The Northern Powerhouse Partnership

Spending Review Submission

Summary of recommendations

1. **Transport investment to enable growth** across the M62 corridor and to the North East
2. **Net Zero transition** to unlock jobs and growth across the North
3. **Extend and deepen devolution** including single settlements
4. **Restore Pupil Premium value and prioritise long-term disadvantaged pupils** to address the North-South divide in education.

INTRODUCTION

Northern Powerhouse Partnership welcomes the fiscal rules that the Chancellor adopted in her first budget. We also welcome the upcoming launch of the National Infrastructure and Service Transformation Authority (NISTA) in April, which the Partnership has made the case to be headquartered in Leeds alongside the National Wealth Fund, the 10 year infrastructure plan for the nation which is currently being developed alongside reform of the Green Book. We have advice to offer on all of them which we will submit separately. They collectively give the Partnership genuine hope that on an evidence-based appraisal process, those projects which will deal with the UK's poor productivity outside London and the South East, once and for all will not only be given priority - but actually then be built.

/01. TRANSPORT INVESTMENT TO ENABLE GROWTH

In the upcoming Spending Review Period, the critical choices will include finishing projects with strong benefits cases which have already been started. TransPennine Route Upgrade is an £11 billion programme overall and is committed to contractually going forward with risk effectively transferred. It would be a mistake to seek to delay or re-profile this spending, particularly as the additional capacity between York via Leeds to Manchester will unlock housing delivery in local communities such as Ravensthorpe, as well as drive significant investment in the cities along the route.

It is important to restate the thesis of the Cities Growth Commission, chaired by Lord Jim O'Neill, and the M62, as a growth corridor including 8 million people, which is uniquely positioned to act as a counterweight to London and the South East.

As highlighted in a paper published in the Journal of Urban Development (Number, 4 Volume 17), and in an updated analysis by Massey, T., Tunmore, S., McPhillips, A. & Murison, H. (2024), alongside Greater Manchester's significant productivity growth in the last two decades it is notable that within West Yorkshire there are two ONS sub-regions, Bradford and the two neighbouring authorities of Kirklees and Calderdale, that have outperformed the wider West Yorkshire average – the latter dramatically so. In fact, this sub-region neighbours significant parts of the Greater Manchester conurbation and its performance exceeds all but Manchester City in that city region.

For the foreseeable future, this government having inherited Northern Powerhouse Rail yet to go into scale delivery, there are only 10,000 people in the North who can reach four major Northern cities and Manchester Airport in under an hour. They live in and around Huddersfield town centre, the largest town in Kirklees. Recorded patronage at North TransPennine rail stations, enabling access to the Kirklees local authority area's largest concentrated population centres, increased by 140 per cent between 2002–03 and 2010–11, and in the decade running up to 2013. Huddersfield saw the largest growth in usage of all the major railway stations in the North. Most recent data shows a significant surge of 20% in journeys in 2024 between North East and Yorkshire via Huddersfield to Liverpool and Manchester Airport (showing the resilience of the steady march of agglomeration across the M62 mega region as well as in the corridor up to the North East despite previous operational issues).

This evidence gives support for the thesis that the accessibility by public transport across the North as a mega region (not only through access to a tram within a city region), so being linked to a number of major cities including Manchester, Leeds and Bradford, rather than only one, is one factor that may be responsible for productivity growth improvement. This is beginning to emulate London, as no single northern city has anywhere near the same scale on its own.

This analysis undertaken by the Northern Powerhouse Partnership makes a strong case for TransPennine Route Upgrade investment in terms of its impact on long term UK growth, and as the Office for Budget Responsibility and NISTA will also be able to establish for Northern Powerhouse Rail, there are significant benefits which can be realised from integrated housing and transport infrastructure delivery over the coming decade and beyond. As argued by the Prime Minister, whilst he was Leader of the Opposition, Northern Powerhouse Rail can deliver new housing, including ten thousand city centre homes in the Bradford Southern Gateway, as well as in and around the Cheshire and Warrington region from both the proposed stations at Manchester Airport and in Warrington town centre. We would make the case that the committed £2bn of future investment over this and subsequent CSR periods in developing a new station in Bradford and a new line to Huddersfield as part of Northern Powerhouse Rail should be directly linked to a housing delivery plan. The wider connections in Northern Powerhouse Rail; such as to Sheffield from both Manchester and Leeds, as well as to Hull and Liverpool, should all be sequenced based on their deliverability and when schemes can be made ready, with others then developed for funding of the full schemes in future Spending Reviews across the remainder of the coming decade.

The benefits of a new line across the Pennines which has started being consented between Manchester Airport and Piccadilly through the Hybrid Bill process (and which must be re-started), will be realised in full to connect the North West to the North East through the Leamside Line to divert freight off the East Coast Mainline. The first stage of this is a Metro extension to Washington which will unlock connectivity benefits within the North East delivering benefits through improving links within the city regions core travel to work area.

The future connectivity between the North and the Midlands remains unresolved following the cancellation of HS2. We would suggest that the government remains open to private finance and funding options for a potential Midlands – North line as suggested in the review commissioned by the combined authorities in Greater Manchester and the West Midlands and does not sell any land in the meantime.

We are mindful of the case for investment across the UK, and the change to the fiscal rules avoids the need for a zero-sum game approach to transport funding. In fact, delivering an annual funding settlement for London in an analogous way to city regions across the rest of England would enable replacement of the Bakerloo Line fleet and with it the opportunity for Siemens Mobility to secure another follow on order to the Piccadilly Line fleet currently being manufactured at the railway village in Goole.

2/ NET ZERO TRANSITION

The North has an opportunity to lead the transition by capturing more of the supply chains than we managed in the early stages of the net zero economic race. This will secure higher productivity, create good jobs, and re-industrialise the North.

We have commissioned independent analysis which shows that every £1 of public money can leverage another £2.65 of private investment in the North, close to the Government's stated target for returns from the National Wealth Fund which we expect to over index in this part of the country as we have more opportunities available. We can expect much higher leverage in some sectors, with industrial decarbonisation at around 80 per cent private investment versus only 20 per cent public. Carbon Capture and Storage in this category is proceeding on the Mersey and in Teesside, with Track 2 clusters ready to follow with huge impact from the Peak cluster and on the Humber for instance. The latter will come with £15bn of private investment, as well as decarbonise significant industrial businesses protecting existing employment as well as creating new jobs.

In the North, we need to secure the jobs and growth associated with the transition to Net Zero. We need to see our places Local Energy Action Plans delivered to secure more certainty and lower bills for customers, backed up by GB Energy's investment and co-investment with combined authorities alongside private sector finance. Emerging technologies have huge potential and will require intervention to be viable just as offshore wind did before it came down to the prices we pay today.

The loss of our existing nuclear power stations, from Heysham to Hartlepool, will leave communities losing well paid jobs, and the grid lacking dependable Net Zero electricity. The North has a huge part to play in the wider industry, with Sellafield a critical part of managing the legacy of our civil nuclear programme safely.

The North supports the Great British Nuclear competition which will see Small Modular Reactors publicly owned, which must be about catalysing export opportunities as well as domestic supply chains to maximise value for taxpayers. Although much of the cost for these will fall beyond the next Spending Review period, the decision will be made this year and need to be provided for in the 10 year NISTA strategy. In South Yorkshire, SY Energy established by Metro Mayor Oliver Coppard, is already working on securing local jobs and skills in manufacturing.

/03. EXTEND AND DEEPEN DEVOLUTION

The introduction of metro mayors has been one of the standout successes of the Northern Powerhouse project and we are pleased to see momentum building on the devolution agenda once again.

Empowered local leaders with knowledge, vision and capacity are needed to tie disparate strands of policy together in a cohesive effort to raise productivity. Devolution can have a genuinely transformative effect on local economies, whether by improving transport links, or bringing in investment from around the world.

We must see full roll out of single settlements to the North East, Liverpool City Region, South Yorkshire and West Yorkshire. As we have argued consistently, there is no additional cost pressure to the government than what is already present in department budgets, and the potential for efficiencies from better integrating services in places through public service reform will make possible significant savings in this and the following spending review. The respective Mayoral Combined Authorities have made submissions on these and wider issues, and we would encourage HM Treasury to take these seriously.

In terms of the long-term scenarios for the public finances, as we published a paper on last year, decisions made on prevention in health will for example have long term consequences beyond the spending review period. Under the new fiscal rules, consideration of the nation's long-term finances should be considered in the revenue budget settlements as well as in capital. One clear opportunity is to reduce the number of unhealthy people out of the workforce, as this is both a result and a contributor to lower productivity. There is an opportunity for Mayoral Combined Authorities to play the leadership role in addressing this challenge, which will have more immediate financial benefits to the welfare budget as well as longer term impacts to future public spending. The consideration of such proposals from areas like Greater Manchester and wider northern authorities should take into account the financial benefits as well as costs within and in future spending review periods.

The choices made in this Spending Review will not only have Barnett consequential knock on effects for the devolved nations, but direct effect on the spending power of local government. Meaningful fiscal devolution, from council tax reform to the ability to levy tourism taxes being legislated for, have been of longstanding interest to Northern Powerhouse Partnership and we would welcome consideration of these options alongside business rates reform to enable us to rebuild a fiscal transfer mechanism to areas with currently lower tax base (which has been largely eroded due to the collapse in the local government grant and an ever greater reliance on council tax to largely fund local places).

/04. RESTORE PUPIL PREMIUM VALUE AND PRIORITISE LONG-TERM DISADVANTAGED PUPILS

As highlighted in the response of the Northern Powerhouse education consortium, of which we are a partner, long-term disadvantage is a key driver of educational underperformance in England.

Research by Prof George Leckie for the partnership has analysed GCSE English and Maths attainment broken down by a number of characteristics but also considers how this has changed since the Covid

Pandemic. It shows that the gap between those eligible for free school meals for four years in a row and those never eligible for free school meals widened further by a quarter of a grade per subject between 2019 and 2023 from 1.3 to 1.56 of a grade. While this is not a purely northern issue, as persistent disadvantage is found across the country, the North East however has the highest (and a growing) proportion of its pupils in this category. The disadvantage gap remains three times larger for the high impact group (including White Irish and White British long term disadvantaged) compared to long term, disadvantaged Gypsy/Roma, Chinese, and Bangladeshi groups in both 2019 and 2023.

We call with our wider partners including SHINE, Schools North East, Centre for Young Lives and Tutor Trust for the Spending Review to:

- Prioritise targeted funding for persistently disadvantaged pupils: The report highlights the importance of directly supporting those pupils most at risk of falling behind. Persistently disadvantaged pupils require additional resources that go beyond the current broad definitions of disadvantage used in the NFF and Pupil Premium.
- Invest £640 million a year in targeted funding: The DfE should allocate £640 million from the savings made by falling pupil numbers to reverse real terms cuts in the Pupil Premium and also target additional funding specifically for persistently disadvantaged pupils through an enhanced Pupil Premium. This enhanced premium would be worth a further £308 per primary persistently disadvantaged pupil and £255 per secondary persistently disadvantaged pupil. This funding could be phased in gradually to ensure affordability over the spending review period.
- The recommended additions of £308 for each persistently disadvantaged primary pupil and £255 for each persistently disadvantaged secondary pupil are relatively modest in scale given the overall value of the pupil premium. They have been set so as to be affordable within existing overall expenditure but should be considered a minimum given that existing funding has not been sufficient to narrow the attainment gap.
- We also support a new 16-19 pupil premium to support disadvantaged pupils in further education, at a cost of £290m.[1]

Allocating additional funds to schools who serve long term deprived children would be helpful to recognising the role that these schools and Colleges play in tackling issues beyond the classroom and could be used as part of a broader shift of celebrating impactful practice in the most challenging contexts.

[1] https://www.teachfirst.org.uk/sites/default/files/2022-02/TF%20Pupil%20Premium%20Report.pdf