

Written evidence from The Tees Valley Combined Authority (EDE 24)

Public Administration and Constitutional Affairs Committee

The Evolution of Devolution: English Devolution

The Tees Valley Combined Authority was one of first Mayoral Combined Authorities to be established in England.

We are a partnership of Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees local authorities, working with the Local Enterprise Partnership, wider business community and other stakeholders to make local decisions that support the growth of our economy. Under our devolution deal, we have taken on responsibilities previously held by Whitehall including transport, infrastructure, skills, business investment, housing, culture and tourism.

We believe we are perfectly placed to offer insight into the impact of devolution to Mayoral Combined Authorities to date and the changes we believe will allow devolved authorities such as ourselves to accelerate and maximise our impact. We welcome the opportunity to participate in this enquiry.

1. Should there be comprehensive reform of the English devolution and local government system?

As one of the first Mayoral Combined Authorities to be established in England, we have demonstrated the early value and benefits of devolution to the UK regions under the leadership of a democratically elected mayor.

Creation of the Mayoral Combined Authority has been critical to kickstarting changes the Tees Valley had waited a generation for, and previous approaches to regional development have been unable to deliver, such as the rebirth of the former British Steel site in Redcar as the UK's largest industrial zone – and heart of the national offshore wind and Carbon Capture Utilisation and Storage industries - the harnessing of our region's expertise with in hydrogen technology to power the nation and the use of Teesside International Airport as a catalyst for wider economic growth.

The COVID-19 outbreak has made the value of Mayoral Combined Authorities all the more apparent.

Without devolution to a Mayoral Combined Authority there would have been no central agency in the Tees Valley to effectively coordinate the local economic response to the crisis, lead economic recovery planning or provide vital economic intelligence to central government to inform the national response.

We have been uniquely placed to deliver a series of vital interventions supporting the regional economy respond to the impacts of Covid-19, including:

- Funds supporting over 200 SMEs access new equipment and technologies or professional support to allow them to adapt to the new ways of working necessitated by the outbreak.

- A fund supporting over 500 small hospitality businesses to reopen in July.
- A grant creating 106 apprenticeships in key sectors.
- Support for over 150 SMEs looking to create work placements for 16-24 years olds under the DWP Kickstart scheme, leading to almost 500 placements.
- Funds supporting cultural businesses adopt to new ways of working and diversify their businesses, with 90 expressions of interest have been received to date. A Cultural Industries & Visitor Economy Recovery Taskforce has also been established to develop a £1million recovery programme.

Our work on economic recovery planning has identified a package of targeted measures designed to help businesses impacted by the pandemic recover quickly, diversify, thrive and become resilient to future shocks.

Our recovery approach is not just designed to help the regional economy come to terms with the disruption of the pandemic, but to accelerate our progress along path to future growth, already charted in our existing Strategic Economic Plan and Local Industrial Strategy to position the Tees Valley as the UK's hydrogen capital, a pioneer region for Carbon Capture, Utilisation and Storage and clean growth technologies such as offshore wind energy, and to develop pioneering capabilities in industrial digitalisation. Within all of this, creating good jobs, with long term prospects that local people can access.

None of this would be possible were it not for the existence of a Mayoral Combined Authority in the Tees Valley.

2. What aims and principles should underpin devolution in England?

Our interest in this question lies primarily in future phases of devolution to areas where Mayoral Combined Authorities have already been established.

The future of devolution should be underpinned by a principle of enabling regions such as Tees Valley to benefit from the maximum level of local control where we have previously demonstrated robust governance arrangements and a proven track record of effectively using our devolved funding and powers to address local needs and opportunities.

We believe Mayoral Combined Authorities are ideally and uniquely placed to deliver local growth as we are established within recognised functional economic geography and offer the benefits of Mayoral leadership and accountability and the ability to co-ordinate and facilitate collaborative working across the public and private sectors and local authority boundaries.

Potential exists to for Mayoral Authorities to go further faster when it comes to economic development if reforms were enacted empowering bodies such as ourselves to benefit from more flexible allocation of resources from central government with regards to regional infrastructure and skills and increased devolution of funding streams relating to R&D and innovation to the regions.

Devolution to Mayoral Combined Authorities over the past decade has been underpinned by a principle that it is regions themselves who know what their local areas need to thrive and how best to achieve it.

Combined Authorities are uniquely able to pivot and flex rapidly in response to local challenges and opportunities – as clearly demonstrated in response to the economic shocks of Covid-19.

Presently we can use this local expertise to develop strategies, vision and policies which we believe can deliver high-skilled, well-paid jobs to the Tees Valley whilst leading the nation in clean energy, carbon capture and industrial digitisation. But under current arrangements there is often a significant lag between taking these decisions and our ability to implement them. Without the funding necessary to put these plans into action devolution can at time feel like it is occurring with the handbrake on, at a time when we want – and need - put our foot on the accelerator.

An example of the approach to funding which needs to be taken under the next phase of devolution is found within representations we have made to government with regards to the design of the Shared Prosperity Fund.

When the current European Funding Programme comes to an end, it is critical successor funds are geared towards addressing regional imbalances through devolved funding. There should be flexibility within the successor fund to allow local places to respond to their own challenges and resources should be weighted towards the places with the most ground to make up. It should also be aligned with other investment funds available in the region in order to maximise their impact, an approach pursued in our own Investment Plan.

This is the only way investment can realistically be directed to meet the specific needs of local people and local businesses and allow us to effectively align and concentrate regional economic growth funding to ensure we maximise the impact of our interventions.

In conversations with government, we have consistently emphasised three messages:

- Local areas such as the Tees Valley - who have demonstrated robust governance arrangements and track record of effectively using devolved funding to address local needs - should be afforded the maximum level of local control, providing us with the flexibility and agility to maximise our local economic impact
- Funds must be distributed on the basis of need: The Tees Valley economy continues to lag national averages in relation to a number of key economic metrics, making the area vulnerable to further economic shocks, including impacts of COVID-19 and EU Exit. It is therefore critical that government resources designed to reduce inequalities between regions are allocated on the basis of genuine need, support levelling up and enable all regions to realise their full potential
- Funding settlements should be long-term: Allocations such as the Shared Prosperity Fund should operate over a programme timeframe which give the projects and programmes benefiting from them the best possible chance of success

3. Should devolution in England use the reserved powers to bring it in line with devolution in the rest of the UK?

In areas where regional devolution in England is already established, we believe that it is not so much a question of areas such as the Tees Valley seeking new powers as the ability to maximise the powers already available to us.

Key to this is the current systemic and regional imbalance of UK funding and investment. For example.

- The most recent figures from BEIS showed an enormous gap between the research grant funding from national programmes given to areas such as London (over £1bn), Oxfordshire LEP (£400m) Greater Cambridge and Greater Peterborough LEP (£400m) and the Tees Valley (received approximately £10m).
- Between 2007-2016, the London and the South East received £399.9m and £379.9m of capital investment from the government into science projects, in comparison to £20m in the North East.
- In one phase of the recent Culture Recovery Fund the Tees Valley received £934,894 overall across 10 projects. This compares to a single London nightclub which received £975,468.

We believe this imbalance is best addressed through more a more place-based approach to investment which allows a more joined up approach which recognises regional strengths and identifying major clusters of excellence in key economic sectors and technologies and the necessary investment in infrastructure, skills and innovation to maximise their economic impact. Such an approach would allow regions to fast-track major local opportunities to deliver economically and environmentally significant projects.

The next phase of devolution does not necessarily require new powers - or even government expenditure - but more strategic and focused use of existing funding streams to maximise the potential of existing powers. For example:

- Flexible capital investments, as already implemented with the Transforming Cities Fund and Towns Fund, where autonomy is granted to regions to identify and fast-track the delivery of infrastructural investment and regeneration priorities.
- Using the next Comprehensive Spending Review to place greater emphasis on communities and place by introducing multi-department place-based budgets, allowing local interventions to be built around the needs of the regions.
- Devolution of BEIS innovation funds, such as the Industrial Energy Transformation Fund to Combined Authority areas.
- Increased flexibility of apprenticeship funding, particularly with regards to unspent levy funds to support the growth of local skills.
- Maximum devolution of the planned Shared Prosperity Fund to drive regional development and deliver the government's levelling up agenda.

4. To what extent should there be consistency in devolved and local governance within England, and to what extent is asymmetry necessary?

The nature and shape of cross-boundary public services in areas like healthcare and policing make this a deceptively difficult question. The government has previously stated its ambition for all Combined Authorities to areas share the same powers. Given that parts of the Tees Valley share health and policing services with Country Durham, for example, such a true "levelling up" to the powers currently held by the Greater Manchester Combined Authority cannot be achieved without a fundamental redrawing of the administrative map of England.

In general terms it is critical than to develop arrangements that work best for individual areas, based on robust and demonstrable accountability – rather than being overly uniform or prescriptive.

More practical to us would be the development of a national core devolution offer accompanied by a consistent suite of powers which can be adopted locally on the basis of need and practicality.

5. What is the purpose of the current “devolution” deals and mechanisms? Are these purposes being achieved?

The Tees Valley has come together to create a vision of a revitalised local economy, with the infrastructural and skills investment we need to lead the nation in hydrogen technology, carbon capture utilisation and storage, offshore wind and industrial digitalisation – powering the nation whilst contributing towards the UK’s net zero targets, while creating well-paid highly-skilled jobs for our residents.

We believe that a Combined Authority is the most appropriate and effective vehicle with which to pursue this goal.

To date Tees Valley Combined Authority has:

- Secured ownership of 1420 acres of land at the former site of Redcar Steelworks, turning a symbol of regionally industrial decline into the UK’s biggest development opportunity – home of the Net Zero Tees carbon capture project, a partnership of six leading energy firms seeking to deliver a net zero cluster by 2030, and potentially a nationally significant offshore energy cluster.
- Been named the UK’s first ever hydrogen transport hub, taking a national lead on driving forward national plans to embrace hydrogen as an alternative fuel for buses, lorries, rail, maritime and even aviation.
- Funded the £40m purchase of Teesside International Airport and 819 acres of prime development land attached to the Airport.
- Begun the delivery of over 1000 new homes on brownfield sites in the next 12 months.
- Begun work to transform our rail network with £20million and £25million respectively to support the strategic redevelopment of Middlesbrough and Darlington train stations
- Approved a £50million scheme to improve town centres and indigenous growth within our five constituent local authorities, delivering projects that will have a local economic impact and improve the lives of Tees Valley residents, whilst also contributing to our regional offer.
- Completed construction on the National Horizons Centre in Darlington which will provide a centre for excellence led by Teesside University, specialising in training and education for the UK bioscience sector
- Delivered a new demand responsive bus service pilot to provide better access to jobs and key service centres for rural and more remote communities.
- Delivered 586 apprenticeships.
- Fully implemented the DWP Innovation Pilot Routes to Work, engaging with more than 2,800 residents furthest away from the labour market with complex needs and supporting more than 488 into employment

These goals are being achieved, but we want to be able to go further, faster.

6. How should decisions on English devolution be agreed?

Decisions on English devolution need to be done with local areas, not done to local areas.

We believe that future decisions on English devolution should be based on the functional economic geography and prioritised on the basis of need, and that local areas such as the Tees Valley - who have demonstrated robust governance arrangements and track record of effectively using devolution to address local needs - should be afforded the maximum level of local control, providing us with the flexibility and agility to maximise our local economic impact.

7. How should the interests of different parts or regions of England be better represented to central government and in intergovernmental arrangements as well as in Parliament?

As an established Mayoral Combined Authority we believe the ability of regions like the Tees Valley to speak with a single and democratically mandated voice, supported by a Cabinet made up of local authority leaders and representatives of key local economic sectors, in conversations with both government and within pan-regional bodies is one of the key benefits and successes of the Mayoral Combined Authority model.

The Tees Valley in particular benefits from our unique integration of Combined Authority and Local Enterprise Partnership, ensuring that the unique voice of business is heard, and influences decision making, at the highest level.

8. Is there a public demand for such structures/measures? On what basis should the form, geography and extent of devolved regions or areas be determined, and what should be the role of culture and identity?

As policy-makers, we recognise that public enthusiasm for governmental reorganisation and new democratic models may not match our own. But public demand for the change that can only be delivered by a Combined Authority is undeniable and significant.

The annual study of the public perceptions of our region (December 2019) reports an improvement in the perception of the impact Tees Valley Combined Authority has had on education, employment, business relationships and economic development over the last 12 months. In addition the study found an increase in the percentage of participants reporting that both Tees Valley and economic prospects in the area have improved over the last 12 months and there was an increased recommendation rate of Tees Valley as a place to live, work and visit.

The Tees Valley has been waiting a generation for changes the existence of a Combined Authority led by a directly-elected mayor has been able to kickstart within just three years.

As we chart a path to recovery from Covid-19 we know we have a difficult journey ahead, – particularly in areas like ours which already had the most ground to make up.

With the necessary powers and resources, Mayoral Combined Authorities such as ourselves are best placed to address these challenges.

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