Suffolk County Council

Agenda Item 7

Scrutiny Committee, 3 November 2016

Information Bulletin

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Norfolk and Suffolk Devolution Proposals

1. On 30 September 2016 the Committee asked for a response to a number of questions following discussion of Agenda Item 5, Norfolk and Suffolk Devolution. These are taken in turn below:

1c To recommend to the Leader and Assistant Chief Executive that the following issues should be clarified in an information bulletin to Scrutiny for the next meeting on 3 November 2016:

i. an estimate of paid officer time put into devolution work;

2. As engaging in devolution is a strategic priority for the County Council, it is estimated that a small core of 4 corporate officers (focussed on strategy and communications) have spent approximately 60% of their time on average, on devolution related work since the announcement of the East Anglia devolution deal in March 2016. Additionally, service leads for those policy areas included in the Deal (e.g., in legal, finance, skills, transport, planning and economic development) have also been involved in devolution related work in the same period of around 15% on average. Much of this work involves responding to national policy that would need to be actioned regardless of any devolution arrangements for example, application to the Local Growth Fund and local implementation of the Apprenticeship Grant for Employers – a benefit has been greater access to and influence over decision making including local leadership of the Area Based Review of skills provision for young people aged 16 or more. In addition, officers have been involved for specific issues, for example, in analysing the online consultation.

3. These figures are estimates as there has been no specific time recording. Officers' time has been allocated to devolution as a core part of their work in supporting the Council's priorities.

ii. the cost of the devolution consultation work in Suffolk;

4. During the consultation period (July-August 2016) the County Council undertook activity to promote engagement by the public and partners in the online consultation and raise awareness of the Devolution Deal on offer to Norfolk and Suffolk. Materials such as flyers for public engagement events (for example: Ipswich railway station and town centres across the county) and advertising in the local press and public spaces (e.g., on bus stops) were

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invested in. In total, this engagement activity cost Suffolk County Council £33,897. Costs in relation to engagement and promotion undertaken by other Suffolk local authorities has not been logged by the County Council.

5. In addition, the County Council has contributed £6,500 towards the Mori telephone survey that formed a substantial part of the consultation for the Secretary of State.

iii. clarification of the meaning of the statement in paragraph 42 of the report at http://committeeminutes.suffolk.gov.uk/LoadDocument.aspx?rID=0900271181da3976

"In relation to Mayoral costs the agreed intention of the Constituent Authorities is that the £25 million per annum funding allocation will be invested so as to leverage additional financial benefit for the Combined Authority which will, after an initial investment period, exceed the Mayoral costs arising from the creation of a Combined Authority".

6. The Combined Authority would need to set a Mayoral Budget for 2017-18 as it would exist prior to the first Mayoral election. In the years after that, the Mayor will propose a draft Mayoral budget prior to each financial year. This draft budget will be scrutinised by the Combined Authority's Overview and Scrutiny Committee (similar to current local authority processes). It may be rejected if two thirds of the Combined Authority membership vote to do so. The Mayor will then need to present a revised budget for consideration and the process for doing this will be set out in the Constitution

7. Legally, the costs of the mayor are met by the Constituent Authorities. From 2018/19 these costs can be met from precepts issued by the Combined Authority. However, to minimise any call on the constituent authorities, the Combined Authority's Governance scheme states (p13 paragraph 21.4 of the draft Governance Scheme appended to the 30 June County Council report on devolution) that in the first three years, the Mayoral costs may be met by a loan from each of the Constituent Authorities (pro rata to population) to the Combined Authority, that is repayable on the 3rd anniversary of the Mayoral election. It also establishes the expectation that the benefit derived from investment of the single investment pot will outweigh the Mayoral costs. It is clear that we are not permitted to dip into the single pot money directly to cover the mayoral budget (although some authorities, for example, Greater Lincolnshire, proposed using a share of the fund to help resource the Combined Authority). However, the financial benefits that will be generated by the Deal (such as the additional single investment pot) will be substantially greater than the mayoral costs.

iv. a high level business plan which provides:

- **an outline estimate of the costs of setting up and running the Mayoral Combined Authority, including election costs;**
- **greater clarity as to how the funding associated with the deal will be used and which funding elements are money not previously allocated to Suffolk or Norfolk;**
- **the anticipated financial leverage achievable from the deal**;

8. Once all participating local authorities across Norfolk and Suffolk have agreed to proceed in implementing the Deal and creating the Norfolk and Suffolk Combined Authority and directly elected Mayor, they will need to turn attention to the specific costs and model for establishing a Mayoral Combined Authority. This work will need to be done collectively across all participating councils; therefore, it is not possible to provide a business case in isolation and prior to full discussion across all of the councils in November.

9. However, Leaders have been clear that costs should be kept to a minimum. There will be upfront costs; although this will be superseded by the level of funding that the Devolution Deal will generate. The costs would be minimised by maximising existing resources, for example, use of existing buildings and ‘back office’ systems, with opportunity to minimise duplication across the authorities. Existing Combined Authorities have tended to evolve with staffing secured by a combination of:

    - Recruitment to posts employed directly by the Combined Authority
    - Transfer to posts employed directly by the Combined Authority
    - Secondment (e.g. to directly-employed posts or to a team hosted by a lead authority)
    - Job share (e.g. to directly-employed posts or to a team hosted by a lead authority)
    - Service Level Agreement
    - Commissioning support from member authorities

10. For most Combined Authorities costs have been minimised by existing senior staff taking on the statutory posts required for a Combined Authority (Head of Paid Service, Monitoring Officer and Chief Finance Officer). Similarly, the Mayoral elections will be run on the same day as existing local elections in order to reduce the associated running costs.

11. Publicly available information on the cost of existing Combined Authorities (currently without directly elected Mayors) is limited; however, two examples are provided below for additional reference:

West Yorkshire Combined Authority http://www.westyorks-ca.gov.uk/what-we-do/ Membership: Bradford Council, Calderdale Council, Kirklees Council, Leeds Council, Wakefield Council, York Council, Leeds City Region LEP (also incorporates former Passenger Transport Executive) Staff: 454	
Description	**Cost**
Net Corporate and Democratic Core Costs	£9.294 million
Officers' Remuneration Costs (salaries, pensions)	£15.165million
Tees Valley Combined Authority https://teesvalley-ca.gov.uk/tees-valley-combined-authority/about-us/ Membership: Darlington Borough Council, Hartlepool Borough Council, Stockton on Tees Borough Council, Redcar and Cleveland Borough Council and Tees Valley Unlimited (the Local Enterprise Partnership)	
Description	**Cost**
salaries, pensions and other running costs)	£2.135 million

12. It is not possible to pre-empt how the Mayoral Combined Authority will decide to use its funding; however, there are indications in the Devolution Deal document (Norfolk and Suffolk Devolution Deal, Appendix A, County Council papers 30 June 2016) given its focus on economic growth, transport, housing and planning and education, employment and skills. For example:

- "The Combined Authority will create and manage a single pot which will be used by the Combined Authority to invest in economic growth, helping to accelerate housing delivery and job creation" (paragraph 9)
- "The Combined Authority, with its partner authorities, will use the powers and infrastructure resources devolved from central government, alongside local public and private investment, to substantially increase housing delivery" (paragraph 16)
- "In addition to gain share funding, local authorities will bring forward within six months a non-statutory infrastructure delivery plan which identifies infrastructure needed to support the increased funding of new homes and proposals to fund this through devolved infrastructure funds, through national programmes and through local funding" (paragraph 19)
- "The Combined Authority and Government agree to establish a Joint Investment and Assets Board to review all land and property held by the public sector …to invest in strategic infrastructure priorities" (paragraph 25a)

- “From 2018-19 there will be full devolution of funding [for the Adult Education Budget]. The Norfolk and Suffolk Combined Authority will be responsible for allocations to providers and the outcomes to be achieved, consistent with statutory entitlements.” (paragraph 42b)

13. Of the funding available in the Deal, the £25 million a year for 30 years single investment pot is entirely new and additional funding that would not otherwise be allocated to Norfolk and Suffolk.

14. The £30 million housing for Norwich and Ipswich is also entirely new and additional as is most of the £100 million housing funding.

15. Control over the Adult Education Budget is new; therefore, whilst some of that money would have been spent in the area all of that budget (approximately, £20 million) will be spent in Norfolk and Suffolk as considered most locally appropriate from 2018-19. The same rationale also applies to the Apprenticeship Grant for Employers (approximately, £2 million).

16. The strategic transport budget (approximately £225 million across Norfolk and Suffolk over four years) would normally be allocated on an annual basis to highways authorities. Therefore, although it is funding that is currently received by the area, the Deal provides longer term surety over four years, enabling better planning for its use.

17. In terms of additional leverage, it will, for example, be possible for the Combined Authority to use £12 million of the £25 million to support borrowing of up to £150 million to invest in growth, housing and jobs.

v. an indication of what impact the deal will have on how tax is currently raised and spent in Suffolk and Norfolk;

18. The Combined Authority will be a levying body under section 7.4 of the Local Government Act 1988 and therefore, will be able to issue a levy (in equal shares) to its constituent authorities for expenses that are reasonably attributable to the exercise of its functions (excluding Mayoral functions).

19. The Combined Authority will also be able to precept under section 39 of the Local Government Finance Act 1992 but only in relation to expenditure incurred by the Mayor or in connection with the exercise of the Mayoral Functions. This means that the Combined Authority can issue a precept to its Constituent Authorities for the costs of the Mayor. As highlighted in the response to iii) for the first three years of the Combined Authority, the costs of the Mayor will be met by a loan from Constituent Authorities in equal shares, relative to population. The loan is repayable on the third anniversary of the mayoral election.

20. Subject to the making of enabling legislation, the Mayor has the power to place a supplement of 2p in the pound of rateable value on business rates, if agreement of the local business community is secured through the Local Enterprise Partnership Board. The Mayoral levy would be used to fund infrastructure.

21. Beyond these powers, the way that tax is raised and spent in Suffolk and Norfolk will be unchanged following the creation of a Mayoral Combined Authority. However, local authorities and the Combined Authority will all be affected by the move to 100% local retention of Business Rates and cessation of Revenue Support Grant to local authorities from 2020. How this might impact locally cannot be assessed at present, as Government issued its first consultation on Business Rates Retention over the Summer (closed 26 September 2016) and its response to the consultation replies is currently awaited. Three devolved areas (London, Greater Manchester and Liverpool City Region) have been confirmed as pilots for the new arrangements (once Government clarify their preferred approach), with speculation that other devolved areas, such as Cornwall and Sheffield City Region will also become pilots.

vi. an outline of the direction of "the journey" following the agreement of the first deal;

22. In the spirit of devolution, each area that has secured a devolution deal has negotiated a bespoke set of devolved arrangements and, depending on how long the deal has been in place, pursued further negotiation and dialogue with Government according to local circumstances. As the first area to agree a devolution deal, Greater Manchester is often referred to. It has secured four devolution deals including a wide range of issues from economic growth and skills, health and care and criminal justice and continues to use its devolved status as a way of maintaining a dialogue with Government to secure further powers, funding and flexibilities.

23. Although there is no pre-determined process or journey, it is expected that a Norfolk and Suffolk Combined Authority and directly elected Mayor would want to expand on the first deal to secure more devolved powers, funding and flexibilities including potentially other policy areas, such as health and care as well as capitalise on its relationship with Government to champion the interests of Norfolk and Suffolk.

24. Announcements relating to devolution agreements, tend to be made around 'fiscal events' such as the Budget Statement; therefore, it is possible that further devolution announcements will be included in the Autumn Statement on 23 November 2016.

vii. clarity as to the circumstances in which an elected mayor would have power to over-rule majority decisions of the Combined Authority;

25. The Mayor will be a voting Member of the Combined Authority. The general principle (subject to the following paragraph) will be that all decisions of the Combined Authority shall be decided by a majority of those voting Members present and voting, subject to the majority including the vote of the Mayor. The Mayor, as Chairman, does not have a casting vote.

26. The following will require unanimous agreement of the Members of the Combined Authority:

- Borrowing limits, treasury management, investment strategy
- Constitution, standing orders and changes thereto
- Establishment of committees/boards, Overview and Scrutiny Committee and Audit Committee, terms of reference and composition
- Spatial plan
- Proposals to Secretary of State for additional powers
- Appointment and dismissal of statutory officers

27. The Constitution of the Combined Authority will contain more detail regarding decision making.

viii. honesty about the potential impact of the devolution deal on existing local government structures;

28. The devolution deal and associated governance (creating a Combined Authority and directly elected Mayor) would not supersede existing statutory powers of local authorities. For example, districts and boroughs would remain the local planning authorities and county councils would remain the highways authorities.

29. Norfolk and Suffolk would be one of the first areas to secure a devolution deal where the local government structures do not include any unitary authorities. Consequently, there is little precedent to learn from in terms of impact. Moreover, in the spirit of greater local autonomy, any impact on existing local government structures would need to be locally led and appropriate.

ix. the measures being taken to mitigate risk.

30. Once finalised, the provisions in the Devolution Deal will be subject to monitoring and evaluation schemes. Although locally developed, these will be agreed with Government who remain accountable to the Public Accounts Committee for the powers and funding that are devolved. In addition, the single investment pot (£25 million per year over 30 years) will be subject to a gateway review every five years. This will be conducted by an independent panel commissioned by the Department of Communities and Local Government.

31. As part of the process for establishing the Mayoral Combined Authority, the participating local authorities would need to draft a constitution for adoption by the Mayoral Combined Authority. This will include: procedural rules (e.g.: financial, procurement, employment), codes of conduct and scheme of delegation. Once established, the Mayoral Combined Authority will be subject to its own Overview and Scrutiny and Audit Committees.

32. In addition to developing the constitution, the shadow arrangements prior to the creation of the Mayoral Combined Authority will need to ensure that there is clarity on the accountabilities for the powers and funding contained in the Devolution Deal.

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