

CABINET	AGENDA ITEM No.3
17 NOVEMBER 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor John Holdich, Leader of the Council and Cabinet Member for Education, Skills, University, and Communication	
Contact Officer(s):	Kim Sawyer, Director of Governance	Tel. 452361

CAMBRIDGESHIRE AND PETERBOROUGH DEVOLUTION

R E C O M M E N D A T I O N S	
FROM: The Leader of the Council	Deadline date: N/A
<p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"> (i) consent to the Secretary of State making an Order to establish the Cambridgeshire and Peterborough Combined Authority (Appendix A); (ii) consent to the Council being a constituent member of the Cambridgeshire and Peterborough Combined Authority with effect from the commencement date determined by the final Order; (iii) authorise the Chief Executive, in consultation with the Leader of the Council, to consent to the final draft Order and associated documents, specifically: <ul style="list-style-type: none"> - to agree minor drafting amendments to the Combined Authority Order to be laid before Parliament; - to consent to the Council being included within the draft Parliamentary Order thereby reflecting this Council's decision (iv) authorise the Combined Authority to have a power to issue a levy to the constituent Councils in respect of any financial year. (This will be subject to the inclusion of a unanimity clause in the Combined Authority constitution on this specific matter). (v) to recommend to the Combined Authority that the costs of establishing the Combined Authority, holding the elections in May 2017 and running the Combined Authority (including Mayoral Office) for 2016/17 and 2017/18 are funded from the gain share grant provided by Government (as outlined in para 12.11) (vi) appoint the Leader of Council to act as Council's appointee to the Shadow Combined Authority and once established, to the Combined Authority; (vii) appoint Councillor Fitzgerald as Deputy Leader of the Council, to act as the substitute to the above (ref (vi)); (viii) note the outcome of the public consultation on the establishment of the Cambridgeshire and Peterborough Combined Authority as outlined in paragraph 5.1 and 5.2 and Appendices 2A - 2D; (ix) note the timetable for the implementation of the Cambridgeshire and Peterborough 	

devolution Order as summarised in paragraph 7.1;

- (x) note the Government's response to the outline business case for Housing capital investment funds secured as part of the devolution deal as set out in Appendix 3.
- (xi) agree in principle, for a protocol requiring the Council Leader and the representative on the Overview and Scrutiny Committee to report to each meeting of Council setting out the activities and decisions related to their respective roles within the Combined Authority.
- (xii) to request that the Member Officer Working Group develop the protocol through the Audit Committee with a view to inclusion of the protocol in the Council's constitution.

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following a referral from the Full Council meeting held 17 November 2016.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is for Cabinet to consider the outcomes of discussions held at the meeting of Full Council, prior to determining a number of recommendations as detailed above relating to a combined authority for the Cambridgeshire and Peterborough area, with a directly elected Mayor.

2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.3 To take a leading role in promoting the economic, environmental and social well-being of the area.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. PROPOSALS - ARGUMENT/CONCLUSIONS

4.1 The proposed Cambridgeshire and Peterborough Devolution Deal was presented to Council on 27 June 2016. In summary the deal delivers:

- A new £20 million annual fund for Cambridgeshire and Peterborough for the next 30 years (£600 million), to support economic growth, development of local infrastructure and jobs.
- £100 million for non-Housing Revenue Account (HRA) affordable, rent and shared ownership across Cambridgeshire and Peterborough including Community Land Trusts.
- An additional £70 million fund specifically for affordable housing in Cambridge which will be used in its entirety to build new council homes.

- Government support for developing a Peterborough University with degree-awarding powers
- Working with government to secure a Peterborough Enterprise Zone.
- A local integrated job service working alongside the Department of Work and Pensions.
- Co-design with government a National Work and Health Programme focussed on those with a health condition or disability, as well as the long-term employed.
- Devolved skills and apprenticeship budget – to give more opportunities to our young people.
- The further potential for rail improvements (new rolling stock, improved King's Lynn, Cambridge, London rail).
- The potential to accelerate transport infrastructure improvements such as the A14/A142 junction and upgrades to the A10 and the A47 as well as Ely North Junction. Also it would support development at Wyton and St Neots and Wisbech Garden Town and the Wisbech Cambridge rail connections.
- Further integration of local health and social care resources to provide better outcomes for residents.

4.2 There will also be significant opportunities for future devolution deals, to extend the transfer of powers and resources and the redesign of the delivery of public services. Devolution deal 2 will focus on deprived areas including, for example, health and social care, new homes and infrastructure and community safety. It is proposed that Devolution deal 2 will be drafted in January 2017 for submission to Government prior to the Spring budget.

5. CONSULTATION

5.1 Consultation on the devolution proposals commenced on 8 July and concluded on 23 August 2016. Specific consultation included:

- Business engagement led and conducted by the GCGP Local Enterprise Partnership.
- Meetings and engagement with community, voluntary and local public sector stakeholders, including local Town and Parish Councils.
- Independent Ipsos MORI survey of residents - 2,280 residents contacted by telephone across Cambridgeshire and Peterborough (380 residents in Peterborough). The phone poll gained views from a representative cross section of people, reflecting the wider population of Cambridgeshire and Peterborough.
- Online consultation generating over 1,500 responses from residents across Cambridgeshire and Peterborough (274 residents in Peterborough). The online poll was open to all residents - but the results show that certain groups and council areas were better represented than others.

5.2 There has been a positive response from residents and businesses to devolution for Cambridgeshire and Peterborough. In particular:

Business Engagement

- The overwhelming response from this was that businesses strongly support the devolution proposals and are very keen that the opportunities these present are taken up. There was a general consensus across different audiences in favour of devolution, with a strong Mayor (who could provide the right leadership and strategic focus).

Local Stakeholders

- Community and voluntary sector groups and local Parish and Town Councils made direct submissions to the consultation. Overall these demonstrated support for the opportunity that the proposals represented and a strong desire for ongoing engagement.
- There was also a clear steer that in practice devolution should not mean an extra layer of government and bureaucracy and it should mean further powers being devolved down to the most appropriate local level.

Independent Survey of Residents

- The MORI telephone poll of 2,280 residents across Cambridgeshire and Peterborough showed that 55% of all respondents supported devolution with only 15% of residents being opposed.
- In every authority area for Cambridgeshire and Peterborough significantly more people supported the principle of devolution than opposed it.
- Over 80% of residents felt that decisions are better made locally with generally three quarters supporting the range of devolved housing, transport and infrastructure powers and budgets contained in the proposals.
- In the same survey 57% of 2,280 residents supported the election of a Mayor to access the devolution deal (25% opposed) and 61% supported a Combined Authority involving the Mayor and Cambridgeshire and Peterborough councils (23% opposed).
- In the MORI poll 48% of Peterborough residents (380 people) supported the principle of devolution with only 15% opposing.
- As with the county-wide poll, 57% of Peterborough residents supported the election of a Mayor to access the devolution deal (26% opposed). While 62% supported a Combined Authority, chaired by a Mayor, for Cambridgeshire and Peterborough councils (26% opposed).

On-line Consultation

- From the online poll 55% of the 1,500 respondents from across Cambridgeshire and Peterborough supported the general principle of devolving powers down from central government to the local area. In every

authority area for Cambridgeshire and Peterborough more people supported the principle of devolution than opposed it.

- Online, just under a third of 1,500 respondents from across Cambridgeshire and Peterborough (31%) supported having an elected Mayor for the local area with 59% opposed.
- Of the 274 Peterborough residents that chose to respond to the online survey - 55% of respondents supported the principle of transferring powers down from central government to Cambridgeshire and Peterborough.
- The majority of Peterborough residents that took part in the survey supported local councils forming a Combined Authority for Cambridgeshire and Peterborough, with 47% supporting and 44% opposing. Just over a third of Peterborough residents (36%) supported having an elected Mayor with 47% opposed.
- A majority of Peterborough respondents to the online survey supported all the key policy areas and specific measures proposed in the deal - housing, transport, funding. There were also clear majorities in support of governance, scrutiny and accountability proposals put forward.

Public Sector

- There is widespread support for devolution from across the public sector including Police, Fire, Health and Education, including Cambridge University. A number of organisations highlighted the opportunities that they felt devolution represented for public service reform, given the high-level of co-terminosity across Cambridgeshire and Peterborough.

5.3 The consultation summary documents submitted to the Secretary of State are included in the Appendices. There is city council area specific results from the IPSOS MORI telephone survey and online survey, summarised below against the whole area.

Table 1 – IPSOS MORI telephone survey

	PCC (%)	Cambs and P'boro total (%)
Principle of Devolution		
- Strongly/tend to support	48	55
- Strongly/ tend to oppose	15	15
Election of Mayor		
- Strongly/ tend to support	57	57
- Strongly/ tend to oppose	26	25
Local council joining Combined Authority		
- Strongly/ tend to support	62	61
- Strongly/ tend to oppose	26	23

Table 2 – Online survey

	PCC (%)	Cambs and P'boro total (%)
Principle of Devolution - Strongly/tend to support - Strongly/ tend to oppose	55 35	55 37
Election of Mayor - Strongly/ tend to support - Strongly/ tend to oppose	36 47	31 59
Local council joining Combined Authority - Strongly/ tend to support - Strongly/ tend to oppose	47 38	44 47

6. ANTICIPATED OUTCOMES

- 6.1 The Council is also requested to approve the draft Combined Authority Order as detailed in Appendix 1, with appropriate authorisation given to the Chief Executive (in consultation with the Leader of Council) to agree minor amendments and send written consent to Government to the final draft Order.
- 6.2 The Order will require the appointment of one representative from each Council to the Combined Authority and one substitute. Paragraph 2.1 (vi) recommends the appointment of the Leader of Council to the Combined Authority with Councillor Fitzgerald acting as the substitute. These arrangements will also be put into place for the formation of a Shadow Combined Authority, subject to the approval of all Cambridgeshire and Peterborough Councils to these recommendations.
- 6.3 Appendix 1B is the draft Order for the Overview and Scrutiny and Audit Committees, which sets out the Government's requirements that 'there should be an Overview and Scrutiny Committee of the Combined Authority pursuant to Schedule 5A of the Local Democracy, Economic Development and Construction Act (2009) (LDEDCA). The order is in draft and has not yet been laid before Parliament.
- 6.4 The Overview and Scrutiny and Audit Committee Order applies to all Combined Authorities and is not specific to Cambridgeshire and Peterborough. A guidance note attached as Appendix 1C outlines the draft arrangements for the Overview and Scrutiny Committee within the Cambridgeshire and Peterborough Combined Authority, and explains:
- the structure of the Overview & Scrutiny Committee, specifically retaining flexibility on the number of members to ensure political balance across the area;
 - requirements for the Chair of the Overview & Scrutiny Committee, including that they are of a different political party to the Mayor;
 - operational arrangements specifically:-
 - call-in powers
 - duty to respond

- key decisions and forward planning;
- appointment of Scrutiny Officer.

6.5 Scrutiny procedure rules will be included in the constitution of the Combined Authority.

7. TIMETABLE AND PROCESS

7.1 The timetable for the establishment of the Shadow and formal Combined Authority is summarised below, specifically:

August 2016	Consultation exercise completed	✓
September 2016	Consultation submitted to Secretary of State (Appendix 3A)	✓
November 2016	Full Council and GCGP Board meetings to consent to draft order. Chief Executives to provide final written consent to Order Draft Parliamentary Order laid Shadow Combined Authority established	
December 2016/ January 2017	Parliamentary Order approved	
February 2017	Combined Authority established	
May 2017	Election of Mayor	

7.2 The draft Order is attached at Appendix 1 for approval. Once the draft Order is approved by all Councils in Cambridgeshire and Peterborough, it will enter the Parliamentary scrutiny process. The Parliamentary Joint Committee for Statutory Instruments reviews the Order and this may result in drafting changes.

7.3 It has not been the practice of Parliament to make substantive changes at this stage. Therefore consent by Council is requested to delegate to the Chief Executive the authority to agree any minor drafting changes.

7.4 If exceptionally these changes are of a substantive nature, the Order must return to Council for consent. The Chief Executive’s delegated power is therefore limited to minor drafting changes and to confirming to Government the consent of this Council to the final draft Order laid before Parliament.

8. ACCOUNTABILITY

8.1 Consideration has also been given to the need to have a mechanism whereby this Council might receive reports from the Combined Authority and be able to examine, challenge and question the Combined Authority’s work and decisions.

- 8.2 As such it is recommended that consideration be given to a proposed reporting protocol whereby the Council Leader provides a report to each meeting of Full Council, setting out the work and actions of the Combined Authority since the preceding report. It is suggested that, as part of this agenda item, the opportunity to ask questions to the Leader on their report be provided.
- 8.3 A similar arrangement could also apply to the scrutiny function of the Combined Authority which could, through the nominated Council representative on that Committee, also report to Full Council.
- 8.4 The above arrangements would need to be in place and ready to commence by the time the Combined Authority is established. In order to agree the detail of the reporting protocol it is suggested that the Chair and Vice Chair of the Environment Capital and Sustainable Growth Scrutiny Committee work with the Audit Committee to consider and recommend how to incorporate these arrangements into the constitution.

9. EQUALITY IMPACT ASSESSMENT

- 9.1 The Equality Impact Assessment is attached as Appendix 4.
- 9.2 The Assessment demonstrates that the Council has considered its public sector equality duty as set out at section 149 Equality Act 2010 and has had due regard to all relevant factors in making these decisions.

10. REASONS FOR RECOMMENDATIONS

- 10.1 To consult on a scheme for the Cambridgeshire and Peterborough area with a directly elected Mayor, in order to devolve powers from Government to a Combined Authority.
- 10.2 To bring additional new funding to the Cambridgeshire and Peterborough area with local decision making for these funds.

11. ALTERNATIVE OPTIONS CONSIDERED

- 11.1 The Governance Review considered a number of alternative options and concluded that the most appropriate option for Cambridgeshire and Peterborough is to establish a Mayoral Combined Authority.
- 11.2 If the Combined Authority is not established the Council will lose the opportunities made available through the devolution agreement, including:
- Funding for Housing development
 - Funding for Infrastructure growth
 - Additional powers to make decisions locally
 - Government commitment to work with Peterborough to develop a Peterborough University and an Enterprise Zone

12. IMPLICATIONS

- 12.1 As reported to June Council, the Devolution area including Peterborough will benefit financially from the proposed devolution deal, specifically:

- £20m per annum (£600m over 30 years) single pot for infrastructure investment funding to invest in economic growth, accelerate housing delivery and job creation. This annual investment fund is split 60:40 between capital and revenue grant, enabling flexibility in its use;
- £100m capital over five years to help to deliver infrastructure for housing and growth and at least 2000 affordable homes for Cambridgeshire and Peterborough;
- £70m capital over five years ring fenced to meet Cambridge housing needs (delivery 500 affordable homes).

Further benefits from the scheme are outlined in para 4.1 above.

- 12.2 An outline business case for both capital grants has now been developed and agreed with Government. A letter from the Secretary of State for Communities and Local Government setting out his support for the business case and commitment to the early release of capital funds is contained in Appendix 3.
- 12.3 The Mayor and Combined Authority will be governed by a constitution similar to the usual local authority standing orders relating to the approval of the budget. Details are contained in the Combined Authority Order and Finance Order currently being drafted by the Department of Communities and Local Government. At the time of writing this has not been received, however discussions have indicated that this will include the following:

Precept

- The main purpose of the Finance Order is to create the Mayor as a major precepting authority.
- The Mayor will be subject to precept limitations – at a level yet to be decided by Government.
- It is normal that precept limitations are only set in the preceding months to the new financial year. The precept will take effect from 2018/19.

Levy

- Only a Combined Authority can levy.
- The primary legislation says that a Mayor cannot levy for anything.
- The Combined Authority can levy constituent councils for the discharge of its transport functions under primary legislation.
- The Finance Order is expected to extend that power to other functions of the Combined Authority.
- A unanimous decision will be required for the Combined Authority to impose that levy on constituent councils (in other words individual council representatives have the power of veto over any levy).
- The Mayor will not be able to unilaterally impose costs upon the constituent councils.

Borrowing

- The primary legislation will allow the Combined Authority to borrow for its transport functions.
- There is an outstanding issue with the Treasury about whether the Finance Order will extend the ability to borrow for the discharge of the other Combined Authority functions.

Contributions

- If Mayor's costs cannot be met through the precept and/or the cost of the Combined Authority cannot be met through the gain share or levy, the constituent councils have the power to make contributions to the Mayor and Combined Authority
 - Contributions cannot be unilaterally imposed by the Mayor on the Combined Authority. They can however request the constituent councils to pay a contribution and include this contribution within the budget.
 - If the Combined Authority does not agree to making contributions to meet the additional costs, they vote against the budget.
 - If the Combined Authority does approve the budget the contributions must be paid by the constituent councils.
- 12.4 As can be seen, the proposed Combined Authority will bring considerable financial benefit to the area. There will be costs incurred in establishing and running the Combined Authority, but the aim will be
- to keep costs at an absolute minimum, using existing resource where possible
 - to look to generate savings and efficiencies through public service reform.

The costs of setting up and running the Combined Authority will largely be covered by the funding provided by Government. This is covered in more detail below.

Interim Arrangements

- 12.5 The cost of the interim arrangements leading up to the election of the Mayor in May 2017 have now been finalised at £146,036 covering the employment of statutory officers and external consultancy support. These costs will be funded from the first year of the gain share grant provided by Government (the revenue element of the £20m per year fund).
- 12.6 The Director of Governance is acting as the Shadow Combined Authority and Combined Authority Monitoring Officer until May 2017. The grant funding will cover these costs.
- 12.7 The Council may face some internal costs in the run up to mobilisation next year. These one-off costs will be met from the Council's capacity building reserve.
- 12.8 The on-going costs of running the Combined Authority are split into two:

- Combined Authority costs – including the required roles of Head of Paid Service, Chief Finance Officer and Monitoring Officer and Scrutiny Officer
- Mayoral office costs – The exercise of mayoral functions can be met by precepts. This would include cost of those functions, the mayor’s remuneration, and that of any political assistant and of the mayor’s ‘office’

A breakdown of these costs for 2017/18 is included in appendix 5, along with a forecast for 2018/19 (these remain a matter for the Mayor and Combined Authority to finalise).

12.9 These running costs will be funded as follows:

- The Combined Authority costs will be funded from the gain share grant. There will be no charge to member bodies or local taxpayers for this.
- In 2017/18 Mayoral office costs will also be covered by the gain share grant. In future years, the Mayor will determine whether the mayoral office costs continue to be funded from gain share grant, or that a precept i.e. a separate element of council tax, funds these costs.

12.10 In addition, there will be the costs of the Mayoral elections in May 2017. These are forecast to be approximately £756,000 across the Combined Authority area (£160,000 in Peterborough). These costs will be met from the first years gain share grant.

12.11 The total costs of establishing the Combined Authority, holding the elections and running the Combined Authority (including Mayoral Office) for 2017/18 are outlined below:

	2017/18 £000's
set up costs	146
Combined Authority Costs – year 1	674
Mayoral office costs – year 1	135
Election costs	756
total costs	1,711

Council are asked to recommend that these costs are funded from the gain share grant.

12.12 Certain other funding streams will now be channelled via the Combined Authority. The main source initially is the Local Transport Plan capital grant (both the maintenance and integrated transport elements). The Combined Authority will allocate these funds in line with its transport plan to the highways authorities.

12.13 The original devolution scheme in Cambridgeshire and Peterborough included additional flexibility on business rates in para 12.6 as follows:

‘Subject to the making of enabling legislation, the Mayor shall have power to place a supplement of 2p per pound of rateable value on business rates to fund infrastructure and Mayoral costs with the agreement of the local business community through the LEP’

The enabling legislation will be driven by the broader work on the localisation of business rates underway with the Department of Communities and Local Government, and not within the Finance Order itself (and as such will be driven by the timescales for that broader piece of work).

12.14 The estimated running costs of the Mayor's office and Combined Authority over the next five years (including elections costs) is likely to total around £6m. This will be funded from the gain share grant as outlined earlier. For that investment, £270m of funding will be generated for the area as follows:

- £100m of infrastructure investment funding (£20m per annum)
- £100m over five years to help to deliver infrastructure for housing and growth
- £70m capital over five years ring fenced to meet Cambridge housing needs

12.15 In other words, each £1 spent on running the Combined Authority for the next 5 years will generate income of £45 to be invested in our areas.

13. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

13.1 Council - 27 June 2016 Agenda Item No. 4 (including Statutory Governance Review, Devolution Proposal and Devolution Scheme)

14. APPENDICES

As appended to the Council report, 17 November 2016

Appendix 1A - Draft Order – Cambridgeshire and Peterborough Devolution
(Combined Authority) (To Follow)

Appendix 1B – Draft Order – Cambridgeshire and Peterborough Devolution
(Scrutiny and Audit)

Appendix 1C – Guidance Note: Scrutiny arrangements for Combined Authority

Appendix 2A – Letter to Rt Hon Sajid Javid MP, Secretary of State

Appendix 2B – Cambridgeshire and Peterborough East Anglia Devolution
Consultation

Appendix 2C – East Anglia Devolution Research – Cambridgeshire and
Peterborough IPSOS MORI

Appendix 2D – Cambridgeshire and Peterborough Online Results

Appendix 3 – Letter from Rt Hon Sajid Javid MP, Secretary of State

Appendix 4 – Equality Impact Assessment

Appendix 5 – Outline Costs and Funding