

Directors: Rob Norreys, Director of Policy, Strategy & Communications and Ruth Redfern, Project Director for Inclusive Growth
Author: David Walmsley



Report to: West Yorkshire Combined Authority

Date: 3 August 2017

Subject: A city region policy and funding framework for inclusive growth

| | |
|--|---|
| Is this a key decision? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Is the decision eligible for call-in? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Does the report contain confidential or exempt information? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| If relevant, state paragraph number of Schedule 12a, Local Government Act 1972, Part 1 | |

1. Purpose

1.1 To seek agreement of WYCA to, in principle, broaden its policy remit to ensure it can make a positive impact on both direct and indirect drivers of inclusive growth. This has the consequence that a broader range of investment interventions might be considered for WYCA investment, subject to there being available funding and due process with broader criteria about the full range of positive benefits.

2. Information

2.1 The Strategic Economic Plan (SEP) sets the city region's strategic vision and, through four pillars¹, the direction of transformative investment that will build the conditions for growth. These plans have secured the backing of government, who have committed £516.35m through three growth deal rounds between 2014 and 2017.

2.2 While the SEP has a broad range of 'good growth' measures, the particular growth deals that follow – in accordance with government guidance² - focus on creating new jobs and homes. This follows through into the prioritisation criteria³ for proposals put forward by local authorities, colleges and other partners. Growth Deal funding is fully committed against specified projects and programmes. While there is some local freedoms and flexibility, any significant changes to the agreed programme must be notified to government, explaining the rationale.

¹ The four pillars are: Growing Business; Skilled People, Better Jobs; Clean Energy and Environmental Resilience; and Infrastructure for Growth.

² <https://www.gov.uk/government/publications/growth-deals-initial-guidance-for-local-enterprise-partnerships>

³ This is built in to the LCR Single Assurance Framework, agreed by the WYCA and LEP Board in February 2017

2.3 In response to growing concerns about living standards, the WYCA and LEP Board initiated an inclusive growth project in autumn 2016. This followed increased in-work poverty, feelings of disconnection from public decision-making and that the benefits and consequences of globalisation have been shared unfairly. The project has five outcomes:

- i. Reduce the number of people in poverty by 20%;
- ii. Increase earnings of workers at the 20th percentile of the earnings distribution faster than those at the median;
- iii. Triple the number of inclusive / anchor organisations;
- iv. Reduce the employment rate gap for all disadvantaged groups (e.g. disabled people, BME) by half;
- v. Reduce the attainment gap for disadvantaged groups at different stages of the life course e.g. pupils eligible for free school meals, pupils / students in deprived wards.

2.4 The project has brought together city region authorities, business, voluntary and community groups and has established ten workstreams, with the goals of:

- i. Recognising that growth is a social system, not an economic machine;
- ii. Listen to authentic voices and lived experience of those not benefiting or able to contribute to inclusive growth. Create an inclusive growth programme that makes a tangible difference to their lives;
- iii. Create more good jobs with security, opportunity for progression, and paid at least the living wage, that are accessible to everyone with the potential to work, including the most disadvantaged groups;
- iv. To achieve robust and consistent standards of practice, policy and process in our approaches to alleviate and mitigate the impacts of poverty and inequality;
- v. Create the environment where all children from low income backgrounds succeed in school;
- vi. Maximise the power of anchor institutions as inclusive organisations;
- vii. Creating a diverse housing offer of tenure, size, shape and cost;
- viii. Foster connections within communities to create and implement locally led economic and social solutions, increasing business start-ups and survival in deprived neighbourhoods and encouraging community entrepreneurs;
- ix. Invest in early intervention and prevention wherever possible;
- x. Create socio-economic policies, making the connections, recognising that health, social care, careers, culture and the arts are part of our inclusive growth evolution;
- xi. To significantly improve productivity levels to improve market competition by focusing on people powered solutions, understanding that 'good work' comes from a workforce that is well managed, supported, reasonably paid and well led;
- xii. Develop a place based industrial strategy that delivers inclusive growth, making the most of powers WYCA and local authorities already have, and calling on government to ensure we have the powers, functions and funding to deliver our objectives.

2.5 Specifically, the inclusive growth project is in the process of delivering:

- Refocused WYCA activity, reorienting established services to make a bigger impact for those suffering the greatest disadvantage. For example, the enterprise adviser offer for schools will focus on children in the most deprived communities and 6,000 of our most deprived young people will have an enhanced offer, ensuring they have meaningful contact with employers to help shape their career choices;
- A business led people-powered productivity model;
- Utilisation of our economic assets, an enhanced procurement deal with business, developing anchor institutions/inclusive organisations that lever in the capacity of the supply chain, protect lower paid workers and regard poverty as a protected characteristic;
- Increased business start-up and survival in deprived neighbourhoods and amongst excluded groups;
- A clearly understood and effective set of indicators that will underpin all our decision making and practical action from strategy and policy to impact assessments, action planning and portfolio management.

2.6 The recent Queen’s Speech confirmed government’s intention to “*spread prosperity and opportunity across the country through a new modern industrial strategy*”. More productive firms are the only effective way for wages and living standards to increase sustainably. Government’s commitment follows its spring consultation, where the city region put tackling the productivity gap at the heart of its industrial strategy. There are two aspects to this:

- i. The city region being on the front foot with policy interventions about direct and indirect determinants of growth and productivity. This will increase business competitiveness and good work so the benefits are shared fairly across society; and,
- ii. Having the requisite finances and powers necessary to deliver those transformations.

2.7 On the first aspect, the city region has many ingredients of a strong, front-footed industrial strategy position to improve competitiveness and ensure the benefits are shared fairly. The LEP Board resolved in the spring to note proposals to review and refresh the SEP/Industrial Strategy and, following work to update the evidence base, will consider the matter further in September.

2.8 The refresh will result in **a single, bold top-level city region strategy owned by both the LEP and Combined Authority, with inclusive growth at its core**. This will guide decision-making over a strategic programme of activity tailored to inclusive growth. A Steering Inclusive Growth Group (SIGG) has already been established with representatives from business, different tiers of education, voluntary and faith groups. The proposal is for this Group to be formalised into an advisory Panel to the WYCA and LEP Board, possibly with a wider public service remit to tackle poverty. All

Panels will continue to be responsible for driving the inclusive growth outcomes of the single, top-level strategy set by the LEP Board and WYCA.

2.9 The approach to a bold city region industrial strategy incorporates:

- Refreshed bottom-up district growth strategies identify the local interventions to foster growth, including effective spatial planning and education systems;
- The current Strategic Economic Plan and delivery of the £516m growth deal programme across the city region;
- Opportunities to better recognise the contribution that indirect determinants of growth make to a more productive and fairer society. This covers, for example, stronger recognition of the contribution of cultural, arts and sporting assets to a high quality of life and ensuring the city region retains its status as an attractive and influential place;
- Working across the North to improve inter-regional connectivity and capitalise on the international appeal of the Northern Powerhouse.

Each element is important in its own right, but partners believe there is added value in bringing together activity that is best pursued at the city region level to allow for more strategic and effective decision-making.

2.10 The second aspect - funding and powers – is more challenging. The WYCA and LEP Board have an agreed policy position calling for a significant single pot subject to local control. Currently, city-region funding streams comprise:

- Growth Deal – 100% capital investment targeted at new jobs and homes, allocated against agreed programmes with changes requiring notification and explanation to officials;
- European funds, where the local ESIF Committee has influence over the calls made by UK government departments. As the UK exits the EU, government is considering its approach to repatriated funding – and is consulting on how a UK Shared Prosperity Fund might help rebalance growth and prosperity across the UK, as well as contributing to deficit reduction.
- Other funding, including receipts from the city region business rates pool, growing places fund and commercial investments in the Revolving Investment Fund.

This picture portrays several serious challenges. First, the aggregate investment is significantly below that in other major English city regions (see fig. A). Second, the degree of local control is significantly less than other major city regions. Third, the exceptionally high level of capital funding means there is too little revenue to support proposals (particularly that aren't part of the SEP/Growth Deal). Fourth, there are insufficient local fiscal powers to rebalance this.

Figure A – Approximate total of delegated and devolved funding⁴ provided by government to Combined Authority areas per head of population (2014 – 2017)

| Combined Authority area | Funding (£/head) |
|--|------------------|
| Greater Cambridgeshire, Greater Peterborough | £1,292 |
| West of England | £1,288 |
| Sheffield City Region (South Yorkshire) | £938* |
| Tees Valley | £860 |
| Liverpool City Region | £806 |
| Greater Manchester | £760 |
| West Midlands CA | £675 |
| Leeds City Region (West Yorkshire CA) | £303** |

* Assumes South Yorkshire authorities implement the SCR deal. The gainshare element is not yet being paid (so current amount in Growth Deals only is £271/head).

** Unlike funding elsewhere (all a mix of revenue/capital), this is all capital and committed so any additional schemes must replace things that had already been agreed.

- 2.11 There may also be opportunities for partners to pursue fiscal freedoms. For example, places might agree arrangements with government to tackle poverty or social/economic exclusion, where avoided costs (such as welfare savings) and reduced demand are used to fund preventative work.
- 2.12 Work is underway to review and – as far as possible – align these funding streams so the WYCA / LEP are able to use their investment to make the greatest possible impact on inclusive growth, quality of life and the standing of the city region. This work will be tailored according to the steer from WYCA about its policy range, with possible future decisions about assurance criteria.

3. Financial Implications

- 3.1 The purpose of this report is to agree to re-orientate financial decision-making so that it better takes account of the needs for the city region’s economy to be one that

⁴ This comprises three rounds of Growth Deal, devolution gainshare monies and other devolved investment or transformation funds. It does not include funding streams where devolved areas more influence – such as skills budgets or work/health programmes. Numbers are approximate as several areas have overlapping LEPs where it is impossible to disaggregate funding for different parts of the LEP that are within/outside the CA area. Assumptions are consistent.

grows even more, and is more effective at sharing this growth fairly to address poverty and inequality.

- 3.2 While there are no immediate and direct financial implications arising as a result of this report, without further investment or significant changes to fiscal powers, it is likely that WYCA will have insufficient resources to fund a interventions for its extended policy range.

4. Legal Implications

- 4.1 There are no direct legal implications arising from this report.
- 4.2 WYCA has the power of general competence in respect of economic development and regeneration matters.

5. Staffing Implications

- 5.1 Broadening the WYCA's range requires capacity and expertise from WYCA, local authorities and other partners. This can largely be provided within existing resources, subject to (i) ongoing organisational redesign and (ii) cooperation and support from partners (including universities, local authorities, government departments, business groups, etc.).

6. External Consultees

- 6.1 The content of this report has been subject to discussion with the Chair of the Investment Committee and Inclusive Growth Steering Group, and LEP Board Chair.

7. Recommendations

- 7.1 That WYCA:
 - 7.1.1 Agrees, in principle, to broaden its policy remit to ensure it can make a positive impact on factors that drive inclusive growth.
 - 7.1.2 Agrees to formalise the Steering Inclusive Growth Group (SIGG) into an Inclusive Growth Panel, with a further report to the Combined Authority to set an appropriate remit over public services and tackling poverty.
 - 7.1.2 Agree in principle to review WYCA programmes to take account of inclusive growth, subject to the conditions on delegated funding.
 - 7.1.3 Further notes that currently, funding streams are likely to prove insufficient and inflexible to resource a wider range of city region investment interventions. WYCA, therefore, seeks to maximise resources (e.g. Shared Prosperity Fund) and secure more freedoms over in year spending.

8. Background Documents

8.1 The following background documents have influenced / are cited in this report:

- LEP Board (17 May 2017) – Industrial Strategy response and SEP refresh presentation
- WYCA / LEP Board (21 March 2017) – response to Industrial Strategy green paper
- WYCA (1 December 2017) / LEP Board (23 November 2016) – Ensuring Good Growth Benefits All - initiating a city region inclusive growth project
- WYCA (all) / LEP Board (all) – growth deal update;
- WYCA (2 February 2017) / LEP Board – agreement of single appraisal framework