

Update on the 3SC Devolution proposal to Government

Summary

To update the Executive on the progress made and potential issues for Surrey Heath arising out of the 3SC devolution proposals

Portfolio - Leader

Date Signed Off – 11 February 2016

Wards Affected

All

Recommendation

The Executive is advised to:

- (i) note the content of the report;
- (ii) comment as appropriate; and
- (iii) authorise the Chief Executive in consultation with the Leader to feed these comments back to the 3SC devolution bid team.

1. Resource Implications

- 1.1 There are no direct resource implications arising out of this paper. However further officer time will be required to work with partners on shaping their proposals.
- 1.2 Local government has done more than any other part of the public sector over the course of the last parliament to make the public finances more sustainable and managed to do so while protecting front line services. All evidence suggests that this cannot continue over the next five years without more radical reform. Given the continuing need to reduce the national deficit, only a reinvigorated agenda for reform, underpinned by sustainable funding for local services, will deliver the ambition of the new Government for our communities and national economy.
- 1.3 We are now halfway through a decade of significant public spending reductions while service pressures continue to mount. Local and central government have worked hard over the past five years to manage austerity while protecting front line services. With the squeeze on public spending set to continue and increasing public demand for personal social services, the approach that has so far largely succeeded is no longer sustainable. Instead, there is an alternative to both protect services and use money more efficiently through local public service reform that brings together services at the local level based on local needs and choice.
- 1.4 If the 3SC devolution bid is successful it could have a major impact on the resources available to support economic growth in Surrey by devolving down funds down from Government to more local control.

How this will be implemented in detail and the direct impact on Surrey Heath it is not possible to quantify at this time.

2. Key Issues

- 2.1 The 3SC Devolution Bid has the potential to offer real opportunities for Surrey Heath to support economic development and the Councils key priorities however what it is not clear from the work done so far is what the Governance arrangements for the devolution will be.
- 2.2 In all of the BIDS approved so far the Government has insisted on there being an elected mayor covering the entire BID area who would take on the devolved responsibilities rather than passing these down to local authorities thereby potentially adding a further tier bureaucracy.
- 2.3 The BID is proposing that funds for infrastructure be devolved from Government to 3SC in return for housing delivery. The need for this funding to be given prior to any housing delivery rather than after is potentially a key concern for this borough and its residents.
- 2.4 As part of the BID negotiations the Government may ask for increased housing to be provided within the area over and above that stated in the local plan. How this would be allocated would be a key concern to this borough.
- 2.5 No work has been done on the impact of “Double Devolution” as yet i.e. from the county to Districts and from Districts to Parishes. This is an area that will need to be explored in more detail whether or not the 3SC bid is successful and could have implications for the borough.
- 2.6 The impact of Devolution on the whole 3SC region has been well articulated however how this will impact individual Districts and its members and residents less so. This is something that will need to be addressed if the Bid is to gain the support of the 1,000 or so elected members in the 3SC BID area.

3. Options

- 3.1 The Executive can accept, reject or amend the proposal

4. Proposal

- 4.1 It is proposed that the Executive
 - (i) note the content of the report;
 - (ii) comment as appropriate
 - (iii) authorise to the Chief Executive in consultation with the LEADER the ability to feed these comments back to the 3SC devolution bid team

5. Supporting Information

Background

- 5.1 Following the devolution announcements in Cornwall, Sheffield, Liverpool and Manchester, many local authorities have been invited by the Government to come forward with strong, well thought through proposals for devolution of central government powers and funding, to help deliver local growth and better services.
- 5.2 The proposals require robust governance arrangements to secure any devolved powers and have “buy-in” from all local partners included in the proposal.
- 5.3 Surrey County Council has been working with other counties and the boroughs and districts in the south east, to establish whether there is sufficient alignment and willingness to work together towards a three counties Devolution bid for East Sussex, West Sussex and Surrey administrative areas.
- 5.4 The proposals cover all public services for the area, including health authorities, police, fire and rescue, local government and business enterprises.
- 5.5 This paper looks at some of the current thinking regarding the devolution proposals which will also include a proposal for “double devolution”, whereby powers and funding could be “pooled” or transferred from counties to districts and parished areas.

Current Position

- 5.6 In the Summer of 2015, following the government announcements around greater decision making at local level and the LGA conference paper on Devolution, Local Solutions for a Successful Nation, local authorities started discussions on whether there was merit in progressing a devolution submission to Government, detailing initial proposals for devolved powers and funding, direct from Government, to more local areas.
- 5.7 Whilst discussions were commenced with a number of surrounding counties, it was clear that Hampshire would be submitting a bid with Isle of Wight and Southampton and so discussion continued with the Sussex counties, to establish opportunities for combined working in relation to any government devolved powers.
- 5.8 The case for devolution is to establish whether better solutions can be achieved around some of the fundamental challenges facing public authorities at local level, by devolving what are currently centrally held powers and funding, direct to those areas, in order to unlock the ability to better solve those area challenges more cheaply, quickly and effectively.

- 5.9 To make a compelling case to Government for new powers and funding, it is naturally incumbent on each bid proposal to set out robust governance arrangements, to ensure that the proposals will deliver benefits to the local areas and deliver successful outcomes in the way the bid proposals envisage. Governance arrangements will always need to follow what devolved powers we are seeking, and so will be developed in more detail as we know more about the finalised proposals of our bid. In essence however, for each of the major areas of the proposal, some form of combined board is being proposed although the makeup and membership is yet to be defined.
- 5.10 As the case for devolution is growing in momentum and the government's agenda is fast moving on this proposal, it was felt important to keep elected Members up to date with the initial proposals, seek current views and ascertain how the proposals may assist or otherwise, the challenges for Surrey Heath
- 5.11 Looking at successful devolution bids it is clear that Devolution can present great opportunities. For Surrey Heath it has the potential to unlock additional infrastructure funding and to address a number of the economic issues that the borough has, such as enhancing skills training by retaining more money locally. This fits with the Council's key priorities of keeping Surrey Heath vibrant economically. However how this is actually put in to practice and what Government may demand in return remains to be seen and will be developed as the bid progresses.
- 5.12 The official summary of the 3SC proposals is set out in Annex A to this report and seeks the following aims;
- a. To deliver increased economic productivity across the area, supported by;
 - Appropriate housing to meet the needs of the area
 - Creating and securing new job opportunities in the area
 - Better and integrated infrastructure improvements, including better public transport improvements, some of which may directly benefit Surrey Heath;
 - b. Improved digital connectivity;
 - c. Improved skills, apprenticeship opportunities ;and
 - d. Fiscal devolution of monies which this area provides in current growth from our local economies, subject to robust governance arrangements.
- 5.13 In essence the 3SC proposals recognise some of these challenges well, particularly those concerning the need for major infrastructure improvements which would support any housing development proposals. It also recognises some of our local concerns regarding the need for improved public transport, particularly rail services with the support of improvements to the North Downs line and better connectivity for Camberley and Frimley areas.

- 5.14 The more detailed working papers have started to articulate how the aims set out in paragraph 12 above may be delivered and further discussion will be needed with parties on how that detail may be received and delivered both politically and technically by each of the authorities wishing to cooperate. In the following paragraphs however I have highlighted some of the key issues for Surrey Heath to consider.

Housing and Planning

- 5.15 Housing delivery is a key component of the bid proposal. It is felt that if all of the areas within the bid area were to deliver their current housing targets set out in every local plan or emerging local plan, there would be a potential increase in housing delivery by 26%.
- 5.16 It further recognises that releasing publicly owned brownfield sites for housing development would provide high density development in areas, thereby relieving tension on smaller sites where the potential for overdeveloped sites without appropriate infrastructure support might occur.
- 5.17 The measures to achieve this range from robust provision for releasing empty homes back into the market, ensuring protection of valuable employment sites at risk to permitted development applications, streamlining planning process to achieve quicker results and ensuring the right types of affordable housing for the needs of the areas we serve.
- 5.18 The “ask” from government in return for housing development is more capital funding to provide valuable infrastructure to support new development, better flexibility around the setting of planning fees, allowing building control and planning departments to compete freely in the market, government’s help in releasing publicly owned land for development e.g. MOD land.
- 5.19 Whilst many of these provisions would serve our own aspirations around housing delivery and indeed Surrey Heath is already working closely with government on housing initiatives through the “One Public Estate” model, the proposals for how this land is to be held if released does need to be explored in more detail. The current proposals envisage a Housing Delivery Board who will prioritise how infrastructure monies would be distributed. District and boroughs, who will need to approve housing development in their areas, will want greater certainty that infrastructure funding will be forthcoming to their local areas if they deliver on these housing initiatives and proposals as to how that forward funding can be assured will need to be definitively set out in future papers.

Infrastructure (including road and rail networks, digital infrastructure, and better public transport links)

5.20 Aligned to supporting housing delivery, the bid wishes to rationalise the infrastructure delivery within the 3SC area by providing a more strategic delivery of better infrastructure, through improved road and rail networks, Whilst this covers a large area of many important road and rail networks, those relevant to Surrey Heath include:

- A strategy to provide improvements on road and rail networks which improve journey times in the 3SC area commensurate with other areas around London
- Better influence at local level over national road and rail agencies
- Developing an advanced digital infrastructure through investment in superfast broadband and roll out of 5G and establishing smart specialisation hubs

5.21 The request from government to achieve these aims for the area including a long term “devolved” funding package to support the delivery of the strategy, influence over the rail and road networks at local level, a pooling of landholdings needed to deliver the infrastructure through an Infrastructure delivery board, devolution of BDUK funding to the 3SC area for delivery of broadband and fibre development. The current paper on transport initiatives is yet to fully articulate the proposals for the Surrey area in enough detail to establish how this may benefit Surrey Heath and we will keep a watching brief on this proposal. What we do know is that recent studies and the Arup assessment for Surrey seeks improvements to the North Downs Line and better train journey times to Camberley and Frimley and Cross Rail 2 enhancements should impact favourably the journey times and accessibility to Surrey Heath.

5.22 The governance arrangements envisage an infrastructure delivery board, a Land Board and a Transport Board to deliver these proposals, all with connectivity to the Housing Delivery Board. These proposals in their current format have the potential for confused administration with so many interrelated boards and may need streamlining and tailoring through the process. How these Boards then interrelate with LEPS has not been explored at this stage.

Skills

5.23 The 3SC bid seeks to improve the quality and relevance of local skills so as to make them more attractive to local employers and hence increase economic activity in the area.

5.24 Businesses have reported that they find it difficult to recruit people with the right skills in this area and indeed 80% of business in the area had hard to fill vacancies.

5.25 It plans address these issues by ensuring that training providers and employers work more closely together to ensure that the courses offered meet the skills needs of the local employment market. This

means focussing on those industries that are particularly strong or in demand in this area such as Health and Social care, construction, digital etc. This will involve also supporting bids for colleges to expand to provide the facilities for new courses.

- 5.26 It also seeks to improve the opportunities for residents with lower skill levels to enable them to get in to employment through training and apprenticeships.

Fiscal Devolution

- 5.27 3SC has a long track record of delivering growth. Its Gross Value added (GVA) at £74.2bn is more than Wales (£57.4bn). The South East, of which Surrey is major part, is the only area outside London that is a net contributor to the Exchequer – in fact Surrey alone contributes the 2nd highest level of income tax outside the City of London.

- 5.28 However despite all this economic growth and tax contributions 3SC has historically suffered a shortfall in infrastructure investment, projected to be £5.9bn in 2030, and this in turn will restrict the ability of the area to continue to deliver as an economic generator for the country.

- 5.29 The 3SC devolution bid intends to use the existing funds raised and used in the 3SC area more effectively in order to deliver economic growth. This will involve pooling existing budgets across government departments, using other funding sources such as the European investment Bank and the HCA and creating a revolving investment fund.

- 5.30 It is proposed that the revolving investment fund of £800m will be funded by retaining stamp duty generated within the 3SC area. This fund will be used to fund infrastructure to support economic growth. In addition the devolution bid is asking for further freedoms to borrow, to trade, to vary business rates and council tax and delegated powers to establish local enterprise zones within the 3SC area. They also want to be able to influence national infrastructure projects so that they are aligned with local priorities so as to maximise the impact of investment.

- 5.31 The 3SC bid believe that if the Government were to accept these proposals then there is the opportunity to increase substantially the economic activity across the area and thus its contributions to the national economy

Public service transformation

- 5.32 The work stream for public sector transformation is currently being explored and progressed but is likely to capitalise of our best practice models of joint working, for example Surrey Waste and Supporting Families and Blue Light services.

- 5.33 This will mean sharing best practice from across the area on how Councils and organisations can work together to realise better outcomes for residents as well as financial efficiencies.
- 5.34 It will also mean Councils changing the way they operate as they take on new responsibilities and pass others on as a result of the “double Devolution” process. This would flow from Government all the way down to individual parishes. Working more closely with partners within a bid is likely to increase the impetus for more strategic local government reform especially in the light of the funding settlement.

6. Corporate Objectives And Key Priorities

- 6.1 The 3SC Bid will support a number of the Councils Corporate Objectives and Key Priorities especially around areas such as economic growth.

7. Legal Issues

- 7.1 A BID has to be agreed with Ministers and approved by Parliament

8. Governance Issues

- 8.1 The Governance of the BID is still to be worked up by the BID team and therefore represents a risk.

9. Sustainability

- 9.1 Only by working closely with Government and with each other will councils be able to sustain the local economy and maintain services.

10. Risk Management

- 10.1 There is a risk that the BID could fail through either lack of support of member councils or an inability to get an agreement. This would mean that the 3SC area could be put at a disadvantage in comparison with successful areas in that money would not be pooled to give the best outcomes.

11. Equalities Impact

- 11.1 None.

12. PR And Marketing

- 12.1 None.

13. Officer Comments

- 13.1 None.

Annexes	Annex A: Copy of the 3SC Bid Prospectus
Background Papers	None
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Head of Service	Not Applicable

Consultations, Implications And Issues Addressed

Resources	Required	Consulted
Revenue	✓	
Capital		
Human Resources		
Asset Management		
IT		

Other Issues	Required	Consulted
Corporate Objectives & Key Priorities	✓	
Policy Framework		
Legal		
Governance		
Sustainability		
Risk Management		
Equalities Impact Assessment		
Community Safety		
Human Rights		
Consultation		
P R & Marketing		

Review Date:

Version: