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**Report to Economy and Transport Board on 31 January 2013:
Autumn Statement and devolution of economic powers**

Purpose of report

For discussion and direction.

Summary

The LGA's Local Growth Campaign has made a strong case that devolving more levers of economic growth to councils would boost local economic development and spur Britain's economic recovery. The campaign's call has clearly been heard as the Autumn Statement signalled greater devolution of both growth-related funding and skills policy to local areas and a greater role for Local Enterprise Partnerships (LEPs) from April 2015. Further detail on devolution of economic powers to local areas will be set out in the Spending Review to occur later this year.

In the meantime, all 20 areas that were invited to bid for the second wave of City Deals have submitted their bids. The Secretary of State for Communities and Local Government, the Minister for Health, and the Head of the Civil Service have also publicly committed themselves to support a move to implement community budgets.

In light of these developments, the Board is invited to consider whether the LGA should press for discussions with Government about follow-up to the Heseltine Review, City Deals and growth-related community budgets to be joined up. Members' views are also invited on our own narrative and influencing strategy to campaign for Local Growth Deals to be offered to all areas.

Recommendation

Members are asked to note the update on recent developments and provide direction on next steps.

Action

Officers to take actions as directed.

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Autumn Statement and devolution of economic powers

Background

1. The devolution of economic powers to local areas has been the bedrock of the Local Growth's campaign for local government to be enabled to fulfil its potential to support economic recovery and growth. Whilst the City Deals and Whole Place Community Budget pilots have been promising steps, the Autumn Statement has opened the door more fully to greater devolution for all local areas. This paper provides an update on recent announcements and invites a discussion on the LGA's narrative and next steps.

Autumn Statement

2. The Chancellor of the Exchequer delivered his 2012 Autumn Statement on 5 December. The LGA's on the day briefing about the announcements with implications for local government is set out in **Appendix B**. In addition to announcements about further cuts to local government budgets, the future path of public spending and the timing of the next Spending Review, the Government signalled agreement with Lord Heseltine's report that local leaders and businesses are best placed to set the strategic direction for economic growth in a local area.
3. The Autumn Statement sets out the first stage of the Government's response to the Heseltine Review, with specific commitments to:
 - 3.1. Ask LEPs to lead the development of new strategic plans for local growth consistent with national priorities. It is expected that local authorities or other bodies, and not LEPs, will deliver programmes and projects, ensuring that there are proper accountability structures in place.
 - 3.2. Devolve a greater proportion of growth-related spending on the basis of strategic plans developed by LEPs by creating a single funding pot for local areas from April 2015. There was no indication of whether the Government is considering a competitive process, although our briefing made clear that we would not support a bidding process.
 - 3.3. Increase the proportion of spending that is awarded through the single pot. This is likely to include some of the funding for local transport, housing, schemes to get people back into work, skills and any additional growth funding.
 - 3.4. Give LEPs a new strategic role in skills policy, specifically to set skills strategies consistent with national objectives.
 - 3.5. Encourage LEPs to have a seat on Further Education (FE) colleges' governing bodies, with chartered status for FE colleges linked to having taken account of their skills priorities.
 - 3.6. Allow LEPs to determine how the EU Common Strategic Framework funds, including the European Social Fund, are used locally. This could include a role for

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LEPs to develop joint bids where they have similar industries in their functional economic areas.

- 3.7. Streamline management of the EU Common Strategic Framework funds in England, aligning priorities on the basis of the plans led by LEPs.

Whole Place Community Budget Pilots

4. Operational plans and business cases from the four Whole Place Community Budget pilots (West Cheshire, Essex, Greater Manchester, and Tri-borough of Westminster, Kensington and Chelsea, and Hammersmith and Fulham) were submitted to the Department for Communities and Local Government (DCLG) in October. In the context of economic growth, the Essex pilot makes a strong case for a council and employer led approach to vocational skills, proposing a payments-by-results funding model with the potential to create 8,000 additional apprenticeships by 2020.
5. In December, the Secretary of State for Communities and Local Government, the Minister for Health, and the Head of the Civil Service publicly committed themselves to support a move to implement community budgets. Government interest in exploring this approach further has heightened since the results of a year-long pilot of community budgets, modelled to a national level by Ernst & Young, were released earlier this month. The modelling shows that devolving more decisions to local areas would provide better services and save between £9.4 billion and £20.6 billion over five years across local and central government.

City Deals

6. We understand that all 20 areas that were invited to bid for the second round of City deals have now submitted bids. The Government has said that it will confirm which bids have been successful in February. The second wave of deals is expected to comprise a core package and a bespoke element for each area. Details of the core package are due to be released in March 2013 and currently the powers and levers contained within the core package are expected to be available only to successful Wave 2 cities and Wave 1 cities. The LGA's position is that the offer of deals and the core package should be extended to all areas, including London boroughs, counties and non-urban areas. Officers have been meeting with officials at Cabinet Office, the Department for Business, Innovation and Skills (BIS) and DCLG to press for a national roll-out. A more detailed update on those discussions will be offered at the Board.
7. Following our successful joint seminar on 19 December, the Centre for Cities has been working on a report about what an ambitious core package might contain. A copy of the report will be tabled at the meeting.
8. We have supported Lord Graham Tope, who is also a councillor at the London Borough of Sutton, to table an amendment calling for a new clause to be added to the Growth and Infrastructure Bill requiring the Secretary of State to lay before Parliament a report setting out the government proposals, policies and timescales for the extension of devolved

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economic development powers to all local councils. The Bill is currently in the Committee stage in the House of Lords.

LGA Strategy

9. Since the publication of *Local Leadership, Local Growth* in the summer, we have collected a good set of case studies from councils illustrating the good work that is already being done on economic development and are now receiving more information on what more they could do if growth-related powers and funding were devolved to them. The Local Growth campaign is thus well-positioned to use the commitment in the Autumn Statement about devolving economic powers as a platform to escalate the call for Local Growth Deals to be ambitious in scope and rolled out to all areas that want them.
10. Given that there are currently discussions within government on City Deals, Whole Place Community Budget pilots, the single funding pot and business rates pools, it is proposed that the LGA press for these discussions to be joined up under the auspices of developing and rolling out comprehensive Local Growth Deals. Although there is some overlap in work being undertaken on these initiatives, there are often different departments or different teams leading each initiative, working to different timescales and seeking different objectives. There is a risk of getting tied up in separate discussions and not building the momentum that will be needed to secure the devolution of a comprehensive set of economic powers to local areas.
11. Members' views are sought on our narrative in the next phase of the campaign, which would call for the national roll-out of Local Growth Deals that offer:
 - 11.1. A **core package of economic powers**, including devolution of skills policy and capacity to support businesses to access finance.
 - 11.2. A **single pot of growth-related funding** comprising all of the funding streams recommended for devolution in the Heseltine report (**Appendix C**). The onus should be on departments to prove why they should not devolve their funding.
 - 11.3. **Capacity to reinvest** the proceeds of growth in a local area through an "Earnback" principle, including but not limited to business rates.
 - 11.4. Access to the Deal for all areas on a **non-competitive** basis.
 - 11.5. **Accelerated roll-out** before 2015 of Deals to all areas that are ready for one.
12. The Autumn Statement confirmed that further details about the funding that will go into the single pot will be set out in the Spending Review. At present, we know that the Spending Review will set departmental resource budgets for 2015-16 only, on the same trajectory as over the 2010 Spending Review period. Details about the process and timeline for the Spending Review are not yet known, but departmental officials appear to be operating on the basis that it will report in the summer. On 25 January, the LGA's

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Finance Panel will be discussing the shape of the LGA's submission, which proposes to include the work of the Local Growth Campaign as one of its main pillars. An oral update on the outcomes of the Panel discussion will be provided.

13. With the Wave 2 City Deals being reviewed by departmental officials, Budget 2013 scheduled to be delivered on March 20th and a Spending Review expected to report in the next few months, discussions are likely to accelerate even faster. It is proposed that we develop an influencing strategy built around the two key milestones of the Budget and the Spending Review. Our strategy could involve:
 - 13.1. Members lobbying Ministers as soon as possible to press for discussions on City Deals, single pot and skills-related community budgets to be joined up.
 - 13.2. Publishing the LGA vision for Local Growth Deals ahead of the Budget to influence the shape of the core package (following analysis of the evidence currently being sent to us by members).
 - 13.3. Working through the LGA's Spending Review process to press for a comprehensive set of funding streams to be put into the single pot.
 - 13.4. Engaging with key stakeholders such as business interests and the skills and learning community to enlist their support for Local Growth Deals.
14. The Board is invited to comment on this update and proposals for a narrative and influencing strategy. This report is referred to the LGA Executive for a wider discussion with other Board Chairs.