

REPORT TO EXECUTIVE**Date of Meeting: 12 July 2016****Report of: Chief Executive and Growth Director****Title: Devolution for the Heart of the South West****Is this a Key Decision?**

No

Is this an executive or council function?

Council.

1. What is the report about?

To update members on progress with devolution discussions and seek approval to sign up to the principle only of creating a combined authority for the Heart of the South West.

2. Recommendations:

That the Council be recommended 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;
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.

3. Reasons for the recommendation:

The Council has an opportunity to benefit from devolution across a wide range of topics and services. Benefits include:

- having greater influence and control over the funding and local delivery of further education; careers advice and guidance; apprenticeship reform; and national employment support programmes to boost skills levels and create a workforce that matches employer demand
- re-shaping the provision of local support for businesses to support and stimulate greater enterprise, innovation, investment and trade
- influencing and testing national planning reforms to benefit the city's growth ambitions
- the opportunity to secure longer-term investment commitments from Government for strategic infrastructure to support the city, and to propose financial models that incentivise greater private investment

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.

At this stage of the process the Council is not required to take decisions on the detail of future governance arrangements but rather to be actively aware and involved in discussions.

4. What are the resource implications including non financial resources.

None at this stage aside from staff time. Implications will be addressed as the devolution deal is further developed.

5. Section 151 Officer comments:

Consultants have been commissioned to look at the costs involved with setting up a combined authority and how the match funding would work. More detailed information will be reported back to Executive at a later stage.

6. What are the legal aspects?

Each of the partner Councils' legal teams will be involved in the development of the draft deal and the governance structure of a Combined Authority for the Heart of the South West. This will allow each partner Council and the Partnership as a whole to understand the legal implications of any Devolution deal. The Council will seek to ensure that powers and resources are devolved to sub-regional boards to address issues and make decisions that affect specific sub-regions such as Greater Exeter.

7. Monitoring Officer's comments:

The current "in principle" endorsement of this proposal does not raise any issues of concern for the Monitoring Officer. However, if approved by all potential constituent authorities, careful consideration needs to be given to ensure that the interests of the Council continue to be best served by the emerging proposals, with progress reports being brought to, and the necessary approvals sought from, Members at appropriate times.

8. Report details:

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

Since September, work has progressed on the completion of a HotSW Prospectus for Prosperity (appendix 1) that builds on the three basic ambitions to unlock productivity, 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

The 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 deal for the Heart of the South West. 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 view on our next steps forward.

The Secretary of State made the following comments:

- **Geography** – the Devon and Somerset area is agreed as the appropriate scale. The proposal must 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 deal. 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 would not be penalised in Growth Deal 3 negotiations because the area does not have a Devolution deal with 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 (see appendix 2) by the end of July 2016 he would arrange for the Treasury to open up negotiations towards a deal.

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 devolved through the Deal. An '*in principle*' agreement from all of the authorities, partners and MPs involved in the Heart of the South West devolution process will open up negotiations with Treasury to work towards a deal.

Any final devolution deal with government will be subject to further approval / ratification by all partners individually. A Heads of Terms document (currently being drafted) 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.

It should be noted that there is no intention for the 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. More 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.

9. Next steps

If HM Treasury agrees 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 (PMO) 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.

In addition to shaping a potential Devolution Deal with Government, based on what the Heart of the South West area's needs, two other vital complementary pieces of work are in train.

- **Productivity Plan**

The HotSW partnership has already committed to develop a productivity plan, which will guide the powers and resources in any devolution agreement, together with locally-aligned contributions. This Plan represents a refresh of the Local Enterprise Partnership'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 help steer 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 (the golden opportunity for the greater Exeter area), 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.

- **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. This review is a necessary part of moving towards the establishment of a Combined Authority as it helps to provide the evidence to meet the key test for the Secretary of State that it '*is likely to improve the exercise of statutory functions in the area*'. As part of this review, the following key issues will be considered, and all partners will be involved in this process:

- Membership
- 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

10. Indicative timeline

A. Working towards securing a Devolution Deal

May –	meeting with Secretary of State
July –	endorsement by all councils of ‘in principle’ agreement
August –	commence discussions with civil servants
September/October	- Member development sessions and further MP engagement - high level negotiations and potential Ministerial challenge session - Draft Deal taken back to councils and partners for agreement
November –	potential Chancellor announcement of Draft Devolution Deal for HotSW

B. Establishing new Governance Arrangements

May –	stage 1 of the governance review underway
July -	endorsement of ‘in principle’ agreement by councils
August/September –	development of CA options
October –	Draft proposals for new CA taken through councils for endorsement

C. Creating a Productivity Plan and Single Investment Framework

July –	collating the evidence base
August/September	-visioning work with Leaders on the new Plan -shared understanding of the Single Investment Framework
December – April schedule	drafting of the Productivity Plan and accompanying delivery

11. How does the decision contribute to the Council’s Corporate Plan?

This decision helps to ensure the delivery of the council’s purpose ‘Well Run Council’.

12. What risks are there and how can they be reduced?

This report seeks in principle agreement. Risks to the council’s governance, finance and authority would need detailed consideration if formal agreement is sought to membership of a combined authority and a formal devolution deal.

13. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

The decision to regularly review the Corporate Risk Register will ensure that any risks or issues identified under the above headings will be identified and managed at a senior level. Most of the risks contained within the Corporate Risk Register would have an impact on one or more of the headings identified above.

14. Are there any other options?

1. To decline the Secretary of State’s offer and continue at our own pace.

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

If either of these options were agreed, further work would be required to establish what would happen if Exeter decided to pull out of the HotSW Devolution Deal.

Chief Executive and Growth Director