

Report to: West Yorkshire Combined Authority

Date: 10 October 2019

Subject: **Spending Reviews and Local Industrial Strategy**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	

1. Purpose of this report

- 1.1 For the Combined Authority to agree the City Region's approach to strategic milestones over the next 12/18 months that will help boost productivity, better connect communities and grow the economy in a clean and inclusive way. Taken together, they build a collaborative approach with Government to realise the City Region's bold agenda to 'level-up' outcomes and investment:
- a) The outcome of the Convention of the North with NP11 about the North's role in the future of the UK
 - b) Effect of the 2019 Spending Round, the Autumn Budget and devolution discussions (see *item 9*)
 - c) Co-design and agreement of a local industrial strategy with Government, expected in March 2020
 - d) 3 year Spending Review in 2020, a full refresh of the Northern Powerhouse Strategy and approach to the UK Shared Prosperity Fund.

2. Information

Key messages

- 2.1 The Combined Authority and LEP made a submission to the recent Treasury Select Committee inquiry on the causes and effects of regional imbalances in productivity – and their solutions (**Appendix 1**). The key messages are:

- Economies across the North have grown over the last decade, but at a **slower rate** than those in the greater southeast of England, with the productivity gap continuing to widen and diverging living standards.
- Yorkshire has not fared well in respect of **investment in economic development and transport spending** over the last four years. If investment had mirrored the increase in the North West and West Midlands, an additional £815 million would have been invested in Yorkshire. Recent analysis by IPPR North¹ of the future infrastructure investment pipeline of major schemes suggests this is likely to grow, with a growing West-East divide seeing the North West and West Midlands receiving four times the investment of eastern regions like Yorkshire.
- The combined impact (in cash terms) of monetary and fiscal policy correlate strongly with productivity: those wealthier regions with higher productivity have benefited more from recent monetary policy than other regions. Therefore, Government's **fiscal choices should more explicitly take account of the spatial impact of monetary policy** set independently by the Bank of England.
- Government should make an **explicit commitment** to "level-up" the UK economy, and this should be **embedded in HM Treasury's single departmental plan**. This should result in Treasury applying the Green Book differently so spending priorities are less skewed towards already-strong economies, but instead towards where there is the greatest opportunity to address structural economic weaknesses/opportunities in the UK economy.

2.2 These points were at the fore of the LEP Chair's speech to the Convention of the North in his capacity as Chair of the NP11 consortium of Northern local enterprise partnerships. The Convention, held in Rotherham on 13 September and supported by Government, set out to shape and set out the North's vision and priorities. In doing so, it included diverse voices and interests from across the region including the People's Powerhouse, Northern Power Women and young people, and think-tanks such as IPPR North and the Northern Powerhouse Partnership.

Government's priorities and 2019 Spending Round / Autumn Budget

2.3 The Prime Minister has consistently emphasised the new Government's commitment to "**level-up**" both outcomes and devolved powers. This includes a specific commitment for Government to pursue devolution discussions with the Leeds City Region, in addition to strengthening collaboration arrangements across the whole of Yorkshire (see item 9).

2.4 The Chancellor issued an accelerated one year Spending Round on 4 September 2019 which:

- Increased day-to-day spending above inflation for all departments and the new Government's priorities in health, education and policing.

¹ See <https://www.ippr.org/news-and-media/press-releases/revealed-north-set-to-receive-2-389-less-per-person-than-london-on-transport>. Planned public (central and local) and private transport infrastructure spending per capita on future projects - in North West and West Midlands (£2,377) compared to North East, Yorkshire and The Humber and East Midlands (£590).

- Included extra funding to make buses more environmentally friendly, improve rail track maintenance to ensure more reliable journeys and continued support for development of major projects, such as a high speed rail link between Leeds and Manchester (part of Northern Powerhouse Rail).
- Saw places across the City Region including Castleford, Dewsbury, Keighley and Shipley, Todmorden and Morley gain support to progress to the next stages of the Towns Fund and Future High Streets Fund.
- Saw Government confirm that the 75% business rates retention pilot for West and North Yorkshire will not continue into 2021/22 at a projected cost to the constituent authorities of around £29 million. The 100% pilots in mayoral combined authority areas are protected.

2.5 Due to the shortened timescale for the Spending Round, Combined Authority officers engaged with Government officials and set out priorities across transport, energy, economic services, flooding and devolution as previously agreed. For example, this included:

- on **devolution** – the shape of a potential interim deal for the Leeds City Region as a step towards achieving wider Yorkshire devolution in 2022.
- on **transport** – on mass transit, Transpennine Route upgrade, public transport and active travel pipeline, developed in conjunction with the National Infrastructure Commission.
- on **flooding** – a submission of schemes that resulted in £19 million for defences in the Leeds City Region (in Calderdale and Selby).

2.6 The Chancellor is expected to announce his 2019 Autumn Budget in the next few weeks, which will be accompanied by updated forecasts from the Office for Budgetary Responsibility. Among the strategic issues being advocated by the Combined Authority and its partners are:

- **‘Levelling-up’ powers** of mayoral combined authorities and securing an interim devolution deal for the Leeds City Region.
- **‘Levelling-up’ resources** of mayoral combined authorities and ensuring they have sufficient long-term funding to boost productivity and earning power, and see that this benefits the most disadvantaged.
- Ensuring **local authorities are properly funded** to deliver high-quality local services, including social care, and lead prosperous and healthy places.

Agreement of a co-designed local industrial strategy

2.7 In early 2018, the LEP Board and Combined Authority agreed to begin the development of a local industrial strategy (LIS) for the Leeds City Region. Sitting at the heart of a new, long-term strategic economic framework (**Appendix 2**), the LIS will focus on bold steps aimed at boosting productivity and driving both inclusive and clean growth living for a post-2030 economy. Together, the framework and LIS will:

- focus on boosting productivity and earning power in a way that is inclusive and environmentally sustainable, with the City Region becoming carbon neutral by 2038 (and with significant progress by 2030).
- broaden the policy range, addressing a wider range of agendas that affect the quality of life of residents, including culture and health and wellbeing. These will be developed collegiately with communities and young people, local partners and experts across universities, business groups and public authorities.
- provide the foundation upon which the City Region will maximise public and private sector investment, for instance from the future UK Shared Prosperity Fund.
- be agile, hosted on a digital platform that is continually updated with key strategies, evidence and supporting information.
- be clear about the distributional impact of policy choices.

2.8 Much of the power of local industrial strategies comes from their co-design and agreement with Government. While there will not be new direct spending commitments, they offer a channel to discuss and agree those distinct City Region priorities which may guide future public investment funds.

2.9 The LEP Board awayday saw progress on the strategy, including:

- Agreement that **a healthy City Region** will be the central point of local distinctiveness. First, the City Region has strong comparative advantage in growing global markets with frontier health businesses and institutions across the City Region. Second, the City Region has significant opportunity to transform the health outcomes and earning power of some of the most disadvantaged people in local communities by working with communities to improve preventative services and use new health products and services to transform health outcomes.
- Focused on the Grand Challenges of **Artificial Intelligence (AI) and data**, and **an aging society**² where the City Region has exceptional and distinctive assets.

Spending Review 2020, Northern Powerhouse Strategy and Shared Prosperity Fund

2.10 There will now be a full three year spending review in autumn 2020, to run from 2021/2 to 2023/4. It is expected that this will also see the launch of a fully refreshed Northern Powerhouse Strategy to implement some actions discussed at the recent Convention of the North with NP11.

2.11 The UK Shared Prosperity Fund will seek to tackle inequalities between communities by raising productivity, especially in those parts of our country whose economies are furthest behind and replace the current European

² The nationally-set missions associated with these Grand Challenge are:

- **AI and Data:** Transform the prevention, early diagnosis and treatment of chronic diseases by 2030
- **Aging Society:** Ensure that people can enjoy at least 5 extra healthy, independent years of life by 2035, while narrowing the gap between the experience of the richest and poorest

Structural and Investment Funds. Whilst originally expected to commence in January 2021 this may be further delayed especially given ESIF projects will run through to the end of December 2023. Government has committed to consult on the design and structure of the Fund ahead of formal decisions, including the quantum, in the 2020 Spending Review. Roger Marsh, as Chair of the City Region's ESIF sub-committee, is preparing a note for Government setting out local proposals for the design of the fund based on learning from the current ESIF programme, and we will continue to engage with Government over the coming months.

- 2.12 The Spending Review is also expected to consider a successor to the Local Growth Fund, which has been allocated to LEPs and comes to an end in March 2021. The Combined Authority will work with Government to shape the size, shape and purpose of any successor funding.

Alignment of strategies and compelling investment propositions

- 2.12 Together, the various milestones mentioned above now fall into a logical sequence. As the table below shows, this draws together sharper institutional leadership, emerging strategy and a prioritised pipeline of compelling investment propositions which we are developing, built upon discussions with constituent authorities.

Actions	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
Strategic leadership - getting the right institutional leadership, funding and powers		Agree interim devolution deal in Budget		Continue to influence the shape of the UK Shared Prosperity Fund		LEPs remove overlaps and meet requirement of LEP Review		Local elections Purdah						
LIS and investment pipeline - developing a prioritised, compelling investment proposition relevant to future funding arrangements	Develop Local Industrial Strategy with: * a big and distinctive central concept * prioritise the City Region's contributions to the Grand Challenges * transformative proposals for the five foundations of productivity (ideas, business environment, people, infrastructure and place).			Negotiate with Government			* Prioritise investment pipeline across the partnership based upon strategy / feedback from Government * Develop Impact framework using distributional analysis to show how productivity / inclusive growth improves living standards for different cohorts. * Bring together future funding regimes (gainshare, UKSPF, public & private investment funds, Towns Fund)							
Agile products - producing compelling investment propositions, targeted at fiscal events	Accelerated Spending Round to prepare for Brexit on 31 October			Discuss with councils specific place priority projects.		Discuss ideas with spending depts. & agencies					Submit to HMT * negotiate, including potentially any additional powers * strategic investment case about why prioritise investment in WY?		<i>Assume 3yr Spending Review (2021/2-2023/4)</i>	

3. Clean Growth Implications

- 3.1 Clean Growth is embedded in our policy propositions, including the local industrial strategy. All of our future transport ambitions have tackling the climate emergency at their heart. We have developed bold propositions on climate change, energy and flooding resilience, in order to enable the City Region to make progress to its goal of being carbon neutral by 2038, with significant progress by 2030.

4. Inclusive Growth Implications

- 4.1 Inclusive Growth is central to the local industrial strategy. Many of the policy propositions being developed have inclusive growth as a central aim.

5. Financial Implications

- 5.1 While there are no direct financial implications arising from this report, it does highlight the implications of the Spending Round and the end of the West and North Yorkshire 75% business rates pool pilot.

6. Legal Implications

- 6.1 There are no legal implications directly arising from this report.

7. Staffing Implications

- 7.1 There are no staffing implications directly arising from this report.

8. External Consultees

- 7.1 No external consultations have been undertaken.

9. Recommendations

- 9.1 That the Combined Authority notes the successful Convention of the North with NP11 and supported by Government, and its key messages.
- 9.2 That the Combined Authority notes the outcome of the 2019 Spending Round and the proactive steps taken to pursue investments for transport, energy, flooding, digital infrastructure and economic services.
- 9.3 That the Combined Authority endorses the outcome of the LEP Board's awayday.
- 9.4 That the Combined Authority agrees the milestones set out in para 2.12 to use a new local industrial strategy to target the 2020 Spending Review with developing compelling investment propositions.

10. Background Documents

There are no background documents referenced in this report.

11. Appendices

Appendix 1 – City Region submission to the Treasury Select Committee

Appendix 2 – Strategic Economic Framework