

## **Report to Council – 30 June 2016**

### **East Anglian Devolution – Norfolk and Suffolk**

#### **Summary**

This report sets out Norfolk and Suffolk's ambition for and approach to devolution based on the East Anglia Devolution Deal announced by the Chancellor in the Budget on 16 March 2016. It builds on Government commitment to enhance local autonomy through devolution, reflected in the *Cities and Local Government Devolution Act*.

It also provides a unique opportunity to access funding for the two counties, now and in the future, in an era of diminishing core funding for local authorities. Those areas entering into Devolution Agreements are being given further opportunities to secure funds for economic growth, e.g. Greater Manchester, who are on their fourth Devolution Agreement with Government.

In light of the opportunity outlined above, this report asks Full Council to endorse the Norfolk and Suffolk Devolution Agreement, support the Governance Review and ask Cabinet to publish a Scheme of Governance for public consultation.

#### **Recommendations**

1. That the Authority endorses the signing of the Norfolk and Suffolk Devolution Agreement by the Leader.
2. That, on the basis of the Governance Review, and having regard to any impact on equalities explored in the Equalities Impact Assessment (EqIA) attached, the Authority concludes that the establishment of a Mayoral Combined Authority for Norfolk and Suffolk is the option which most fully permits the effective discharge of the functions that Government is prepared to devolve to this area.
3. That the Authority endorses and supports the publication of the draft Scheme for a Norfolk and Suffolk Mayoral Combined Authority as attached to this report for consultation purposes, subject to such final revisions as may be approved by the Chief Executive in consultation with the Leader, and prior to the commencement of the formal consultation exercise. Such formal consultation, on the Scheme, to commence once all Norfolk and Suffolk Councils have considered the matters in this report and, in any event, no later than the 4 July 2016. In the event that a Constituent Authority named in the attached Scheme does not agree to endorse the Deal Agreement and/or the Scheme, the Authority authorises, through its Chief Executive the relevant changes to be made to the Deal Agreement, the Scheme and the Governance Review to reflect that Authority's non-participation.
4. That the outcome of the consultation exercise is submitted to the Secretary of the State by the Chief Executive, in consultation with the Leader, by early September.
5. That council meets no later than 28 October 2016 to consider giving consent to an

Order establishing a Mayoral Combined Authority for Norfolk and Suffolk.

6. Insofar as any of the matters referred to in this report concern the discharge of functions related to the endorsing and signing of the Norfolk and Suffolk Devolution Agreement and the publication of the Scheme, authority is delegated to the Chief Executive in consultation with the Leader, to take all necessary steps and actions to progress the recommendations detailed in this report.
7. In the event that any technical changes are required to reflect legislative requirements and the contents of the Deal Agreement, authority is delegated to the Chief Executive, in agreement with the other Executives across Norfolk and Suffolk to make the necessary changes to the Scheme
8. That further reports are presented to the Authority as appropriate as the Devolution process develops.

## **Reason for recommendation**

If the Authority withdraws at this stage it will lose the opportunity to develop the benefits of the devolution process and may lose access to future government resources and the local determination of policy and spending priorities. It will also deny its residents the opportunity to have their say.

## **1 Background**

1.1 This report updates the council on the progress made in the Devolution proposal by the sixteen local authorities in the Norfolk and Suffolk area and details the process for the next stages in the devolution programme. It includes the latest elements of the devolution proposal and invites council to consider and set direction for the next stages of the devolution process.

1.2 The Scottish independence referendum in September 2014 and publication of the Smith Commission report in November 2014 on further devolution to Scotland, promoted wide-ranging debate about similar devolutionary measures in England, at both national and sub-national levels. After the General Election in May 2015, the new Government emphasised its commitment to devolution by swiftly introducing Cities and Local Government Devolution Bill to Parliament on 28 May 2015.

1.3 Initially, the government's focus was on continuing the devolution of powers and/or funding to large urban areas, particularly to the five existing combined authorities. This included a devolution Deal for the Sheffield City Region and the Greater Manchester Health and Care Deal that sees Greater Manchester Combined Authority take control of £6billion of health and social care spending overseen by a new statutory body from April 2016.

1.4 As support for devolution grew, the government announced that all areas were encouraged to come forward with proposals for a devolution Deal. As a result, many areas across England submitted proposals to the government and have been subject to negotiation. As part of his Summer Budget on 8 July 2015, the Chancellor announced that 'significant' devolution Deals would need to be

submitted to the government by 4 September 2015 if they were to inform the Spending Review in November.

1.5 In East Anglia, Suffolk and Norfolk submitted Expressions of Interest and a commitment to work together to develop a Deal. The first expressions of interest focused on shared ambition to drive economic growth exploring how devolution could help accelerate this through greater local autonomy and a re-set relationship between local and central government.

1.6 At its meeting on 6 October 2015, Cabinet agreed to:

- Endorse the proposal to progress a joint Norfolk & Suffolk devolution deal.
- Comment upon and support the proposed functions for inclusion in the devolution negotiations as outlined in Section 3 of the report.
- To note that it will be a requirement that the Borough Council joins and participates fully in a 'Combined Authority' for Norfolk & Suffolk in the event that an attractive devolution agreement is reached.
- Authorise the Leader to pursue negotiations on behalf of the Borough Council to help to secure a devolution deal for Norfolk & Suffolk with government.

1.7 A number of pre council briefings have been provided to Members as the discussions and negotiations progressed.

1.8 Further to Ministerial feedback, including a 'Challenge Session' with Lord Heseltine in November 2015 and a further meeting with Lord Heseltine and Secretary of State, Greg Clark in February 2016, Leaders agreed that Cambridgeshire, Norfolk, Peterborough and Suffolk should jointly develop their collective asks of Government, in recognition of the economic links between the four areas. A devolution Deal for East Anglia was agreed at a very accelerated pace and announced by the Chancellor in the Budget (March 2016).

1.9 Following further consideration of the most effective way to drive growth through an East Anglia Deal, discussion with Ministers and reflection on what would be best for local people, it was decided to pursue two distinct devolution Deals. One for Norfolk and Suffolk and one for Cambridgeshire and Peterborough. This approach provides opportunity for strategic join up between the two Deals for example, on infrastructure, transport and skills but retains local economic geographies.

1.10 After extensive negotiations, the sum on offer for the two distinct Deals is greater than the sum offered in the original Deal.

## **2 Options for consideration**

2.1 That the Authority supports the recommendations in the report and approves continued working towards the implementation of the Norfolk and Suffolk Devolution Agreement.

2.2 That the Authority does not agree to the development proposed and work ceases.

### **3 The Devolution Process**

3.1 There are clear statutory processes that need to be followed in accordance with the Cities and Local Government Devolution Act 2016 to establish a Mayoral Combined Authority and devolve appropriate powers from central government for May 2017. The Norfolk and Suffolk Deal is one of the first to be progressed under this legislation.

3.2 The councils covered by the proposal need to undertake a Governance Review, publish Governance Scheme that explains how a Mayoral Combined Authority would work, undertake a statutory public consultation on the Scheme and provide a summary of the consultation responses to the Secretary of State. The primary purpose of a governance review is to set out the rationale for creating a Norfolk and Suffolk geographic/economic footprint, to propose the powers that would be required from Government to deliver effectively across that footprint, and to propose options for governance. The governance review and the consultation on the draft Scheme will enable the Secretary of State to decide whether the statutory tests on improving the exercise of statutory functions are met and whether it is appropriate to make the order (if Parliament approves) establishing the Mayoral Combined Authority. Before making such an order, consent needs to be sought from all of the constituent councils.

3.3 This report sets out the terms of the Governance Review and the Scheme on which we will consult. Each council in the proposed Norfolk and Suffolk Deal will receive the attachments for consideration by its members and a report inviting identical recommendations at their next scheduled meeting.

### **4 The Norfolk and Suffolk Devolution Deal Agreement**

4.1 The Norfolk and Suffolk Devolution Deal Agreement is set out at Appendix A to this report. It is based on the East Anglia Devolution Agreement signed by the Chancellor, Secretary of State and Leaders from the Councils across Norfolk, Suffolk Peterborough and Cambridgeshire (except Cambridge City Council), but only applies to all councils in Norfolk and Suffolk.

4.2 Devolution offers a generational opportunity to accelerate growth in the local and national economy whilst improving the life chances and quality of life for every resident in Norfolk and Suffolk. We are a diverse and dynamic area including cities, rural and coastal communities with a globally significant economic offer. The Deal provides for the transfer of significant resources and powers from central government to the region including for infrastructure, housing, economic development, and employment and skills, which will positively impact on the lives of residents by helping create more jobs, improving the skills and employment prospects of residents and boosting the productivity of Norfolk and Suffolk. With devolved powers we can make sure that the housing needed to support this growth is connected to the right infrastructure: roads, rail and digital and means that local communities can thrive.

4.3 For Norfolk and Suffolk the Deal offers the opportunity for a step change in our relationship with government. Devolution means having the power and resources to tackle our challenges and make the most of the opportunities. This is

the beginning of the Devolution process. If Council agrees to proceed with the Deal it opens the way to future negotiations. For example the Greater Manchester Deal announced in November 2014 has seen the Combined Authority use its Deal to negotiate on a further four occasions to enhance its powers to deliver economic growth.

4.4 The Deal contains very significant new powers and funding for Norfolk and Suffolk and represents an opportunity to gain greater control and influence across a range of issues that directly affect our residents, but are currently decided in Whitehall. It creates a Combined Authority of a size and impact capable of negotiating directly with Government Departments so that our local priorities are recognised and acted upon rather than being sidelined. Specifically the Deal includes:

- £25m a year of new money for the next 30 years (£750m) to support economic growth, development of local infrastructure & jobs. 40% of the 'single pot' will be revenue, which can support capital borrowing
- £100m over five years of new money to support the building of new homes across Norfolk and Suffolk. Recognising the housing market conditions in Norwich and Ipswich, Government will also provide the Combined Authority with an additional £30m over five years, split equally for Norwich City and Ipswich Borough, to meet its housing needs
- A guaranteed £225m annual transport budget for the next four years
- Control of an existing c£20m a year Adult skills funding to ensure the training offer match the needs of local businesses and the local labour market
- Control of an existing c£2m Apprenticeship Grant for Employers (AGE grant) to enable funding to better meet the needs of local Norfolk and Suffolk employers
- Greater control over who delivers transport services in Norfolk and Suffolk, and how, rather than it being imposed on us by Central Government
- More control and influence over investment in key roads across Norfolk and Suffolk, so that local priorities and concerns can be met
- A commitment that relevant authorities and partners take a Norfolk and Suffolk wide approach to flood & coastal risk management to get more for our money and ensure problems aren't just shifted from one area to another
- A commitment that local authorities work to improve the planning process for residents and businesses

## **5 The Norfolk and Suffolk Governance Review**

5.1 The Norfolk and Suffolk Governance Review is set out at Appendix B to this report. In accordance with the statutory framework, the purpose of the Governance Review has been to:

- Review the exercise of statutory functions in relation to the review area with a view to deciding whether to prepare and publish a Scheme under section 108 of the Local Government, Economic Development and Construction Act 2009 and section 6 of the Cities and Local Government Devolution Act 2016

- Consider the options available for making changes to existing governance structures and arrangements with a view to improving the exercise of statutory functions
- Determine which option is likely to be most beneficial to the area of Norfolk and Suffolk as well as strengthening the overall governance arrangements and delivery of statutory functions

5.2 In doing so, the Review has also taken into account the following local priorities:

- The most effective way to deliver economic growth and public service reform through functions such as: transport, infrastructure, spatial planning and skills
- What constitutes functional economic market areas
- Accountability
- Enabling effective joint working between existing statutory and non-statutory bodies
- The principle that decisions should be taken closest to the level where they will have most impact (subsidiarity/double devolution)

5.3 The Governance Review has found that Norfolk and Suffolk function as an integrated economic area. There is significant connectivity across Councils in the area as well as strong relationships with neighbouring areas, particularly Cambridgeshire. Strong collaboration is not only a feature of local government but also evident in the NHS' Sustainability and Transformation Plans. Key economic sectors within and beyond the area have encouraged successful economic join up between the two Local Enterprise Partnerships.

5.4 There is a shared ambition across Norfolk and Suffolk to drive growth which is already being demonstrated through successful joint working on: the Growth Deals, City Deals and Enterprise Zones. However, the case for change is compelling:

- Existing arrangements are fragmented and not fit for driving forward Norfolk and Suffolk's shared ambition to: drive growth, fulfil global economic potential, integrate public services and deliver the best for local people
- Norfolk and Suffolk's commitment to unlocking growth and housing and invest in infrastructure needs greater devolved powers and funding, which requires formal robust and accountable joint decision making
- Robust strategic governance is needed to drive public service reform, deliver more integrated services and re-set the relationship between central and local government paving the way for future devolution Deals
- Creating a single strategic voice and champion for Norfolk and Suffolk would enable strategic join up supported by appropriate local delivery

5.5 The conclusion of this Governance Review is to recommend that the functional economic area of Norfolk and Suffolk will be best served by the establishment of a Mayoral Combined Authority. It also maximises opportunities to negotiate for devolved budgets, powers and responsibilities with Government and therefore, is consistent with the ambition to re-set the relationship with Government.

Government have been clear that without a democratically elected Mayor, any devolution Deal would be much smaller in range and value and this would not deliver Norfolk and Suffolk's ambition.

5.6 Combining strategic strength and coherence with connections to local functional economies, it is considered that this model will improve the exercise of statutory functions and, more importantly, provide robust but flexible integrated and locally accountable decision making.

## **6 The Norfolk and Suffolk Scheme of Governance**

6.1 The Norfolk and Suffolk Scheme of Governance is set out at Appendix C to this report.

6.2 The Scheme establishes the functions and powers that the Governance Review identifies as necessary to be devolved from Government, in order to meet the Secretary of State's statutory tests. It reflects the new Mayoral and Combined Authority functions and powers as proposed under the Deal Agreement.

6.3 These include:

- [The Mayor's] responsibility for a multi-year, consolidated and devolved local transport budget
- Responsibility for a Key Route Network which will be managed and maintained on behalf of the Mayor
- Powers over strategic planning and housing including £130m ring-fenced funding over 5 years to deliver new homes
- The Combined Authority's receipt of an additional £25m a year funding allocation over 30 years to boost growth
- The Combined Authority's review of 16+ skills provision and devolved 19+ adult skills funding

6.4 In addition to powers and functions the Scheme also sets out, at high level, how the Mayor and the Combined Authority will operate. However the detailed governance of the Combined Authority will be established in the Combined Authority's Constitution.

6.5 The Constitution will contain details of how the new powers and functions will be delivered and enshrine the principles of double devolution. The Scheme recognises that the Combined Authority will operate through thematic, geographic and/or district clusters, to ensure that delivery is exercised at the appropriate local geographies primarily based on functional economic area and travel to work areas.

6.6 The Scheme also enshrines principles about the costs of the Mayor and Combined Authority. Those principles are that:

- The Combined Authority costs will be met as far as possible from existing resources, with statutory officers and support provided by the Constituent Authorities; and
- Any levy on the Constituent Authorities for Mayoral costs will be treated as a loan and repaid to the Constituent Authorities by the 3<sup>rd</sup> anniversary of the Mayoral election.

6.7 Clearly the gain or benefit leveraged from the Single Pot (£25m a year) will be far in excess of the Mayoral costs for the Combined Authority.

## **7 Consultation**

7.1 Legislation requires devolution deal areas to publish a scheme of governance setting out plans for the scope of the combined authority, the arrangements for local representation, and decision making. The public must be consulted on these arrangements, and the Secretary of State will then take the outcome of consultation into account before further legislation can be taken forward.

7.2 The consultation is a window of opportunity for wider, systematic engagement and involvement of residents and other stakeholders in Norfolk and Suffolk. To date, the complexities and challenges of negotiations have principally played out through the media. The consultation period – running from July 4<sup>th</sup> to August 19<sup>th</sup> 2016 - will allow views of residents and businesses to be gathered about the agreement. The intention locally is to promote the consultation, encouraging residents to give their views; it will include face to face discussions, briefings, on-line information and published materials setting out a broader overview of the Deal and its potential impact.

7.3 Alongside this, there will be a booster telephone survey to ensure that we get demographically representative consultation feedback by district. The telephone survey will deliver 5,320 individual telephone interviews across Norfolk and Suffolk, to give a robust sample (380 per district). The telephone survey will also include 250 interviews with businesses across both counties.

7.4 The results of the consultation will be reported back to the Council and the Secretary of State by 9 September. Whilst the timing of the consultation period is not ideal – over the summer for seven weeks and following the EU referendum – this is balanced by what will be a proactive approach locally to promote the consultation, and the extensive telephone interviews will assure the robustness of the process.

## **8 Equality Impact Assessment**

8.1 An initial equality impact assessment has been carried out for the two counties and is attached at Appendix D. It is the start of a process and will be further developed by officers across the two counties, assuming the Deal goes ahead. It is worth noting that three of the core initiatives proposed as part of the Deal – digital connectivity, infrastructure and transport – have particular potential to enhance access for disabled and older people, who form a large and increasing percentage of Norfolk and Suffolk's population.

## **9 The Decision**

9.1 In taking its decision on the matters in this report there will be an opportunity for all members to debate the Deal Agreement, Review and Scheme. However there will not be an opportunity to move amendments (other than minor typographical or corrective changes) to the Deal Agreement, Review or Scheme. The timetable for publication of the Scheme, being no later than 4 July 2016, and the fact that the documents must pass through all 16 councils in Norfolk and



Suffolk for agreement or otherwise, does not give a window for further negotiation. Members will need to decide whether to endorse the Deal Agreement and support publication of the Scheme or reject it. However, they can feed in any comments on the Scheme as part of the consultation process.

9.2 If a council decides to reject the Scheme, appropriate changes will need to be made to the Deal Agreement and Scheme prior to publication.

## **10 Financial Implications**

10.1 The resource implications are dependent on the next stages of the development of the devolution process. Most will involve the use of existing officer time and resources.

10.2 All council leaders have agreed that the administration costs of setting up the Mayoral Combined Authority will be kept to a minimum, using existing resources within their councils.

10.3 We will be seeking to ensure that the total cost of the delivery of public services in Norfolk and Suffolk is no more than is currently the case and we will be looking to take advantages of the opportunities presented by working together across this area.

10.4 As mentioned above, the Scheme enshrines principles about the costs of the Mayor and Combined Authority, with the aim that the gain or benefit leveraged from the Single Pot (£25m a year) will be far in excess of the Mayoral costs for the Combined Authority.

## **11 Risk**

11.1 There are significant risks/consequences should the council determine not to proceed to participate in the Mayoral Combined Authority. In particular, in the event that Norfolk County Council have agreed to proceed the Mayoral Combined Authority for Norfolk & Suffolk (excluding West Norfolk) will, in all probability, be established and Mayoral elections proceed but should the Council wish to seek to join the Combined Authority at a late date the residents in West Norfolk will not have participated in the elections to choose him or her.

11.2 The Borough Council would also lose the opportunity to access a considerable level of funding for the foreseeable future which could otherwise be accessed to build new homes and to undertake key infrastructure improvements needed in West Norfolk. The ability to influence the allocation of the Adult Skills Budget and the Employees Apprenticeships Grant would also be lost.

## **12 Conclusion**

12.1 After extensive negotiations between Government and the Norfolk and Suffolk Leaders a proposed Devolution Agreement has been developed. The council will need to assess whether to endorse the Devolution Agreement and authorise the leader to sign it.

12.2 The Agreement offers significant benefits to residents and businesses in West Norfolk, including the ability to access both the £750 million infrastructure fund and the £100 million housing investment fund. It has also secured firm government commitment to fund the critical Ely North Junction which will enable half-hourly services to run from King's Lynn to Cambridge and London. If approved, officers will seek early access to the funds to advance key infrastructure projects in West Norfolk including the Downham Market Centre for Advanced Knowledge Engineering, the NORA Enterprise Zone, and to further extend the rollout of digital infrastructure together with investment to support key housing allocations such as West Winch and NORA.

12.3 The Council is asked to support the Governance Review and agree the publication of the Scheme of Governance. This will allow the council to report to the Secretary of State such views to inform his decision on the Devolution Deal and the Scheme for the Mayoral Combined Authority.

12.4 The Devolution Agreement attached is just the start of the Devolution process. Greater Manchester, the model for a number of the Devolution Deals, has now agreed the content of its 4<sup>th</sup> Deal, and in April 2016 took on responsibility for the Health budget in the area. There is a great deal of potential to extend the range of responsibilities, powers and funding in the coming months and years and this report seeks to put into place the mechanisms to deliver increased local leadership for public services and greater autonomy over the levers for growth in our area.

**Sources of further information**

- a) Report to Cabinet 6 October 2015
- b) Appendix A: East Anglia Devolution Agreement; Appendix B: Governance Review; Appendix C: Governance Scheme; Appendix D: Equality Impact Assessment
- c) Cities and Local Government Devolution Act
- d) Equalities Impact Assessment