

Report to: **Executive**

Date: **21 July 2016**

Title: **Heart of the South West Formal Devolution Bid – Combined Authority Principle**

Portfolio Area: **Strategy and Commissioning**

Wards Affected: **All**

Relevant Scrutiny Committee: **Overview & Scrutiny Panel**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken:
(*e.g. referral on of recommendation or implementation of substantive decision*) **Council – 28 July 2016**

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RECOMMENDATIONS

That the Executive RECOMMEND Full Council to:

- 1. Endorse the Leader’s current approach to devolution and agree to sign up to the principle of creating a Combined Authority for the Heart of the South West, as set out in the Prospectus for Productivity, as the basis for negotiation with Government towards a Devolution Deal for the area; and**
- 2. Note that giving this endorsement does not commit the Council to entering into a Devolution Deal or becoming a member of a Heart of the South West Combined Authority. This would be subject to future debate and agreement by the Council and subject to negotiations with Government.**

1. Executive summary

- 1.1 This report seeks approval to sign up 'in principle' to the pursuit of a Devolution Deal and the creation of a Combined Authority for the Heart of the South West sub-region to administer the powers and funding devolved through the Deal. An 'in principle' agreement from all of the local authorities, partners and MPs involved in the Heart of the South West devolution process will open up negotiations with HM Treasury to work towards a Deal.
- 1.2 Any final Devolution Deal with Government will be subject to further approval / ratification by all partners individually.
- 1.3 It should be noted that there is no intention for a new Combined Authority to take existing powers or funding from local authorities, or existing City Deal governance structures, without the explicit agreement of those constituent local authorities.

2. Background

- 2.1 Devolution for the Heart of the South West (HotSW) is being led by the Leaders of Somerset and Devon County Councils, all Somerset and Devon Districts, Torbay Council, Plymouth City Council, Dartmoor and Exmoor National Parks, the Local Enterprise Partnership and the three Clinical Commissioning Groups. The group has become an informal partnership working towards a Devolution Deal with Government to secure greater powers, and control and to have a stronger voice with Government.

Our shared Devolution Statement of Intent was submitted to Government on 4 September 2015, in response to announcements in the July Budget and the deadline set by the Chancellor of the Exchequer.

- 2.2 Since September 2015, the partnership has strengthened and evolved, and jointly developed the HotSW Prospectus for Prosperity (Appendix 1). The Prospectus builds on the three basic ambitions: - to raise productivity levels; improve health, care and wellbeing; and improve connectivity and resilience. A number of thematic groups were established to develop the detail for the proposition.

- Health, social care and wellbeing
- Skills and employment
- Business support
- Infrastructure, resilience and connectivity
- Housing and planning
- Governance

- 2.3 Our Prospectus for Prosperity was submitted to Government at the end of February 2016. Since then the Partnership has pressed the

Secretary of State to enter into discussion with its negotiation team to secure a Devolution Deal for the Heart of the South West area. Following an invitation from the Secretary of State, on the 25th May 2016, leaders from the upper tier authorities met with the Greg Clarke, Secretary of State for the Department of Communities and Local Government to seek his views on our next steps forward.

Following that meeting, he invited us to come forward with a proposal and the following points were clarified:

- **Geography** – the Devon and Somerset area is agreed as the appropriate scale. Our proposal will need clearly demonstrate why this is the right geography for the Devolution agreement and all councils and MPs must support the proposal.
- **Combined Authority** – the Partnership will move forward into the negotiation process based on a Combined Authority model. The Mayoral issue may be considered at a later stage, within the timeline agreed by our Partnership. A Mayor will not be imposed or be a pre-condition of any initial deal.
- **Extent of the Deal** – areas that have agreed to have a Mayor will get more powers than a non-Mayoral Combined Authority. However, the negotiation process will be an opportunity to push the limits of this initial Deal, and the process should be viewed as being incremental
- **Timeline** – we will still work towards an Autumn Statement timeline for the announcement of an initial Deal
- **Growth Deal 3** – the LEP will not be penalised in Growth Deal 3 negotiations just because the area has decided to pursue a Devolution Deal based on a Combined Authority without a Mayor. The decision for allocation will be based purely on the quality of the Growth Deal bid.

The Secretary of State went on to advise that if the Partnership, backed by each Council and MPs, would sign up to the principle of creating a Combined Authority by the end of July 2016, he would arrange for HM Treasury to open up negotiations towards a Devolution Deal.

- 2.4 This report seeks approval to sign up '*in principle*' to the pursuit of a Devolution Deal and the creation of a Combined Authority for the Heart of the South West sub-region to administer the powers and funding devolved through the Deal. An '*in principle*' agreement from all of the local authorities, partners and MPs involved in the Heart of the South West devolution process will open up negotiations with HM Treasury to work towards a Deal.
- 2.5 Any final Devolution Deal with Government will be subject to further approval / ratification by all partners individually. A Heads of Terms document will be used as a negotiating tool to draw down additional powers and funding to provide a significant boost to the Heart of the South West economy by creating new jobs, accelerating the delivery of new homes, and raising skills levels.

- 2.6 It should be noted that there is no intention for a new Combined Authority to take existing powers or funding from local authorities, or existing City Deal governance structures, without the explicit agreement of those constituent local authorities. Further detailed work will be undertaken to identify the decision making powers and the constitution of the Combined Authority, and all partners will be fully involved and consulted on these arrangements as they develop over the coming months.

3. Outcomes/outputs

- 3.1 These recommendations seek to gain authority to pursue solutions that help the Council maximise the opportunities of devolution. They do not commit the Council to a formal Devolution Deal, only to the principle of a Combined Authority to open up negotiations with Government.
- 3.2 At this stage of the process the Council is not required to take decisions on the detail of future service provision but rather to be actively aware and involved in discussions.
- 3.3 If HM Treasury agree to open up negotiations towards a Devolution Deal for the Heart of the South West, further work will be required as detailed below. The timescales to deliver this work will be extremely tight if the Partnership is to achieve its target of establishing a Combined Authority in May 2018. The Programme Management Office oversees the delivery of the work plan and maintains communications between each partner. Consideration will need to be given to whether the capacity of the PMO will need to be increased to meet these potentially tight timescales.

4. Options available and consideration of risk

- 4.1 To decline the Secretary of State's offer and continue at our own pace.

Reason for rejection: As far as we are aware we may be the first two tier area to be given the opportunity to enter into negotiation with Government for a Devolution Deal without committing to a directly elected Mayor (except for Cornwall which has a different arrangement). This is a prime opportunity to test Government and push as far as we can for powers to be devolved to the HotSW. The offer is likely to be time-limited due to Government schedules and announcements.

- 4.2 To make separate approaches to Government, rather than as a Heart of the South West partnership.

Reason for rejection: Since the submission of the Statement of Intent in September 2015, the 17 local authorities, 2 National Parks,

the HotSW Local Enterprise Partnership and the 3 Clinical Commissioning Groups have worked very effectively together to create a strong and credible Prospectus that has been acknowledged by the Secretary of State. We should remain united moving forward into negotiations to have a stronger voice, and secure a better Deal.

- 4.3 It is possible that one or more partners may choose not to proceed with a formal bid. This would be unfortunate as there is strength in all partners coming on board; however it is possible for a Devolution Deal to go ahead even if one or more local authorities choose to opt out. There is significant discussion underway between partners to produce proposals that are acceptable to all, and this will be fully explored as the bid develops.

5. Proposed Way Forward

5.1 Productivity Plan

The HotSW partnership has already committed to develop a Productivity Plan which will guide the powers and resources received in our devolution agreement, together with local contributions. This plan represents a refresh of the LEP's current Strategic Economic Plan (SEP).

Regardless of whether the Government agrees to open up negotiations for a Deal, the development of a Productivity Plan for the Heart of the South West sub-region will be an imperative to describe the long term future growth of the area, in order to provide a better quality of life for our residents. Therefore, work will continue on the development of a sub-regional Productivity Plan irrespective of whether there is an announcement in the Chancellor's Autumn Statement.

The Productivity Plan will focus on each of the six 'golden opportunities' that have been identified in the prospectus - Marine, Nuclear, Aerospace and Advanced Engineering, Data Analytics, Rural Productivity and Health. Sitting beneath each of the 'golden opportunities' will be detailed plans setting out our ambitions for the region and what plans we need to have in place to achieve those ambitions.

5.2 Governance Review

A Governance Review is already underway. This is examining existing structures and developing options for the best governance structure for the Heart of the South West sub-region. As part of this review, the following key issues will be considered and all partners will be involved in this process:

- The extent of the decision making powers to be vested in the Combined Authority

- What decision making structures or advisory committees (including place-based arrangements) will be required under the Combined Authority- including any joint committee arrangements
- Proposed voting arrangements

5.3 Engagement with Members

Council Members will be kept informed as work continues, including through:

- Newsletters from the Heart of the South West devolution partnership
- A Member Development Programme to be run across the whole area and
- Regular updates and discussions via usual channels such as Members Bulletin, Member Briefings, Informal Council and Executive Director 'drop in sessions'.

6. Implications

Implications	Relevant to proposals	Details and proposed measures to address
Legal/Governance	N	The Councils' legal Officers will be involved in the development of the draft Deal and the structure of a Combined Authority for the Heart of the South West. This will allow the Council and the Partnership as a whole to understand the legal implications of any Devolution Deal and new Combined Authority body. Governance planning sessions are under way involving Legal representatives and Democratic Services Leads across all organisations which is looking at existing structures and developing options for the governance of the Combined Authority
Financial	N	The councils S151 officers will be involved in the development of the draft Deal and the investment framework that would support a Combined Authority. This will allow the Council and the Partnership as a whole to understand the financial implications of a Combined Authority and any Devolution Deal.
Risk	N	The involvement of technical specialists such as S151 officers and legal advisers in the development of any draft deal and combined authority model will help to understand the risk implications for the Council and the wider partnership. A risk register will be developed to sit alongside the development of the draft deal and the combined authority.

Equality and Diversity	N	None at this stage however the whole population of our authority could be affected by a devolution deal. Any final devolution deal with government will be subject to further approval / ratification by all partners, and will require other implications and impacts to be considered at that stage.
Safeguarding	N	None at this stage however the whole population of our authority could be affected by a devolution deal. Any final devolution deal with government will be subject to further approval / ratification by all partners, and will require other implications and impacts to be considered at that stage.
Community Safety, Crime and Disorder	N	None at this stage.
Health, Safety and Wellbeing	N	None at this stage.
Other implications	Y	Devolution potentially covers a wide range of services and plans. The detail of these will develop as formal proposals are developed locally and through negotiation with Government, and when the final Devolution Deal is put into place.

Supporting Information

Appendices:

Appendix 1: Prospectus for Prosperity

Appendix 2: 'What Devolution will mean for my local authority area'

Appendix 3: Briefing Note - What is a Combined Authority?