northern Powerhouse Rail and wider transport upgrade across road and rail as well as mass transit within city regions by 2050, where the greatest revenues proportionately would be raised and retained.

“Businesses will accept a degree of the burden for the cost of infrastructure”

Aiming to maintain this level of revenue in the future represents fairness to motorists, who can see that the overall burden will not increase whilst getting the full Strategic Transport Plan delivered. In addition, it also deals with the Treasury’s current policy dilemma of expected falling fuel duty revenues as vehicles become more efficient and numbers of electric vehicles increase. The government may be forced to introduce national road pricing, which will see an area of the country in need of economic rebalancing giving a per head subsidy to London - the capital, for these specific taxes, pays in less than other parts of the UK on a per head basis. Instead, we should see fiscal devolution to the London mayoralty in the areas of policy they seek, and a set of appropriate reforms in the North. The loss of revenues from the form of fiscal devolution proposed to the Treasury will be offset by the fact that the National Infrastructure Commission has demonstrated up to £120bn for Northern transport is affordable by 2050.

**RECOMMENDATION:** Raise almost £8bn a year by scrapping fuel tax and excise duty in the North and replace with northern-controlled road charging. Following a report by an independent commission of experts.
SECTION 7
BREXIT AND SKILLS

European funding and the resources which have been matched against it have had a significant impact on the North, especially in providing financial support for skills. As we prepare to leave the EU the government has committed to replace much needed investment through their new Shared Prosperity Fund.

Last October, the Mayors of the North joined with the Chair of the NP11 group of Northern LEPs and the Northern Powerhouse Partnership to call on government to give local areas the tools to unlock inclusive economic growth. The Shared Prosperity Fund should, for example, address those interventions which enable those with greatest barriers from the labour market to be supported back into work.

“As we prepare to leave the EU the government has committed to replace much needed investment through their new Shared Prosperity Fund”

They also agreed that the funding must at least match what is currently allocated and that to ensure maximum impact decisions and control should be at an appropriate level.

We are awaiting the consultation on the Shared Prosperity Fund from government, who have committed to set out a path forward. Last year, a proposed approach was promised by the government, but is yet to be consulted upon. Over the coming months, Northern Powerhouse Partnership will undertake detailed analysis to demonstrate a way forward which will underpin tackling the fundamental causes of lower productivity.

RECOMMENDATION:
Guarantee that the Northern settlement for the Shared Prosperity Fund will be at least as much as current EU funding, supporting skills and infrastructure and fully held in the North.
The government has taken the initiative by setting a clear direction for digital infrastructure. The national commitment is for 15 million premises to have access to full-fibre connectivity by 2025, and to build a UK-wide full-fibre network by 2033. The Northern Powerhouse Partnership made this rollout a major recommendation in our first report, and we recognise that the Chancellor has responded both to us and the wider business community with this commitment.

Analysing the potential impact of digital infrastructure, we estimated that a 1.1% uplift in gross value added (GVA) figures can be achieved by reaching 50% full fibre coverage across the cities and major towns of the North. This would result in additional GVA of £26.2bn across 15 years, rising to £47.2bn with 90% coverage. At 90% coverage, additional GVA ranges from £122.4m in Halifax to £5.2bn in Leeds.

In terms of the delivery of infrastructure, the role of the Northern Powerhouse Partnership is to ensure that the aspirations of our Metro Mayors and combined authorities are appropriately supported by industry. The government’s assessment is that with policy reforms and targeted regulatory intervention in some areas private investment should be able to deliver full-fibre to 90% of UK premises with the remaining 10% requiring public funding. The Partnership will pave the way for this investment by removing barriers, from permits to wayleaves, so that there is a common and consistent approach to laying fibre across all Northern Powerhouse local authorities, mirroring the work that is already underway in Greater Manchester. In addition, we will encourage Ofcom to commit companies to fully build out towns and cities, and when announcing new locations prioritise those which have not yet been started by another operator. Any city or town where they start laying full fibre in the next five years must be completed by 2025.

The UK faces the prospect of a digital and economic divide with the construction of two or more full fibre networks in the same locations doubling disruption while forcing other parts of the country to miss out altogether. Some places will experience significant needless disruption as their streets are dug up repeatedly to deliver two or more identical wholesale full fibre networks, despite offering no additional benefits to communities. At the same time other towns and cities risk getting left behind, stranded on copper, with no full fibre rollout because of this inefficient investment.

Government and Ofcom also have a vital role to play, and must create a regulatory framework that takes a proactive approach to monitoring, investigating and cracking down on anti-competitive behaviour that undermines efficient investment and threatens competition.

**RECOMMENDATION:** Deliver fibre to the premises to every business and home in the top thirty Northern towns and cities by 2025.

**RECOMMENDATION:** Encourage thousands more businesses to embrace the next Industrial Revolution by rolling out the Made Smarter pilot in the North West to the whole of the North.
SECTION 10
RESEARCH AND DEVELOPMENT
REBALANCING

The historic underinvestment in Northern Powerhouse universities, relative to the Golden Triangle, is a matter of concern to the Partnership. The House of Commons library, using ONS figures, demonstrated that in 2016 every region in the Northern Powerhouse had lower spending per head than the UK average: £418 in the North West on average, £436 in Yorkshire & the Humber and finally the North East at £353.1

As the UK is now committed to a historic increase in how much we do spend on R&D as a proportion of GDP to 2.4% by 2027, it is right that this growth be focused in the Northern Powerhouse.

The current round of Strength in Places funding is eagerly awaited, but we need to go much further. Previous government investments in the Henry Royce Institute, with its headquarters at The University of Manchester and facilities in Liverpool and Sheffield amongst those to already open, and the new national centres for ageing and data in Newcastle, show the right level of ambition.

The next key investment we must see is in lightweighting, a longstanding area of expertise in the Northern Powerhouse, with the Sheffield City Region the right location for this major investment in the global innovation corridor.

**RECOMMENDATION:**

Rebalance spending on R&D so Northern universities have the equivalent share as those in the South.

RECOMMENDATION:

Establish world-class Northern capabilities that are privately funded, including support through a Treasury guarantee for a major mining project in North Yorkshire & Teesside.

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SECTION 11
PRIVATELY FUNDED INFRASTRUCTURE

The Northern economy is already being unlocked by private-led investment. For example, Manchester Airports Group is investing over a £1bn in their terminal transformation.

On the Yorkshire Coast Scarborough-based Sirius Minerals Plc is sinking the shafts at Woodsmith Mine to access the world’s large polyhalite deposit. The company is also developing a 37 kilometre-long underground mineral transport system (MTS) and a materials handling facility (MHF) in Teesside for granulating the mined material into the final product. Finally, new harbour facilities adjacent to the former Redcar Steelworks are planned for the River Tees, comprising a new berth, overland conveyors and ship loaders.

In attracting significant private sector investment, it is proportionate to use Treasury Guarantees to help bring the infrastructure build to a successful conclusion. A test for the government is to ensure that they back this project, so that other transformational projects will be taken forward across wider sectors and places across the Northern Powerhouse.

**RECOMMENDATION:**

Establish world-class Northern capabilities that are privately funded, including support through a Treasury guarantee for a major mining project in North Yorkshire & Teesside.