



4 September 2015

The Correspondence and Enquiry Unit
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Dear Chancellor

**LIVERPOOL CITY REGION'S FORMAL SUBMISSION TO THE 2015
COMPREHENSIVE SPENDING REVIEW**

Please find enclosed the formal submission from the Liverpool City Region to the Government's 2015 Comprehensive Spending Review (CSR). The submission outlines proposals for a potential devolution agreement with Government which will draw down powers and resources to the Liverpool City Region.

We look forward to continuing to work with colleagues in Whitehall over the autumn period to develop our proposals further in advance of the publication of the CSR; with the view to securing a bespoke devolution 'deal' for the Liverpool City Region.

Yours sincerely

A handwritten signature in black ink, appearing to read "David Brown".

David Brown
Head of Paid Service
Liverpool City Region Combined Authority

cc: The Rt Hon Greg Clark MP
Secretary of State for Communities and Local Government
2 Marsham Street, London, SW1P 4DF



LIVERPOOL CITY REGION

POTENTIAL DEVOLUTION OF POWERS AND RESOURCES

SUBMISSION TO THE COMPREHENSIVE SPENDING REVIEW 2015

FOREWORD

Liverpool City Region welcomes the opportunity to make a formal submission to the 2015 Comprehensive Spending Review (CSR) outlining proposals for a devolution Framework with Government which will draw down powers, control and resources from central government in Westminster and Whitehall to the Liverpool City Region Combined Authority. This will enable the City Region to have greater control and influence over the reduced funding that is expected to flow to the City Region post CSR, following a significant reduction in Whitehall departmental Spending Plans. This is not simply a call for more investment; it is a call for getting much greater value from existing investment, clearly focused, to raise productivity, transform lives and the economy.

The CSR takes place amongst ongoing austerity measures but it should be remembered that the six Local Authorities in the Liverpool City Region have already suffered over £650m of cuts since 2010 – the equivalent of the value of the first European Objective One Programme for the area. We are already anticipating an additional £470m in cuts up to 2020- before the CSR changes come into effect. This is over £1.12billion of cuts in a decade. This is neither fair nor sustainable.

The communities of the City Region have also suffered from massive changes in the welfare system, as well as the effects of the economic recession. We are therefore calling for a fairer distribution of resources in the CSR with cuts needing to be shared more equitably across the country.

We are also looking to the CSR to provide sustainable arrangements to meet the challenges that the City Region faces in respect of essential health and social care for vulnerable adults together with a sustainable, realistic funding base for children's social care, which we believe should be protected alongside education services in the CSR process.

We believe that local decision making powers over significant areas of national government spend is better than the current system whereby priorities for local services and funding are decided in London. Alongside the development of a package of devolution proposals for the City Region, work is also underway to accelerate greater collaboration and new delivery models to share services across the Councils.

We have a proven track record of being able to decide priorities locally as well as continuing to deliver quality services despite the cuts we have had to endure. We have also proven our ability to work together collectively through the Combined Authority and with private sector and other public agency partners to help grow our economy, to use resources better and to improve outcomes for local people and communities.

We recognise that the government will be seeking to make the CSR process and devolution "fiscally neutral". We believe an innovative '**place-based multi-year' approach to the Comprehensive Spending Review** in terms of changing some forms of public investment and service delivery will ensure that, despite continuing budget cuts, the most effective use will be made of limited resources to maximise impact at the local level and ensure value for money is achieved through sustainable economic growth. We understand the challenges and how best to solve them within our locality to deliver greater efficiency by reducing duplication and improving outcomes.

We are looking to government to ensure that "fiscal neutrality" means that the City Region is no worse off through the CSR. We believe that devolution is not about government passing the buck to the City Region leaders to implement further Whitehall department cuts.

We also see devolution as powers and resources being passed down from national level to the City Region level. Devolution is not about taking powers

and resources from individual local authority level to the City Region level. The sovereignty of our constituent district councils will remain.

We also recognise that the “prize” of devolution may necessitate a “price” to be paid in respect of the government’s stated aim of introducing an elected mayor for the City Region. We are prepared to consider making a change in our local governance arrangements but only when we have considered the outcome of the negotiations with government on the devolution package for the City Region.



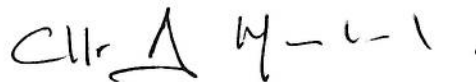
.....
Councillor Phil Davies

Chair of the Liverpool City Region Combined Authority
Leader of Wirral MBC



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Councillor Rob Polhill

Leader of Halton Borough Council



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Councillor Andy Moorhead

Leader of Knowsley MBC



.....
Joe Anderson

Mayor of Liverpool



.....
Councillor Ian Maher

Leader of Sefton MBC



.....
Councillor Barrie Grunewald

Leader of St Helens MBC



.....
Robert Hough

Chair of Liverpool City Region
LEP

THE OPPORTUNITY

Liverpool City Region is home to 1.5 million people; 40,000 businesses and 625,200 employees. Partners across the Liverpool City Region have been working together over many years to drive regeneration and economic growth. The City Region is already seeing success through greater strategic working across transport, logistics, economic growth and skills. It has a strong track record of collaboration highlighted through the Liverpool City Region Growth Deal, one of the most successful awards in the country. The Deal secured funding of £232 million (from a £250 million bid); in part due to the strength of the pipeline of projects capable of delivering ambitious plans to grow the economy and re-establish the City Region's reputation as a first tier global locality and brand. But also due to the strength of its approach to policy making and investment decisions through an agreed cost/benefit Assurance Framework which has delivered sound decision making and financial accountability across the City Region.

The UK's economy is highly unbalanced, with some of the worst regional disparities in the developed world. Rebalancing the UK economy is crucial for future growth and Liverpool City Region's devolution agreement must help to address this and place the Liverpool City Region at the heart of the Northern Powerhouse.

The City Region economy is more resilient compared to the past and well positioned to capitalise on a strengthening UK economy. Economic growth rebounded strongly in 2013, comparable with its peers. The number of people in employment continued to grow, driven by the creation of over 23,000 private sector jobs since 2010. The stock of businesses in the City Region increased particularly through small business growth and higher rates of self-employment.

Liverpool City Region is well positioned to be a significant component of the 'Northern Powerhouse', which is home to 10.7 million people. However, over the last 10 years, the Northern Powerhouse has performed below the UK's average for GVA growth, while London has outstripped the region, growing nearly twice as fast as the Northern Powerhouse. This is due to the considerable imbalance in funding allocations. An IPPR report identified that for transport projects alone spend per head in London was £2,731 but in the North West was just £134 per head of population. To enable job growth these

inconsistencies need rebalancing so that The North, collectively, can take its place as the eighth biggest economy in Europe and the Liverpool City Region is a critically important part of this overall potential.

Currently, the local economy is not performing to its full potential. Whilst it has done well in recent years with economic growth rates above the national average; this is only a fraction of the City Region's potential. There is a need to radically shift and accelerate the rate of economic growth to enable the Liverpool City Region to tackle the long standing social and economic challenges it faces. There is an £8.2billion productivity gap between the City Region and the national average; a deficit of 18,500 businesses, a 90,000 jobs gap and a £1,700 per capita income gap with national levels. The City Region also has one of the highest levels of welfare dependency, and health and unemployment deprivation in the country.

These challenges are significant. The analysis of public spending and tax income at the local level provides a stark challenge and context for devolution to both Government and the City Region.

For every pound raised in taxation within the City Region we spend two on public services. Liverpool City Region has the largest relative gap between tax raised and public spending in England:

- Liverpool City Region generates £9.5 billion in taxation for national Treasury but receives £18.6bn back in public spending;
- The deficit to the Treasury is £9.1bn, almost double the amount of tax raised, and
- The deficit is much greater in the Liverpool City Region (96%), compared with West Midlands 52%; Greater Manchester 55%; North East 81%.

There is a unique opportunity for the City Region to work with Government to design a bespoke Devolution Agreement that provides the long term vision and strategy to significantly reduce this gap and set the City Region on a path to sustainable economic growth; benefiting businesses and the tax base of the area. By approaching devolution alongside public service reform, we believe that we can reduce the costs of public services whilst also improving outcomes for local people and helping build more sustainable communities.

A FRAMEWORK FOR DEVOLUTION

It is estimated that local authorities only account for between twenty and thirty percent of total public spending in their area. These budgets are largely ring-fenced on statutory services, leaving discretionary spend for local priorities as low as one or two percent of the total of public spending.

The fundamental reason for Liverpool City Region pursuing devolution is to gain much greater control over its own destiny. Public finances will continue to be increasingly challenging but there are potentially major efficiencies and cost savings to be gained if greater control and coordination of government funding and activity is devolved to the City Region level. In return, the City Region will be better able to tailor and deliver Government policies to raise productivity, rebalance the economy, whilst delivering public service reform at the local level.

The current round of devolution agreements should be seen as a step towards a longer term aim for “total place based budgeting” - devolution of all public funding to a place.

Liverpool City Region’s economy has the assets, scale and capacity to achieve much more. Working with Government to design a bespoke Devolution Agreement, place-based rather than via separate departments and agencies, will provide maximum flexibility to allocate funding against local priorities.

Having the right levers in place will provide the long term vision and strategy set the City Region on a path to sustainable economic growth.

Devolution

The Liverpool City Region Devolution Agreement is about drawing additional powers, control and resource down from central government and not up from constituent local authorities. It will deliver a ‘place-based’ approach to:

- Accelerate economic growth - growing jobs and increasing productivity;
- Public service reform – local re-design and co-ordination of services to reduce costs and improve outcomes across the whole of the public sector, and
- Improved social outcomes and better health and wellbeing of local residents.

Governance

It is recognised that the 'prize' of devolution will necessitate a change in local governance arrangements but this can only be considered following the outcome of negotiations when the full details of the Devolution Deal are known and agreed.

In conjunction with the on-going negotiations with Government over the autumn, work is being done to explore how the transfer and delivery of additional powers and any potential change in Governance could work. This work will include appropriate constitutional provision, potential scrutiny and accountability arrangements, potential Delegation Schemes as well as potential servicing, support and executive arrangements.

INITIAL LIVERPOOL CITY REGION DEVOLUTION “ASKS”

Liverpool City Region Combined Authority requests that the following powers and resources be devolved to the Authority.

DRIVING ECONOMIC GROWTH

Outcomes

A Liverpool City Region Place-Based approach will maximise economic growth and delivery through raising productivity levels, rebalancing the economy and public service reform.

A comprehensive Liverpool City Region investment model will ensure locally developed and delivered solutions to accelerating economic performance through a focus on growth, business and jobs. This will require a commitment from Government for a long term, multi-year and place-based settlement underpinned by a framework of shared local and national outcomes and appropriate performance monitoring points.

Asks

1. Legislative clarity on the ability to utilise tunnel toll income for wider economic development purposes.
2. Ability to access “project rate “borrowing to bring forward developments.
3. Development Corporation Status for the Liverpool City Region to allow the City Region to have the flexibility of Corporation Status across the Liverpool City Region economic priority zones.
4. Creation of a Land Commission to oversee the utilisation of the public sector estate, creating a comprehensive database of all public sector land, identifying barriers to its disposal, and developing solutions to address those barriers in parallel to the approach to One Public Estate.

BUSINESS SUPPORT

Outcomes

The City Region has significant challenges to address in terms of low levels of entrepreneurship and business density. A simplified and rationalised business support system which addresses local need, is locally delivered and much more demand led will help the City Region improve business growth and performance.

Asks

1. Co-commissioning and alignment of national business support funding streams to the Liverpool City Region.
2. Designation of Catapult Centres in the City Region for Manufacturing Technology Centre and a Centre of Excellence for Infectious Diseases.
3. Build on the partnership with Liverpool City Region, maintain its investment in the International Festival for Business for a further two events in 2018 and 2020.

SKILLS AND EMPLOYMENT

Outcomes

The long term ambition is to create a more flexible, responsive and “total household” approach that aligns skills and employment provision with local employer demand; and significantly reduces the gap between the Liverpool City Region and the national average in terms of skills levels and welfare dependency. This will deliver:

- A simplified delivery landscape.
- More specialist and resilient post-16 provision linked to local economic priorities.
- A shared focus and common framework of priorities and targets for strategic partners.
- Residents accessing employability services at the right time to support them back into work, reducing duplication and maximising value for money.
- Increase in the quantity and quality of apprenticeships.
- Improved skills levels, including a greater proportion of residents with the intermediate professional and technical skills that employers require.
- Reduction in out of work benefit claimants.
- Productivity improvements leading to increased economic growth.

Asks

1. Power to reshape and re-structure the local skills and advisory systems to be more responsive to employer and economic growth priorities, through control and influence over budgets, delivery infrastructure and employer facing functions.
2. Powers to transform back to work support in the City Region through co-design and co-commissioning and devolved responsibility of national programmes, innovative local employer pilots and co-investment models.
3. To establish a Data Repository to share local and national information and intelligence.

FINANCIAL MEASURES

Asks

1. Multi-year financial settlement to local government and to other public bodies in the City Region.
2. Greater certainty, clarity and flexibility for integrated transport funding including the Special Rail Grant, highways maintenance and others.
3. Single place-based investment programme utilising public and private finance and assets against a set of shared outcomes contained within a consistent co-ordinated delivery structure.
4. Retention of 100% business rates income in pre-defined Development Zones and sites.
5. Recognise the business case for the Liverpool City Region in term of its location and skills advantage as a solution to the Government's current re-location review; with a view to consolidating as a minimum the current Government employment base within the City Region.

EUROPEAN FUNDING

Outcome

The City Region has benefitted from the deployment of European Funds to assist our economic development over recent years. However, the alignment of this funding alongside other resources and against local priorities that will stimulate growth has often been poor.

The Combined Authority and LEP have endorsed a series of investment strategies around business support, capital investment, innovation and low carbon investment which demonstrates our commitment to aligning our resources.

Ask

1. Maximise the devolution of decision making power for programme and project selection for the European Funding allocations (circa £200 million) to the Liverpool City Region; including the designation of Intermediate Body status.

FREE TRADE ZONE FOR THE LIVERPOOL WIRRAL PORT SYSTEM

Outcomes

A Free Trade Zone (FTZ) is a designation which is used by countries across the globe to promote international trade opportunities, increased Foreign Direct Investment and to promote supply chain development by offering various incentives relating to tax and duty payments.

FTZs are an effective way of achieving supply chain efficiency and cost savings. Companies use FTZs (or similarly designated areas) in various global locations to promote trade via Duty Deferral, Duty Exemption and Duty Reduction.

Asks

1. A Free Trade Zone designation for the Liverpool Wirral Port system that includes provision for Global Zone-to-Zone Transfers, No Duty on Value Added and Enhanced Customs Warehousing.

TRANSPORT

Outcomes

To work with government to enhance the core transport network across the Liverpool City Region. This is to enhance connectivity and in turn, to ensure that transport serves the City Region's wider, social, economic and environmental needs.

The Liverpool City Region wishes to:

- Secure greater influence over the tolling regime that governs the use of the Mersey Road Tunnels, to ensure that it fully supports the City Region's transport policy framework;
- Maximise the collection and re-investment of monies secured through toll income, through the repayment of historic tunnels debts by government which are currently funded from toll income;
- Reduce the financial risks associated with the planned replacement of the Merseyrail electric rolling stock, with long-term certainty from government in respect of the Special Rail Grant awarded to the Liverpool City Region each year;
- Share operating savings that come from this investment with Network Rail, and secure a long term lease on the Merseyrail stations so that we can better plan upgrades in and around stations, and
- Secure the ability to franchise local bus services, to ensure that they have the required reach, penetration, quality and pricing structure and serve the needs of the Liverpool City Region.

Asks

1. Government to pay off the debts on the Mersey Tunnels together with allowing the freedom to set toll levels locally. Paying the debt will help create a bigger investment fund to reinvest in local transport. More control over the tolls will enable toll levels to be varied by time of day, by engine type or in response to users' specific needs.

2. Government to provide a long-term Special Rail Grant (SRG) allocation over to help secure a new fleet of Merseyrail trains. The new trains will have more capacity and will be able to serve additional places by being able to run beyond the existing Northern and Wirral lines, in support of economic growth.
3. Ability to manage local bus services by being able to set routes and fares, so that bus operators would be able to bid for the right to operate these. We also want all existing bus grants to be devolved and managed locally. This will create a more efficient bus market and help people to access jobs and services more affordably.

HOUSING AND SPATIAL PLANNING

Outcomes

The Liverpool City Region is an increasingly revitalised economy – our population and economy has been growing, there is increasing demands for land for new housing, business growth and new business investment.

Our approach to Housing and Spatial Planning will provide greater confidence to investors, public and private, to deliver more housing units, business investment, and ultimately, new job creation.

We would expect a better co-ordinated approach across the public sector when disposing of assets, ensuring our economic and social objectives are achieved in a more efficient and effective way by providing the City Region additional influence over those disposals; this will benefit the fiscal position of the City Region but also Government.

Our outcomes will be to deliver more housing and business investment. We would expect an increase in home ownership, and an increase in jobs.

We would aim to support our communities too; coordinating activities to make sure communities are more self-sustainable, with the right homes in the right place and increased home ownership.

Asks

1. Development of a Liverpool City Region Statutory Spatial Plan.
2. Creation of a Land Commission to oversee the utilisation of the public sector estate, creating a comprehensive database of all public sector land, identifying barriers to its disposal, and developing solutions to address those barriers in parallel to the approach to One Public Estate.
3. A single investment approach in Housing.
4. Devolution of the necessary 'tools' to deliver improved development outcomes, housing markets, and deliver social benefits at a local level.

5. Modification and devolution of some regulatory powers to enable a more locally responsive local planning regime achieving economic growth, improved housing markets, and improved social benefits.

6. To explore the requirement for utility companies to produce 3-5 year forward programmes to enable the Liverpool City Region to align its investment and development activity over the same period.

HEALTH, WELLBEING AND SOCIAL CARE

Outcomes

Our ambition is to improve the health and wellbeing of the 1.5 million citizens of Liverpool City Region as significantly and rapidly as possible. We want to do this on the foundation of a clinically and financially sustainable health and social care system across the City Region.

To achieve this, the aspiration is to work with Government and other stakeholders to create an integrated health, wellbeing and social care strategy that eliminate the health and wellbeing inequalities faced by our citizens across the City Region and between the City Region and the best of the rest of the country. We will do this in a flexible way recognising the need for locally appropriate organisational models and innovative solutions.

The Local Authorities, Clinical Commissioning Groups (CCG), National Health Service England (NHSE) and Public Health England (PHE) are committed to finding the most appropriate solutions to deliver better outcomes, better experience and sustainability based on our unique circumstances. Preferred solutions will inevitably be a combination of collaborative local working using existing powers/resources and devolved powers/resources from Government (NHSE and PHE). The solutions will respect the NHS Constitution and Mandate plus local government legal requirements.

Asks

1. To work actively with local authorities, CCGs, NHSE and PHE to accelerate the definition, agreement and implementation of local solutions.
2. National partners' support to inform the journey locally. Should national barriers to delivering better outcomes be identified, Government to work with us to deliver a mutually beneficial outcome.

3. Explore in detail the opportunities and risks associated with the devolution of powers and resources covering:
- Specialist health services currently commissioned by NHSE including military and prison health;
 - Emergency and no-emergency transport including ambulances;
 - Primary health care where it is currently commissioned by NHSE;
 - Public Health responsibilities and budgets from Public Health England/NHS E and removal of the Public Health Grant ring-fence;
 - A local leadership role in the performance oversight of the health and social care community, in close partnership with Monitor, the Trust Development Authority (TDA) and Care Quality Commission (CQC), and
 - Emergency planning responsibilities within PHE's health protection responsibilities and the NHSE emergency planning responsibilities.

ENERGY

Outcome

The Liverpool City Region has an aspiration to maximise the economic potential of its considerable natural assets and to improve energy resilience and sustainability. It has a vision to build the first offshore tidal lagoon in the UK and to create, under the new Licence Lite electricity supply licence options, a public/private special purpose vehicle that can exploit the full generation capacity of the lagoon for the benefit of the City Region.

Asks

1. Powers to maximise the renewable energy and economic potential of the City Region's assets, including the river and coast through the development of a generation system of regional significance, for example, a potential offshore tidal lagoon.
2. A commitment to deliver through DECC a Special Purpose Vehicle that enables the benefits of a 'direct' connection to the output of a potential new generation system, such as a tidal lagoon, be provided directly to residents, businesses and public sector buildings.
3. To approve a standardised community benefit regime covering all new generation systems installed in the City Region, including the principle that a share of any energy production profit is retained locally.

CULTURAL PARTNERSHIP

Outcome

The Liverpool City Region Cultural Partnership (LCP) would be a broad partnership of all stakeholders that impact and shape the cultural tone, visitor experience and skills pipeline of the City Region: from the arts to business; health; museums; blue light services, and schools, colleges and universities. It will provide the mechanism for cultural cooperation, and an improved place based approach between local and national agencies, focusing on strategic and City Region level activity. It will explore the potential for devolving and aligning the various government and government agency funding streams for culture, creativity and tourism.

The LCP would develop and deliver a high tech multi-use National Creative Skills Centre. By staging paid-for visitor attractions, from performance to block-buster exhibitions, it will become a self-sustaining and nationally recognised training and skills resource for the Liverpool City Region and the UK as a whole. It will enhance the critical mass of Liverpool's cultural assets and provide a joint resource for participation, engagement and outreach.

Asks

1. Develop a financially sustainable delivery model for cultural and creative assets including the devolution and alignment of funding between the City Region, government and its agencies.
2. Additional national cultural infrastructure within the City Region to stimulate further economic growth.
3. Develop a financially sustainable solution to nationally funded amenities and organisations, such as National Museums Liverpool, within the City Region including exploring the creation of an innovative endowment fund.

COMMUNITY SAFETY, ENFORCEMENT, LICENSING AND REGULATORY SERVICES

Outcomes

Police and Fire

To explore closer working between the emergency services and other Liverpool City Region activities, to improve and deliver effective and efficient services to local communities.

To explore alternative governance models to secure better commissioning and delivery of emergency services at a local level and to pursue ambitious reform through collaboration.

Waste

To explore increased efficiency from streamlined governance, closer joint working and management arrangements in respect of waste.

Maximise recycling and re-use opportunities across the City Region and thereby reduce residual waste, reduce costs and improve the environment.

Licensing and Enforcement

To explore a consistent set of fees and policies across the City Region in respect of all licensing matters and environmental crime activities.

Asks

1. To consider whether an elected Liverpool City Region Mayor should take over the role of the directly elected Police and Crime Commissioner for the Merseyside Police Force Area and the role of the Fire Authority for the Merseyside Fire and Rescue Service Area.
2. To consider whether an elected Liverpool City Region Mayor should take over the role of the directly elected PCC for the Halton Borough Council area of the directly elected PCC for the Cheshire Police Force Area and the role of the Fire Authority for the Halton Borough Council area of the Cheshire Fire and Rescue Service Area.
3. Flexibility to establish appropriate governance and operational arrangements in respect of waste across the City Region.

4. The power to establish consistent Local Licensing Objectives across the City Region (for example to support health, wellbeing, economic objectives and greater efficiencies).
5. The power to set consistent local fine levels for environmental crime across the City Region (for example in respect of litter, fly tipping and dog fouling).

EDUCATION

Outcome

To deliver an improved and better co-ordinated education sector, including pre-school, school, further education and higher education institutes, in a more cost effective manner and to better meet the learning, attainment, skills and employment needs and opportunities of young people in the Liverpool City Region.

Asks

1. Devolution of the sub-regional coordination of education sector improvement and responsibility for pre-school, school, further education and higher education institutes.
2. Removal of the ring fence for Dedicated Schools Grant in the Liverpool City Region.
3. Explore the feasibility of pooling existing financial resources in the statutory school sector (e.g. use of assets or uncommitted financial balances).
4. Devolution of powers for the diversification of educational provision (including Academies).
5. To develop vocational educational opportunities (14-19) tailored to better deliver business and labour market needs and support an appropriately qualified workforce.

CHILDREN'S SERVICES

Outcome

To deliver improved and better co-ordinated services for children, young people and families in the Liverpool City Region, in a more cost effective and efficient manner.

To improve the quality and cost-effectiveness of the Children's Services workforce in the Liverpool City Region.

Asks

1. Power for the Liverpool City Region to determine the number, type and quality of residential care homes for children and adults; and manage the market both in qualitative and quantitative terms.
2. Regulation and inspection services (such as OFSTED's responsibility for the inspection of children's homes) to be prioritised and managed at the Liverpool City Region level.
3. Devolution of the Youth Justice Board's commissioning powers in the Liverpool City Region to shape the supply of secure settings for young people.
4. Locally determined criteria for Troubled Families and Payment by Results in the Liverpool City Region.
5. Removal of the claw-back requirements on capital assets including Surestart Children's Centres and Neighbourhood Nurseries in the Liverpool City Region.