



Economic Development and Regeneration Advisory Board

Thursday 1st October 2015 at 10.00 am

Meeting to be held: Committee Room, Civic Centre, Sunderland, Burdon Road, SR2 7SN

www.northeastca.gov.uk

SUPPLEMENTAL AGENDA No.2

	Page No
7. Devolution Update	1 - 10
<p>(NB. In accordance with the provisions of the Local Government (Access to Information) Act 1985, the Chair has approved consideration of this report on the grounds of urgency due to the timetables involved).</p>	

Contact Officer: Victoria Miller Tel: 0191 211 5118 E-mail: victoria.miller@newcastle.gov.uk

To All Members

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North East Combined Authority

Economic Development and Regeneration Advisory Board

REPORT FOR INFORMATION

DATE: 1 October 2015
SUBJECT: Devolution Update
REPORT OF: Interim Head of Paid Service

EXECUTIVE SUMMARY

At the July meeting of the North East Combined Authority Leadership Board, the Chair provided an update on positive discussions held with the Secretary of State for Communities and Local Government, Greg Clark MP on the Combined Authority's outline devolution proposals. The Leadership Board wrote to Government on 17 July 2015 seeking to begin detailed negotiations on devolution of funding, powers and responsibilities to the Combined Authority, following which Government set a deadline of 4 September for all areas to put forward their proposals as part of the Spending Review.

This report updates on progress to date and the content of the North East Combined Authority's submission to Government.

RECOMMENDATIONS

It is recommended that the Advisory Board note the contents of the report.

1 Executive Summary

- 1.1 At the July meeting of the North East Combined Authority Leadership Board, the Chair provided an update on positive discussions held with the Secretary of State for Communities and Local Government, Greg Clark MP on the Combined Authority's outline devolution proposals.
- 1.2 The Leadership Board wrote to Government on 17 July 2015 seeking to begin detailed negotiations on devolution of funding, powers and responsibilities to the Combined Authority, following which Government set a deadline of 4 September for all areas to put forward their proposals as part of the Spending Review.
- 1.3 This report updates on progress to date and the content of the North East Combined Authority's submission to Government.

2 Background information

- 2.1 In January 2015 the North East Combined Authority Leadership Board agreed a set of outline proposals as the basis for the Combined Authority to engage with government ministers and other stakeholders, in securing greater devolution of funding, powers and responsibilities.
- 2.2 A series of meetings with local and regional stakeholders as well as MPs and House of Lords members took place in March 2015 to test the initial proposals. Overall the feedback demonstrated strong support among a wide range of stakeholders from communities, businesses and partners for the principle of devolution to the North East.
- 2.3 On 17 July 2015 the Leaders and Elected Mayor wrote to Government seeking detailed discussions on a potential devolution deal for the area in parallel to consideration of appropriate models of governance, including an elected mayor. On 21 July the Chancellor launched Spending Review 2015 and set a deadline of 4 September for all areas to put forward their proposals as part of this process.

3 Statement of Devolution Intent

- 3.1 Leaders and the Elected Mayor have focused recent activity on developing a Statement of Intent which demonstrates the ambition for the North East to be at the forefront of an ambitious programme of real devolution of powers, funding and responsibilities from Whitehall to Combined Authorities. The Statement of Intent builds on the ambitions set out in 'More and Better Jobs' the North East's Strategic Economic Plan and draws on the responses to the consultation conducted prior to the selection, which demonstrated wide public

and business support.

3.2 The Statement of Devolution Intent is attached at Appendix 1 and is summarised below:

- **Human capital development.** Transforming aspiration and opportunity through skills, employment and early intervention to address economic dislocation.
- **Long-term investment.** To transform our economy and build more homes, by taking local responsibility for infrastructure and regeneration, with flexible long-term funding to meet local priorities.
- **Regional export lead for the UK.** Driving export led growth, by investing in the infrastructure for global trading success and innovation, to become the export lead for the UK.
- **Fiscal devolution.** To address under-funding by securing new sources of revenue and investment.
- **Better connectivity and infrastructure.** Creating a modern, integrated local transport system connected across the region, nationally and internationally.
- **Public service reform.** To take local responsibility for decent, financially sustainable public services, with an emphasis on investing to address long-standing inequalities and intervening early to reduce social and financial costs.
- **Regulatory devolution to local communities.** To take local responsibility with new powers for community-empowerment, in areas such as public health and re-invigorating neighbourhoods.
- **Rural growth and stewardship.** Taking local responsibility for programmes to support rural growth and the stewardship of our rural areas.

3.3 The Statement of Intent was submitted to Government by the 4 September deadline for Spending Review 2015.

4 Next Steps

4.1 The submission of the Statement of Intent to Government is very much a starting point in the process and paves the way for discussions with Ministers on the detail behind the proposals.

4.2 Further engagement of stakeholders on an ongoing basis was a key theme emerging from the consultation exercise in March and arrangements are now being made to seek stakeholder views on the key issues moving forwards.

5 Potential impact on objectives

5.1 The Statement of Devolution Intent attached to this report sets out a high-level ambition for the north east to remain at the forefront of a substantial

programme of real devolution of from Whitehall to Combined Authorities. It provides a framework to start discussions with Government on devolution to the North East of the necessary powers, funding and responsibilities that are required to accelerate the area's economic growth.

6. Finance and other resources

- 6.1 There are no financial implications arising directly from this report. Costs relating to the initial work to develop the devolution proposals will be met from reserves. The financial implications associated with any future devolution of powers will be assessed and reported to the Leadership Board as detailed negotiations with government are progressed.

7 Legal

- 7.1 There are no legal implications arising directly from this report. The legal implications associated with any future devolution of powers will be assessed and reported to the Leadership Board as detailed negotiations with government are progressed.

8 Other considerations

8.1 Consultation/community engagement

A series of meetings with local and regional stakeholders as well as MPs and House of Lords members took place in March 2015 to test the outline devolution proposals. Overall the feedback demonstrated strong support among a wide range of stakeholders from communities, businesses and partners for the principle of devolution to the North East.

Arrangements are now being made to ensure stakeholders further views are sought on the key issues arising from the proposals moving forwards.

8.2 Human rights

There are no specific issues arising directly from this report.

8.3 Equalities and diversity

There are no specific issues arising directly from this report.

8.4 Risk management

The risks associated with devolved powers and funding streams will be assessed and reported to the Leadership Board as detailed negotiations with government are progressed.

North East Combined Authority

Economic Development and Regeneration Advisory Board

REPORT FOR INFORMATION

8.5 Crime and disorder

There are no specific issues arising directly from this report.

8.6 Environment and sustainability

There are no specific issues arising directly from this report.

9 Background documents

9.1 Report to NECA Leadership Board – ‘Developing a Devolution Prospectus for the North East Combined Authority’ – 20 January 2015

Report to NECA Leadership Board – ‘Developing a Devolution Prospectus for the North East Combined Authority – update on stakeholder engagement – 16 June 2015

10 Links to plans and policy framework

10.1 This report will support delivery of each of the Combined Authority themes and “More and Better Jobs”, A Strategic Economic Plan for the North East.

11 Appendices

11.1 Appendix 1 – Statement of Devolution Intent

13 Contact Officers

13.1 Caroline Winter, Policy Manager, 7 North East Local Authorities caroline.winter@newcastle.gov.uk (0191) 2115058

14 Sign off

- Head of Paid Service √

- Monitoring Officer √

- Section 151 Officer √

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North East Combined Authority – Our Statement of Devolution Intent

With the Government's commitment to the Northern Powerhouse and its wider devolution agenda, the North East Combined Authority (NECA) recognises that there is a once-in-a-generation opportunity to achieve a real devolution deal for the people of the North East. We are determined to seize that opportunity as an ambitious region with strong public support for a significant shift of power and responsibility from Whitehall to the North East. Our proposals are based on the principle of subsidiarity, with devolution from Whitehall, accompanied by a strengthening of local and community leadership.

Our proposals are not simply a product of our work over the last few weeks, but are embedded within the Strategic Economic Plan (SEP) established by our Local Enterprise Partnership and have been the subject of significant consultation and public debate. In our view, they are absolutely necessary to meet our ambitions in the SEP. We set out below a brief summary of our vision and the outline of a devolution deal that we would like to discuss with Government.

Our ambition - North East International

We believe that any substantial devolution deal should be underpinned by an ambitious vision for the social and economic future of the North East and with certainty of fairer long-term funding to enable the rebalancing of the economy. And we have a very clear view about what this should be.

What differentiates the North East is our international focus. At the northern edge of England, we face more out than in. This is reflected both in our popular culture and in the international standing of our cultural institutions and landmarks.

We start with a substantial trade surplus and are the only region in England with a *manufacturing* trade surplus. We want to build on this existing strength, and on our physical, social and historical assets, to drive export led growth for our region and the UK. So we are developing a growth strategy that will focus on how to develop further our competitive strengths in sectors such as automotive and advanced manufacturing, financial services, life sciences, offshore engineering and the creative industries.

Our region, with its population of 2m and GVA of £34bn, has enjoyed faster growth than most other regions in the UK in recent years. But our economy is still too small and there are too few private sector jobs. The way in which we will boost our GVA and create new opportunities for our people is through a laser-like focus on what will grow trade, innovation and investment in the North East.

But this growth strategy needs to be supported by a devolution deal that enables this vision to be realised.

The Enablers - Our ideas for a devolution plan for the North East

1. Human capital development – The North East has a culture of making and trading, and we are renowned for our resilience and hard work, reflected, for example, in the

Nissan car plant, which is now the most productive in Europe. But too many of our residents have been scarred by the experience of economic dislocation and this in turn has helped create a culture of low expectations, low skill levels and educational underperformance. Skill shortages are a major constraint for our growth prospects. To achieve our economic ambition we need a human capital development strategy that raises ambition, aspiration and attainment so that the people of the North East can be both the agents and beneficiaries of export led growth. We are developing the most ambitious and innovative approach to human capital development in the UK. This will transform aspiration and opportunity through linking early years intervention, and family support, with targeted community employment initiatives, education and skills provision.

2. Long term investment – Delivering on our ambitious plans requires the certainty of a long term programme of investment that can create an environment in which there is market confidence about the stability of investment opportunities in the region. So we want to establish a North East International Investment Fund that would invest in projects that can help us achieve our economic ambition. This would be a long-term fund, with a minimum commitment from Government, to lever in further public and private resources; supporting a project pipeline developed according to high standards of investment appraisal and accountability. This investment will help to meet the SEP target for an additional 100,000 jobs. This would replace short-term bidding for project-based funding. We propose to make decisions on European regional funding here in the region. A recyclable housing investment fund will support our ambitious plans for 6,000 new homes per year.

3. Regional export lead for the UK – As part of our objective to drive export led growth, we want the North East to be recognised as the UK's regional export lead. Based on our analysis of the main growth sectors in global trade, we want to target innovation and export support to our region's export champions. We want to be able to commission UKTI to work in partnership with the Combined Authority and LEP to more effectively promote the region and target selected investors. We believe that the strength of our plans will underpin a significant uplift in real estate values over a ten year period. We intend to share our plans with a core group of investors and to provide a range of investable opportunities, which will enable those investors to co-invest alongside local authorities and benefit from rising property values. With the support of Government, we will produce plans for a programme of nationally and internationally significant business, cultural and sporting events in the North East. Possible examples include MIPIM UK, Technology, Entertainment and Design Events and 'a Year of Digital Art'.

4. Fiscal devolution to support North East international and to remove the risk of competitive disadvantage with Scotland – To support our export focus we need greater fiscal freedom, to ensure that our businesses do not face higher costs than Scottish businesses and to enable investment funded from sharing the proceeds of additional growth. We would want to work with Government to ensure the North East is not disadvantaged in relation to both fiscal freedoms granted to the Scottish Government and also the relative underfunding faced by the North East. We are also keen to explore opportunities for strengthening economic cooperation with Scotland and the North East on areas of common interest through an Economic Cooperation

Programme covering, Economic Development and Business, Tourism and Culture, Education, Transport and Public Services.

5. Better connectivity and infrastructure integration – The North East Combined Authority is working towards an integrated and upgraded transport system across the region, with devolved responsibility for all aspects of capital and revenue funding. This would be accompanied by additional investment to deliver transport improvements. The new authority should have the power to regulate buses and commission Highways England directly to carry out road improvements. We plan to develop a long-term strategy for developing our ports as key trade assets and to establish new international routes from Newcastle International Airport.

6. Public Service Reform – Our public services are a major asset for the North East, but they face growing spending and demand pressures. Reform of public services is a big local priority, and our councils have been amongst the leading innovators in the UK. To underpin this, we need transitional support to enable our services to adjust and to put greater emphasis on prevention. There is much more we could do collaboratively, especially if we had longer-term, place-based settlements, alongside additional public service powers, and a stronger voice in commissioning national agencies (e.g. for arts, culture and tourism). Our collective reform priority is to focus on the drivers of demand - citizens, communities and their interactions with public services. We want to strengthen resilience and responsibility in order to reduce dependency. We propose to establish a Health and Social Care Commission, jointly with Government.

7. Regulatory devolution to Councils and local communities - The North East is a large and diverse region, with very distinct places and communities, which have their own identities, assets and challenges. We don't see devolution as just being about drawing down powers and responsibilities from central Government to the North East Combined Authority. We also want to devolve to our local communities. This is particularly important in relation to regulation, but it also has a bearing on our approach to public service reform, which is about bottom-up community empowerment and resilience building as much as it is about system reconfiguration.

8. Rural growth and stewardship – The North East Combined Authority is unique in its coverage of diverse urban and rural communities. We propose to take full responsibility for devolved programmes to support rural growth and the stewardship of our rural areas.

We believe our propositions represent radical proposals for devolution of substantial funding, powers and responsibilities, which will ensure the North East is able to take responsibility for its own future. We are particularly committed to addressing the long-standing barriers to work and to raising skills and aspirations in the region. For us, devolution has to be about the people of the North East, the benefits they can see within their communities and in ensuring there are opportunities for all to share in the area's increased prosperity.

Delivering substantial responsibilities of this nature will require an outcome in the Spending Review that delivers the necessary levels of public investment committed over a long period. We therefore propose to engage with Government on the detail of

our proposals as part of the Spending Review. Our aim should be to deliver a long-term devolved budget for the North East, with equivalent status to budget deals between HM Treasury and individual Government departments.

In parallel to this, we will consider with Government the most appropriate governance structures, including an elected mayor, to oversee new powers drawn down from central Government. We will approach this process of negotiation with an open mind about where this takes us, and expect the same open-mindedness from Government.

Finally, we are clear that devolution does not sit in isolation from the wider impact of cuts to public services, and to local government in particular. North East councils have demonstrated our commitment to growth and reform, but this can only continue if we remain financially viable, with the capacity to deliver. This requires a fairer funding settlement for the North East, coupled with a commitment to meaningful devolution.

We look forward to discussing our proposals with Government in more detail and to start the process of negotiating a real devolution deal fit for our region.

Councillor Simon Henig
Leader, Durham County Council



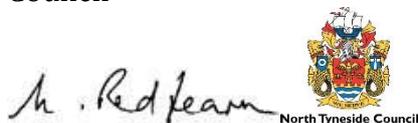
Councillor Mick Henry
Leader, Gateshead Council



Councillor Nick Forbes
Leader, Newcastle City Council



Mayor Norma Redfearn
North Tyneside Council
Council



Councillor Grant Davey
Leader, Northumberland County



Councillor Iain Malcolm
Leader, South Tyneside Council



Councillor Paul Watson
Leader, Sunderland City Council

