
Meeting: Transport for the North Board Chief Executive Consultation Call
Subject: Northern Powerhouse Independent Economic Review
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Meeting Date: Wednesday 14th December 2022

1. Purpose of the Report:

- 1.1 To provide an update on the Northern Powerhouse Independent Economic Review (NPIER) programme, specifically detailing the work on the ongoing refresh element of the programme.

2. Recommendations:

- 2.1 It is recommended that the Board:
- a) Expresses deep concern at the widening of the productivity gap between the North and other parts of the UK
 - b) Calls on Government to recognise the urgency of investing in the North to maintain current infrastructure and service levels
 - c) Notes the next stages of finalising the refresh of the NPIER and the intention to publish alongside the Strategic Transport Plan (STP)

3. Main Issues

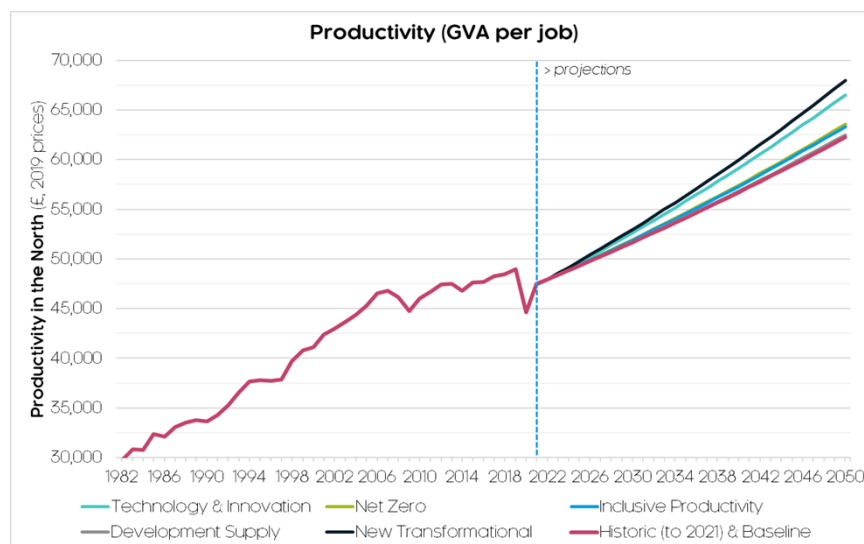
- 3.1 The NPIER was published in 2016 and identified seven key sectoral capabilities in the North that had the potential to support transformational growth in the region if supported by policy initiatives such as investment in improving transport connectivity, skills, R&D, encouraging graduate retention and inward investment. By doing this the North could close the productivity gap with the rest of England and generate an additional £100bn GVA per year and create an additional 850,000 jobs by 2050 compared to a “business as usual” trajectory.
- 3.2 The NPIER was instrumental in framing the scale of economic opportunity in the first STP for the North of England and showing how investment in improving connectivity can drive growth. The NPIER is fully embedded in the transport plans and economic strategies of authorities across the North of England. An update of the NPIER was commissioned by TfN in 2021 in advance of the refresh of TfN’s STP, taking into account the significant changes in the near and longer-term outlook since the original publication.
- 3.3 The programme to update the NPIER is taking place in close collaboration with Northern Partners, including Local Transport Authorities (LTAs) and Local Enterprise Partnerships (LEPs). This work will provide the critical evidence to inform the economic objectives within the refresh of the STP currently being progressed by officers. The refresh builds on the extensive programme of research undertaken by TfN and the wider partnership about the scale of economic potential that could be unlocked and what would be required to deliver on that potential.
- 3.4 This development process and supporting research has resulted in a set of scenarios that present the case for transformational growth in the North, that is socially inclusive and meets the legal requirement to decarbonise the economy. Alongside a baseline “business as usual” scenario, the four scenarios are:
- a) A net zero scenario with a strong focus on green innovation and growth;

- b) Technology transformation, supporting research & innovation and entrepreneurialism and technology adoption;
- c) Inclusive productivity, interventions to support the health, well-being and skills of the Northern workforce;
- d) Development supply, designed to boost the supply of commercial property and domestic housing.

The four scenarios, when combined as a package of policy interventions create a new transformational vision of the economic outlook for the North.

4. Emerging conclusions and implications

- 4.1 The emerging findings from the analysis clearly show a widening of the productivity gap between the North and other parts of the UK since 2016, making the closing of the gap harder to achieve by 2050.
- 4.2 In the revised baseline “business as usual” scenario productivity growth in the North continues to trail that of the rest of England (excluding London) meaning lower levels of prosperity for Northern households. Baseline projections under “business as usual” show the likelihood of stronger employment growth by 2050, but lower than required GVA growth if we are to close the productivity gap or increase prosperity for households. This is because overall UK productivity has stagnated.
- 4.3 The findings show the continued importance of the seven “prime and enabling capabilities” of the North’s economy, defined in the 2016 Review, particularly energy, advanced manufacturing, some professional services and higher education. The scenarios also highlight a number of emerging, wider sectoral strengths in the North including engineering & construction, food & agriculture.
- 4.4 Also demonstrated is the significance of the North’s foundational economy, estimated to currently employ 67% of the North’s workforce and generating 63% of all economic output. The foundational economy describes businesses and organisations that provide essential goods and services, including transport infrastructure, services such as health and social care, and food production. In the early stages of this refresh work, exemplar providers of essential goods and services were found in the North, concentrated in public services, such as health and social care. These were found to provide good coverage, reliability and quality in the North compared to the rest of England and exhibit strong growth and job creation in the scenario outcomes.
- 4.5 Modelling of the individual scenarios all demonstrate positive outcomes for the North by 2050, although the degree to which each influences the outcome for productivity, jobs and growth varies depending on the policy/scenario focus.
- 4.6 When adopted and modelled together (in the fully transformational scenario) the ambition for the North surpasses the scale of the ambition for GVA growth and job creation set in the original 2016 work and also surpasses the level of productivity by 2050 of the rest of England (excluding London). There are also significant implications population growth and housing. To deliver the full transformational scenario there would need to be a substantial increase in the population of the North and the additional number of dwellings to be constructed by 2050, which would further require additional investment in infrastructure such as transport and digital connectivity.
- 4.7 The draft projections for productivity (GVA per job) are compared in the chart below:



5. Emerging Implications

- 5.1 For TfN, the economic ambition in the forthcoming STP should continue to focus on closing the productivity gap, with the work on scenarios helping to identify the required policy changes and investment in infrastructure and services. In practice the direct implications for connectivity and transport investment will be broadly similar to the conclusions of the 2016 Review. The STP is the subject of a further paper to this Board meeting.
- 5.2 More widely, further focus and effort will be required around wider policy levers including as education, skills, housing, and R&D. Both the NPIER and STP are clear that whilst transport investment can be a critical catalyst for growth and prosperity, it is the combination of investment that is required to deliver outcomes and that must be brought together and coordinated at the level of place.
- 5.3 For example, on skills, we know the transport industry faces a twin challenge of an ageing workforce and excess demand for critical STEM skills. But those challenges are shared with many of the prime and enabling capabilities such as digital, advanced manufacturing where we also need to see growth. That points to a concerted effort to promote investment in secondary and post 16 education as the Northern Powerhouse Partnership and others have highlighted.
- 5.4 That requires a much wider conversation with Northern stakeholders beyond the remit of this Board, as well as active engagement with government, and TfN is working with the NP11 and GMCA to bring the fuller conclusions of the NPIER refresh to the Convention of the North planned to be held in Manchester in January 2023.

6. Wider Policy Connections

- 6.1 What the refresh of the NPIER highlights is the need to align TfN's activities in the transport sector with activities in other areas of public policy. For example, it highlights the importance of investment in skills. There is increasing evidence of the extent to which the lack of available skills in the construction sector is impacting on the ability to deliver agreed investment.
- 6.2 TfN's work on Electric Vehicle Charging Infrastructure has involved the energy sector (both generation and distribution) as an integral part of the team developing the framework: a reflection of the need for investment in energy systems to be aligned with that being made in transport if we are to decarbonise the transport system.

- 6.3 In a similar vein the growing reliance on user centred transport solutions on the availability of ubiquitous digital connectivity – both fixed and mobile – serves to emphasise the need for investment in digital infrastructure to be aligned with that being made in transport. In addition, the availability of ubiquitous digital connectivity will support further change in the business models used by public and private sector companies to enable people to access their services and products.
- 6.4 Such considerations reinforce the importance of embracing a 'systems approach' when identifying the need for investment in strategic infrastructure, one that enables the transport system to unlock the North's economic potential.
- 6.5 TfN, with its extensive evidence base and body of technical work is well placed to act as both a catalyst and a champion for promoting the critical importance of systems thinking.

7. Next steps

- 7.1 The consultants are working to finalise the model outcomes, which include a more detailed suite of metrics containing detailed socio-economic and environmental indicators at the level of the North, and more detailed results for each LEP area.
- 7.2 The final outputs from the modelling work and research will be used to inform the implications for the North's transport system and feed into the drafting of the new STP. We envisage sharing the final NPIER outputs with the Partnership Board in February. The final outputs of the research will then be published in the Spring as part of the STP evidence base.
- 7.3 As in para 5.4, TfN is working with NP11 on the Convention for the North as the opportunity to discuss the wider implications of the findings in more depth.
- 7.4 Subject to resources being available in 2023/24, TfN intends to update the TfN Future Travel Scenarios to fully explore the connectivity and travel demand implications of the new NPIER modelled scenarios.

8. Corporate Considerations:

8.1 *Financial Implications.*

The commission to cover this update is in the 2022/23 budget.

8.2 *Resource Implications.*

Internal project management for the commission is fully resourced.

8.3 *Legal Implications.*

The work described helps enable TfN to fulfil its statutory duty and exercise its powers.

8.4 *Risk Management and Key Issues.*

Risks related to the commission have been recorded in the relevant risk register. In addition, risks associated with the Second STP are included on the corporate risk register and there are mitigation actions in relation to NPIER.

8.5 *Environmental Implications*

This report does not constitute or influence a plan or programme which sets the framework for future development consents of projects listed in the EIA Directive and therefore does stimulate the need for SEA or EIA.

8.6 *Equality and Diversity.*

None associated with this update.

8.7 *Consultations.*

None.

9. Background Papers:

9.1 There are no background papers to be included with this update.

10. Appendices:

10.1 There are no appendices to this report.

Glossary of terms, abbreviations and acronyms used (*if applicable*)

a) NPIER	<i>Northern Powerhouse Independent Economic Review</i>
b) TfN	<i>Transport for the North</i>
c) GVA	<i>Gross Value Added</i>
d) STP	<i>Strategic Transport Plan</i>
e) LEP	<i>Local Enterprise Partnership</i>
f) R&D	<i>Research and Development</i>
g) GMCA	<i>Greater Manchester Combined Authority</i>