

North of Tyne Mayor Jamie Driscoll

UK2070 Commission speech House of Lords 24th Nov 2022

Thank you for inviting me, a special thank you to Lord Kerslake: Bob, thanks for your continued advice. Thank you to the UK2070 Commission team, and Michael Henson, and welcome to our new friends from South Africa.

And while we're on with good wishes, good luck to England tomorrow. It's the first time we've had 3 Newcastle players in the World Cup squad since 1998. The first time we've had any since 2006. 16 years of hurt and all that.

The North East is a wonderful place to live. The people are friendly and hard working. The landscape is beautiful, our heritage impressive. We have world-leading industries. But let's not sugar-coat the truth. Our productivity is too low, and our healthy life expectancy is the worst in England. Widespread deprivation goes hand-in-hand with the lowest levels of asset ownership.

Too often, our energetic and talented people reach a point in their careers where they have to leave our region. Too many others come from backgrounds lacking financial and social capital. Without a good start in life, their potential goes unfulfilled.

A narrative has developed that the North has always been poor, the South has always been rich, and that is a natural state. It's not true.

In the 17th century Newcastle was considered the second town of the kingdom.

In 1609 Newcastle was described as the 'glory of all the towns in this country' and in 1633 'beyond all compare the fairest and richest town in England, inferior for wealth and building to no city save London'. Its mineral wealth was renowned. For two centuries the region fuelled the industrial revolution and made Britain the workshop of the world.

This was the home of the locomotive, the birthplace of the railways, the supplier of ships to the world, where renewable energy, electric light and turbine power were invented. In the 19th century Newcastle was a town 'making more strides in wealth, population and importance than any other in the British Empire'.

I know that was then. But it could be again.

Throughout the nineteenth and early twentieth centuries, the North East had a higher GDP per person than the South East; South West; West Midlands; and Yorkshire and the Humber.

Then, in the early 1980s, the disinvestment in the North East economy began. Our GDP per capita has plummeted, from 93% in 1981, to 73% by 2017. No other English region has suffered this decline.

The reason is simple: long term under-investment. Investment in businesses, investment in infrastructure, and investment in our people.

The answers to the economic problems of the North East lie in generating more wealth here. This will result in a virtuous circle of reducing health and skills inequalities which, in turn, will lead to greater prosperity.

But wealth generation depends upon the freedom to innovate. This should not be limited to the private sector. Whole swathes of services and infrastructure are run or administered by local, regional, and national government. Too often, they don't coordinate well. Funding mechanisms and convoluted lines of accountability disincentivise both long term strategic action, and agile innovation.

Competitive bidding, in particular, damages local accountability, strategic planning, and worst of all, local agency. It reinforces the belief that Westminster is both the cause of – and the solution to – regional inequality. And we must break the paralysing mindset that we are not in charge of our own destiny.

According to the UK2070 Commission Report, fair funding for devolution, by academics from Sheffield University, big thank you to Malcolm Tait for all his hard work, competitive bidding is complex and wasteful. More than 50 different levelling up funds. All with different criteria. Available to 5 different levels of government and 19 other types of organisation.

Local government spent £63 million preparing applications, most of which were ultimately unsuccessful.

Carl von Clausewitz was a military theorist from the Napoleonic era. "Friction," wrote Clausewitz, is "the concept that differentiates actual war from war on paper," those surprising things that happen during wartime that make "even the simplest thing difficult."

You might want to send cavalry to a position ten miles away – which looks fine on the map – but then the men come to a stream and find the bridge has been washed away, and have to take a long detour, and arrive too late for the battle.

Competitive funding is pure friction. It comes with so many rules and restrictions that localities can't use their common sense. For example, many people's biggest barrier to

cycling is the lack of a shower at work. But we're often only allowed to invest in tarmac and street furniture. Yet we could lever in private money if we had flexibility.

What seemed like a good idea in HQ – with the best of intentions – encounters friction when it appears on the ground. And Whitehall and Westminster get frustrated, and impose tighter criteria and shorter timescales, which makes the problem worse. Stop start funding means local providers struggle to retain and develop staff, and so struggle with capacity to deliver. Understaffed delivery organisations lead to delayed outcomes and poor value for money.

Contrast that with our agility. Proctor and Gamble's Vice President, Global R&D, met with me in February 2020 just before the pandemic, to discuss a joint project developing an Advanced Circular Economy research project. She said her colleagues had told her, "Don't waste your time talking to government, nothing will happen for years". By July, the project was up and running, a research centre developing real-world, climate-friendly products, employing 49 scientific and technical staff. We were clear in our vision, but flexible in our means.

And you know, there's a reason Government is slow.

I met my wife in 1995. I was studying engineering, she was studying medicine, and that summer she had a three month placement in New Zealand. We wrote to each other. Using a pen. On paper. By airmail. It took weeks to get a reply.

That's the same way my parents communicated. Yet our teenage children think email is obsolete. The way we work is changing at such rapid pace.

It is unusual that the people in this meeting are all in the same room. It is unusual that the people in this meeting are all in the same city.

Industry works on a minimum viable product approach. Rapid prototyping. Quick, light-touch cross-organisational working.

But our governance is basically the same as it was a century ago. Too centralised and too slow for the modern world. We have to strip out the friction. And the easiest way to do that is to devolve decision making. Not delegation – where the centre makes the decisions and asks the region to deliver it. But devolution – where the high level accountability is agreed, but the means and methods and priorities are left to the region. So they can deliver the holy grail: joined up government.

And our track record proves it works.

The Adult Education Budget is about post-19 education – skills training. Basic maths and English, plus vocational training – chefs, HGV drivers, computer coding, welding. Immediate work relevant skills. The bedrock of an advanced economy.

That was devolved to us on 1st August 2020. It's hard to imagine a worse time to have it devolved than in the middle of a pandemic. We didn't even know if colleges would be open in September. How do you teach a chef online? Is that even possible? We could have enforced contracts and clawed back the money. But we didn't. My team worked with all the providers and looked at what was possible. Where they had an idea that would mitigate the problem, we said yes. Not only did people get their skills training, the education providers maintained the capacity to deliver.

The net result? We increased enrolments from [21,885] 22,000 pre-pandemic to [32,769] 33,000 last year. That's a 49.7% increase as a result of devolution. For the same budget. With 96% of people who enrolled completing their course and getting a qualification.

Imagine. A 50% increase in value for money across government. In the old days, Sir Humphrey would want to hush it up. Today, I hope we'll see this success rewarded with a Trailblazer.

I've spoken to the Secretary of State, and his team, and asked for full devolution of skills and the careers service.

For investment zones with enhanced planning powers to develop our key industries in electric vehicles and clean energy.

For the powers to stop school kids falling through the gaps when they're excluded from school.

To accelerate transport infrastructure – including Land Value Capture so we can lever in money and see new light rail links implemented in years instead of decades.

For powers to regulate the private rented sector so we work with landlords to improve the housing supply and retrofit accommodation.

To fast track superfast digital connectivity.

And to consolidate all this competitive bidding into direct awards and trust our earned autonomy.

And I hope Government says yes. They should.

When the North of Tyne Combined Authority was set up the Government gave us one main target: create 10,000 new jobs over 30 years. Actual, direct jobs, as a result of our investment, over and above organic growth.

3 and a half years in and we should have 1,139 jobs in the pipeline.

We've actually got 4,685. And another 2,700 safeguarded by our investments through the pandemic.

That's 14 years' progress in 3 and a half years.

For every £1 I invest, we return over £3 to Treasury in payroll taxes alone, over and above VAT, duty and economic multipliers. For every £1 I invest, I also lever in another £4 of private capital.

But what I really want is the shackles to come off.

Last year the North East was the number one area in the UK for inward investment. We beat London by 50% on a per-capita basis. These are high-value, high-skilled industries, in biotech, clean energy, electric vehicles, and digital technology.

The flexibility with our funding, and assurance that we can train the workforce, was key to this success. And a handshake and winning smile from local political leaders doesn't do any harm either.

But that's just a start.

I want to eradicate long term deprivation. I don't believe in social mobility. That's a pretty shocking statement coming from a Labour Mayor.

Social mobility is a doctrine of accepting failure before we've even started. It says, "there are bad places, with poor health, poor housing, insecure work, endemic crime and little hope. But we'll engineer it so that the lucky ones can escape."

We should not need social mobility. There should be no places where hope does not shine. I want to get to a place where everyone can generate wealth and have agency over their own life.

If we can get everyone the opportunity for a secure job that pays their bills with enough left over a holiday and some savings, half of our other problems will evaporate. People with agency live longer, healthier, more productive lives. Educational attainment rises and crime falls.

And there's a corollary. If we're saying a high-skill, high-wage wage economy is a virtuous circle, we're also saying low-waged, low-skill economy is a vicious circle.

That means working with trade unions to get better employment legislation to eradicate insecure work.

Investing in R&D now will create more good jobs in future is a sound theory. But those kids who are going to school hungry today won't be getting those jobs. The lucky ones might, through social mobility, but most of them won't.

Unless we replace the doctrine of social mobility with a doctrine of universal wealth generation, we will fail.

I could lever in all the money we need to fix all these problems. Britain has trillions in under-deployed capital in low-yield bonds. I've spoken to asset managers and banks and pension funds. We're developing investable propositions for social housing and low carbon buildings. And I hope in the coming months to be able to announce some very large investments.

But when it comes to transport and skills and preventing ill health I need a revenue stream to repay the up-front investment. And that means fiscal devolution.

Every job I create returns, on average, £8,000 a year in payroll taxes. How about we implement an Earnback scheme? So when I create a job, Treasury let me keep the first 18 months of the payroll taxes. Remember, by definition these are direct jobs that only happened because we invested. And not a hypothetical tax take, the actual figure based on the real jobs created. You have in-built perfect accountability. The payments follow the results.

How about they give mayors more flexibility over land assembly inside a Mayoral Development Corporation? Planning reform is a political minefield. But a Mayoral Development Corporation can only exist where the local authority agrees with the Mayor. They are specifically in regeneration areas. Allow fast track compulsory purchase powers – by definition at fair market price – and if a land owner objects, let the Secretary of State adjudicate. You have a democratic triple lock – Local authority, Mayor and Secretary of State all have to agree. And it's decided in months, instead of years in court. We could unlock so many bombsites.

And how about we finally start investing in prevention with Invest to Save? Let's create a principle where Mayors can pitch to government that if they achieve a social good, they get the savings from health, criminal justice or environmental good. Establish a principle of flexibility. We co-produce the evidence criteria with Government and agree a rate of return. So if can get 100,000 people giving up their cars, and walking, cycling and using public transport, then we get the financial rewards of the better health we know will follow. That enables us to lever in the finance because we have a future income to repay it.

And while we're on, let's lower the friction between NE1 and SW1 with a Levelling Up Board. Get a director in each domestic department on it, chaired by the Mayor and with

ministerial sponsorship and attendance. So next time central Government have a plan for investment, they talk to us, and we tailor it to take advantage of what's on the ground, and what we're already doing. Duplication and delay cost us a fortune.

It's hard to link things together from SW1. I get that. You need someone on the ground to hold the ring.

The travel-to-work area is the ring. The Metro Mayor is the ring master. Like the best companies we have the ability to rapidly prototype. To bring people together for a common purpose. To end vicious cycles and turn them into virtuous circles. To generate wealth and remove inequality. And one final football reference: to bring it home.