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COMMITTEE: EXTRAORDINARY COUNCIL REF NO: C/16/02
DATE: 29 JUNE 2016
SUBJECT: NORFOLK AND SUFFOLK DEVOLUTION
PROPOSAL

PORTFOLIO HOLDER: THE LEADER

Short description of report content and the decision requested:

1. 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 (Appendix 1). It builds on Government commitment to enhance local autonomy through devolution, reflected in the Cities and Local Government Devolution Act 2016.
2. This report requests that
 - Council debates the devolution proposals contained within this report and its appendices
 - Council provides a clear indication to Executive, via a vote, as to whether it supports the Norfolk and Suffolk devolution proposals contained within the appendices to this report

so that Executive may be informed by the views of Council before making its decision.

Ward(s) affected: All

List of Appendices included in this report:

- a) Appendix 1 – Devolution Deal 16/3/16
- b) Appendix 2 – Terms of the governance review
- c) Appendix 3 – Draft Scheme
- d) Appendix 4 – Proposed Norfolk and Suffolk Devolution Deal Agreement
- e) Appendix 5 – Summary of consultation responses

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This report was prepared after consultation with:

- *Internal consultees*
- *Corporate Management Team*

External consultees

- *All Leaders and Chief Executives across Norfolk and Suffolk and the New Anglia Local Enterprise Partnership*

The following policies form a context to this report:

(all relevant policies must also be referred to in the body of the report)

Building a Better Ipswich

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(papers relied on to write the report but which are not published and do not contain exempt information)

None

OTHER HELPFUL PAPERS

(papers which the report author considers might be helpful – this might include published material)

1. Council on 23 September 2015 – ref no: C/15/09

1. Introduction

- 1.1 This report updates 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.

2. Background

- 2.1 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 the Cities and Local Government Devolution Bill to Parliament on 28 May 2015.
- 2.2 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.
- 2.3 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.
- 2.4 At its meeting on 23rd September 2015, this Council discussed devolution and agreed to:
- (i) *Note the Expression of Interest (Appendix 1 of that report);*
 - (ii) *Note that the Expression of Interest (Appendix 1 of that report) will be used as the basis for future detailed negotiation with Government throughout the autumn;*
 - (iii) *Note that discussion will be taking place involving Norfolk, as well as Suffolk, councils / organisations;*
 - (iv) *Any final proposal is considered by Full council prior to the completion of any devolution agreement with Government.*

- 2.5 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.
- 2.6 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) (see Appendix 1).
- 2.7 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.
- 2.8 After extensive negotiations, the sum on offer for the two distinct Deals is greater than the sum offered in the original Deal.

The Devolution Process

- 2.9 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 devolving appropriate powers from central government for May 2017. The Norfolk and Suffolk Deal is one of the first to be progressed under this legislation.
- 2.10 The councils covered by the proposal need to undertake a governance review, publish a draft 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.

- 2.11 This report sets out the terms of the governance review (appendix 2) and the draft scheme (appendix 3) which would be subject to public consultation.

The Norfolk and Suffolk Devolution Deal Agreement

- 2.12 The Norfolk and Suffolk Devolution Deal Agreement is set out at appendix 4 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. However, when comparing the new deal to the original East Anglian deal (Appendix 1) it is clear to see that this new two county deal is far more financially beneficial for the Ipswich area than the original deal.
- 2.13 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.
- 2.14 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 Executive 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.
- 2.15 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 side-lined. 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 across Norfolk and Suffolk 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 our and their housing needs
- A guaranteed £225m annual transport budget for Norfolk and Suffolk for the next four years
- Control of an existing c£20m a year Adult skills funding across Norfolk and Suffolk 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

3. The Norfolk and Suffolk Governance Review

3.1 The Norfolk and Suffolk Governance Review is set out at appendix 2 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.

3.2 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).

3.3 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.

3.4 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.
- 3.5 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.
- 3.6 Government have been clear throughout the devolution discussions 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 – i.e. if Ipswich Borough Council wishes to be part of the deal and gain the financial and other potential benefits then it must support the principle of an elected mayor.
- 3.7 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.

4. The Norfolk and Suffolk Scheme of Governance

- 4.1 The Norfolk and Suffolk Scheme of Governance is set out at appendix 3 to this report.
- 4.2 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.

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 (at least £15m of which is for Ipswich Borough);
- 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.

These are all described in more detail within Appendices 3 and 4.

- 4.3 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. For the avoidance of doubt, Ipswich Borough Council would be a member of the Combined Authority and would choose who would represent it on the Authority.
- 4.4 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. The Scheme sets out what items must have the unanimous agreement of the Combined Authority (i.e. including the agreement of Ipswich Borough Council's representative).
- 4.5 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 3rd anniversary of the Mayoral election.
- 4.6 The aim is 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.
- 4.7 Throughout the discussions on the deal the principle of 'double devolution' has been agreed and is of fundamental importance to many Council Leaders. This would be where the Combined Authority authorises a part of its area to take decisions for themselves or where a County Council devolves matters, within its remit, to districts or groups of districts or where matters are devolved to parish or town councils. Section 11.1 of the Scheme (Appendix 3) is relevant. Leaders have agreed that the relevant geographic areas and the extent of the devolution of functions (etc) will be determined prior to the Council having to give its final support for the deal / scheme and mayoral combined authority in October.

5. Consultation

- 5.1 Initial consultation has been commissioned by Suffolk County Council via an IPSOS-MORI telephone survey that sought the views of

residents of Suffolk on this matter. The findings are attached at Appendix 5.

- 5.2 From here-on-in, 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.
- 5.3 The draft scheme will be the subject of a statutory consultation exercise which will commence no later than 4 July 2016. The results of the consultation exercise will be reported back to council and the Secretary of State.
- 5.4 Key elements of the consultation will be based on an online consultation that is accessible and open to all so the requirement to formally consult with residents on the proposed governance scheme is met. Evidence from other areas suggests that on-line alone will not reach the number of people we would like to reach, and those who do will be self-selecting and unrepresentative of the population as a whole.
- 5.5 Therefore, in order to fully consult residents and ensure we get more representative views there will be:
 - A booster telephone survey to ensure that we get representative consultation feedback that enables us to compare public opinion at district level and ensure that our elected members can base their decision on robust data. This will mean 5,320 individual telephone interviews across the two deal areas to give a robust sample (380 per district).
 - The telephone survey will also include 250 interviews with businesses across both counties.
 - During the consultation period each authority is also likely to receive direct representations from stakeholders in writing and email. Each participating authority will collect the responses they receive directly.
 - Upon completion of the consultation, we will submit an overall report with executive summary to the Secretary of State as a joint submission from all councils in Norfolk and Suffolk. Each participating authority will submit copies of all stakeholder representations they receive by hard copy or email along with their own representations.
- 5.6 The process requires the consultation to take place over the summer months. The maximum time we can have the consultation open is seven weeks. Whilst this is fewer weeks than standard consultations, it

is balanced by the extensive telephone interviews which ensure the robustness of the exercise. The consultation will open on July 4th and run until August 19th. The submission of responses to the Secretary of State will be on September 9th.

6. Legal Considerations

6.1 The decisions on whether to support the Governance Review, agree the publication of the Scheme of Governance and to endorse the Devolution Agreement and authorise the Leader to sign it will be for Executive to take in accordance with the Local Government ACT 2000 and Regulations made thereunder.

6.2 Executive will consider the following recommendations at its meeting on 30th June 2016:

That Executive:

- (i) *authorises the Leader to sign the Norfolk and Suffolk Devolution Agreement;*
- (ii) *agrees that on the basis of the Governance Review 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;*
- (iii) *agrees to the publication of the draft Scheme for a Norfolk and Suffolk Mayoral Combined Authority 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 Chief Executive is authorised in consultation with the Leader to make any necessary changes to the Deal Agreement, the Scheme and the Governance Review to reflect that Authority's non-participation.*
- (iv) *Agrees 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;*
- (v) *agrees to meet by 28 October 2016 to consider giving consent to an Order establishing a Mayoral Combined Authority for Norfolk and Suffolk;*

(vi) authorises the Chief Executive in consultation with the Leader, to take all necessary steps and actions to progress the recommendations detailed in this report 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;

(vii) authorises the Chief Executive in consultation with the Leader and Chief Executives across Norfolk and Suffolk to make any technical changes that may be required to reflect any legislative requirements to deliver the Deal Agreement .

(viii) notes that further reports will be presented to Executive as appropriate as the Devolution process develops.

7. Conclusions

- 7.1 After extensive negotiations between Government and the Norfolk and Suffolk Leaders a proposed Devolution Agreement has been developed. Executive will need to assess whether to endorse the Devolution Agreement and authorise the leader to sign it.
- 7.2 This report requests Council to debate the Deal Agreement, Review and Scheme, however, there will not be an opportunity for individual councils to propose amendments (other than minor typographical or corrective changes) to the Deal Agreement, Review or Scheme.
- 7.3 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. Councillors will however be able to feed in any comments on the Scheme as part of the consultation process.
- 7.4 If an Authority decides to reject the Scheme, appropriate changes will need to be made to the Deal Agreement and Scheme prior to publication.
- 7.5 The proposed Devolution Agreement 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 4th 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 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.
- 7.6 For information 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.
- 7.7 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.

- 7.8 Councils 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 will be looking to take advantages of the opportunities presented by working together across this area.
- 7.9 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 and that any short-term funding from Councils will take the form of a repayable loan.
- 7.10 Council is now requested to consider and debate the devolution principle set out in this report. Councillor's comments will be available to Executive ahead of its meeting on 30th June 2016 when Executive will determine the matters indicated in this report.

8. Recommendations

8.1 It is recommended that

- **Council debates the devolution proposals contained within this report and its appendices;**
- **Provides a clear indication to Executive, via a vote, as to whether it supports the Norfolk and Suffolk devolution proposals contained within the appendices to this report.**