

REPORT TO: EXECUTIVE
Date of Meeting: 9th February 2016
Report of: Chief Executive & Growth Director
Title: Devolution for the Heart of the South West

Is this a Key Decision?

No

Is this an Executive or Council Function?

Executive

1. What is the report about?

- To update members on progress with devolution discussions in the Heart of the South West.
- To present the prospectus that will inform negotiations with Government on a devolution deal
- To explain the issues and risks for the council in pursuing a devolution deal

2. Recommendations

That members:

- i. note progress with securing devolution for the Heart of the South West
- ii. note the implications of not participating in devolution negotiations
- iii. endorse the council's continued participation in devolution discussions and the preparation of a draft devolution deal, subject to:
 - a) Exeter and the wider growth area being recognised as a fundamental contributor to improving productivity and this being given due prominence in any proposed devolution deal
 - b) appropriate, place-based decision making arrangements that reflect sub-regional geographies (ie the Greater Exeter area), with powers and flexibilities to agree and oversee the programmes addressing productivity and economic development including investment in skills and business development
 - c) Exeter being represented directly in negotiations with government about a devolution deal
- iv. receive regular updates on devolution negotiations with government
- v. note the longer-term implications of relevant legislation, particularly in relation to devolution and governance
- vi. authorise the chief executive, in consultation with the leader of the council, to put in place appropriate management arrangements to ensure the council participates effectively in the various work streams that will prepare the detail of a devolution deal.

3. Reasons for the recommendations:

- i. To ensure that Exeter's position is optimised in any devolution deal

- ii. To enable devolution negotiations to proceed with the council's endorsement
- iii. To ensure that members are aware of the potential, wider implications of pursuing devolution

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

Aside from officer time, there are no resource implications at this point.

5. Section 151 Officer comments

There are no financial implications contained in this report.

6. What are the legal aspects?

These are covered in paragraphs 9 and 10 under Governance and Risks.

7. Monitoring officer's comments:

There are no issues of concern for the Monitoring Officer.

8. Report details

General background to devolution

8.1 Devolution is a key government policy objective, with a devolution deal already agreed between the government and the Greater Manchester Combined Authority in November 2014. Further deals followed with Sheffield (December 2014 and October 2015), West Yorkshire (March 2015) and Cornwall (July 2015). Additional powers for Greater Manchester were also announced in February 2015 (relating to health and social care). In general, devolution is expected to support the following areas of government policy:

- increased productivity
- skills and employment
- housing
- reducing the cost of the public sector

8.2 Following the 2015 General Election, the Cities and Local Government Devolution Bill 2015-16 has passed through the House of Lords, and received its First Reading in the House of Commons on 21 July 2015. It will give statutory foundation to various aspects of the devolution deals. The initial focus of the policy was on major cities and urban areas. The Government has since indicated that two-tier and rural areas of England should be included in any proposals for devolution with equal treatment for 'city' and 'county' bids for devolved powers.

8.3 To have their proposals taken into account in the autumn 2015 Spending Review, any further proposals for devolution from local areas were required to be submitted to the Treasury by 4 September 2015.

Devolution and the Heart of the South West (HotSW)

- 8.4 In response to the emergence of devolution bids from most areas of the country, and the government's clear steer that bids should relate to existing boundaries of local enterprise partnerships, initial discussions on a devolution "bid" by an alliance of south west (Devon and Somerset councils) were held at the SW Powerhouse Conference, on 5 August 2015.
- 8.5 Following this event, all leaders of HotSW councils agreed to signal an intention to government to develop a devolution bid for the HotSW. A Statement of Intent was submitted to Government and made public on 4 September 2015. The Statement contains a high-level set of ambitions and key principles, which were signed up to by all 17 local authorities, the National Parks and the HotSW Local Enterprise Partnership. The Statement of Intent set out three basic ambitions:
- i. **To unlock productivity:** creating the right conditions for growth, developing our workforce and capitalising on our assets
 - ii. **To improve health, care and wellbeing:** delivering world-class integrated health and care system within our communities
 - iii. **To improve connectivity and resilience:** ensuring businesses are not hampered by poor infrastructure or extreme weather
- 8.6 The Statement of Intent also contained eight key principles that would be used to develop governance arrangements to support the devolution deal:
- i. **A politically-led process** without local government reorganisation
 - ii. Powers devolved to councils collectively working with the **Heart of the South West** Local Enterprise Partnership, then passported to the **appropriate level**
 - iii. Space for collaborative propositions with **other authorities within the wider South West**, on issues where it would make sense
 - iv. **Equal voice** for all of the local authorities involved
 - v. A pragmatic and flexible, **mutually supportive approach**, ensuring that no authority would be disadvantaged, even if they would not directly benefit
 - vi. Arrangements focussed on gaining **new powers** that are currently unavailable to local authorities and will deliver benefits for all.
 - vii. Wherever possible, partners will use or adapt existing arrangements to manage and deliver on proposals to **avoid extra layers of bureaucracy**
 - viii. Cost-effective solutions, pursuing **fiscal neutrality** in line with Government expectations.
- 8.7 The Statement of Intent also emphasised the importance of **principal urban areas and principal growth areas** for employment, housing and infrastructure. This emphasis aligned with the council's ambition for:
- a focus on the place (ie the travel to work/functional economic area covering Exeter and much of East Devon and Teignbridge)
 - place-based governance arrangements to oversee the programme of work and building on the existing cooperation with East Devon and Teignbridge
 - a clear focus for Innovation Exeter and work with key partners
- 8.8 For the council and its partners, the principle of a devolution deal as outlined in the statement of intent, offered the potential to unlock powers, freedoms,

flexibilities and funding that might accelerate progress on strategic priorities on economic, growth, housing and infrastructure under the broad heading of Innovation Exeter.

Innovation Exeter

Innovation Exeter is a concerted and collaborative drive to encourage and support innovation resulting in business growth, increased business start-up activity, increased investment and, importantly, creation of higher paid employment.

Greater Exeter is already the key growth engine for the LEP area and the SW Peninsula. However the Innovation Exeter partners (Exeter City, East Devon, and Teignbridge District Councils, Devon County Council, the Met Office and the Royal Devon and Exeter Hospital Foundation Trust) are committed to building on this success, our comparative advantages as an economy, our key knowledge assets and by developing existing and potential business clusters. With the support of business, investors and Government, the resulting benefits can be accelerated and have a wider impact across the South West.

A summary of the key components of this approach are:

- a proactive Science Park and Innovation Centre acting as the physical hub for a thriving start-up and entrepreneurship culture
- access to investment funds for tech businesses
- greater influence over investment and funding of education and training institutions to provide
- an “educational golden thread”
- securing investment in transport and other infrastructure
- unlocking further housing and other investment
- Data analytics to problem solve, define and test solutions in our city and its wider economy
- proactive investment and place marketing
- a once-in-a-lifetime opportunity to build on the presence of the Met Office “super computer” including a Global Environmental Futures Campus and programme and Impact Lab at the Exeter Science Park
- an international research and Innovation Institute for climate change

8.9 In addition, the council and its partners consider that Exeter’s success in driving productivity is given due emphasis in the light of current productivity in the South West running at less than 80 per cent of the national average. In this context, it is of interest to note that:

- Between 2000 and 2015 City’s total output grew 50% faster than the HotSW LEP (48% v 32%, respectively)
- In 2015, productivity per job in Exeter (£44,224) was 25% higher than productivity across HotSW (£34,947)
- Over the next 15 years, productivity per job in Exeter (26%) is expected to rise almost three times as fast as the rise across HotSW (9%)
- Between 2004 to 2014 the number of people employed in Exeter rose by nearly 30,000 (34%)
- Over the same period, employment in HotSW rose by 19,000 (3%)
- Without Exeter, employment across HotSW could have fallen over this period
- Exeter will continue to create highly productive employment

- Inward commuters make up c35% of all employment within Exeter
- Exeter area driving productivity-led growth for HotSW

A HotSW prospectus to inform negotiations with government

8.10 Since September, work has continued on the preparation of a draft HotSW proposition, or prospectus, that builds on the three basic ambitions and forms the basis of more detailed discussions with government. A number of thematic groups were set up to develop the detail for the proposition:

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

8.11 The Devolution Programme Office initially set an ambitious timetable for submission of the document to government, which required all authorities to obtain member approval to the proposition in time for submission in December 2015. The scale of the task, and the need to address issues raised by various councils, meant that the timetable for submission slipped to February 2016. The council and its partners raised a number of issues about the emerging draft, including the following points:

- the need to emphasises the significance of places like Exeter and its huge potential for improving productivity and its impact on the Heart of the South West
- any devolution deal needs to provide an appropriate platform for Innovation Exeter
- focus on strengths in the region rather than an 'all things to all men' approach

8.12 A copy of the latest draft of the HoTSW devolution prospectus – *A Prospectus for Productivity* – is attached at Annex A. It is proposed that this document forms the basis of negotiation with government, although the composition of the negotiating “team” has not been determined and it is clear that this team will not include the leaders of all 17 Heart of the South West local authorities.

8.13 The Devolution Programme Office has published a “Combined Authority Road Map” that leads to the conclusion of a Devolution Agreement with government in 2016. It sets out a broad work programme and envisages six work streams, overseen by a 'shadow' Combined Authority, and delivery managed by a Programme Management Office:

1. Governance
2. Productivity Plan
3. The Skills Commission
4. Health and care integration
5. Business, enterprise and innovation
6. The Infrastructure commission work stream

8.14 It is proposed that council officers play an active role in these work streams over the next 12-24 months, which may involve temporary changes to existing roles and responsibilities.

9.0 Governance and devolution

9.1 Devolution deals come hand in hand with government expectations about governance reforms. It is clear from both the devolution deals agreed to date, and those currently being negotiated, that government expects, as a minimum, councils to commit to the setting up a **combined authority** with a government preference for combined authorities led by a directly elected mayor.

9.2 Combined authorities are a legal structure that may be set up by local authorities in England, following a **governance review**. They may take on transport and economic development functions, and any other functions that their constituent authorities agree to share. The purpose of combined authorities is to undertake joint functions through a public body with its own legal personality. To date five combined authorities have been set up:

- **The Greater Manchester Combined Authority** covering the ten metropolitan boroughs which formerly made up the metropolitan county of Greater Manchester: Manchester, Salford, Stockport, Tameside, Trafford, Wigan, Bolton, Bury, Rochdale, and Oldham
- The **Sheffield City Region Combined Authority** (formally the 'Barnsley, Doncaster, Rotherham and Sheffield Combined Authority'), covering the former metropolitan county of South Yorkshire.
- The **West Yorkshire Combined Authority**, covering Leeds, Bradford, Calderdale, Kirklees and Wakefield i.e. the former West Yorkshire *
- The **Liverpool City Region Combined Authority** (formally the 'Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority'), covering the former metropolitan county of Merseyside plus Halton (Widnes and Runcorn);
- The **North-East Combined Authority** (formally the 'Durham, Gateshead, Newcastle-upon-Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority'), covering the same

9.3 The membership and functions of the combined authority are to be specified in the Order setting it up. The Orders made so far have specified that each constituent authority is to appoint one elected councillor to be a member of the combined authority.

Elected mayors for combined authorities

9.4 The government has been clear about its preference for elected mayors to lead combined authorities.

9.5 As it stands, combined authorities have no directly-elected members. If the Cities and Local Government and Devolution Bill becomes law, a power will be introduced to create a directly-elected mayor for a combined authority. The Greater Manchester and Sheffield combined authorities have agreed to the introduction of a directly-elected mayor under 'devolution deals' agreed with the Government. For district councils, it is of interest to note that the more-

advanced Derbyshire and Nottinghamshire deal document seeks to create a single combined authority for the region by March 2016 with a new elected mayor. This will be the first combined authority of its kind featuring district, borough, city and county councils.

A Heart of the South West Combined Authority?

- 9.6 Whilst the Heart of the South West Leaders have shown limited appetite for an elected mayor, there has been wider acceptance of the proposal to set up a combined authority with a single leader and a seat at the table for all councils. The latest draft of the proposition includes the following statement:

'Our proposals commit the partners to "best endeavours" to create a Combined Authority with appropriate 'strong leadership' and accountabilities. We will carry out a governance review to identify the most effective structure and processes for putting this commitment into effect - ideally with a target inception date of either April 2017 or April 2018.

The Governance Review shall draw on the principles outlined in our Statement of Intent as a starting point. The review will proceed in tandem with both the enactment of the Cities and Local Government Bill, and the progress of our devolution agreement negotiations and requirements of its effective implementation.

The Governance Review will set out the powers, roles, functions, and operational arrangements for the Combined Authority - and propose its relationships with and to key delivery partners nationally, locally and with neighbours.'

Governance reviews and the Cities and Local Government Devolution Bill

- 9.7 Whilst the proposition is being presented as a means of starting negotiations with government and all councils therefore have the option to approve - or not - the final deal, it is important to flag up early the risks associated with early commitment to a combined authority and a governance review.

Governance Reviews

To establish a combined authority, a local authority or authorities must carry out a 'governance review' which may recommend the establishment of a combined authority for their area, or including their area. They must publish a "scheme" for the creation of a combined authority. Publication of the scheme requires the consent* of the local authority areas included in the scheme.

The Secretary of State must consult the authorities that would be covered by the combined authority, and must be satisfied that the establishment of a combined authority will contribute to economic development and transport policy in the area in question. There is also a requirement that:

***In making the order, the Secretary of State must have regard to the need—
(a) to reflect the identities and interests of local communities, and***

(b) to secure effective and convenient local government

9.8 It is also important to note the provisions of the Cities and Local Government Devolution Bill, which is currently passing through parliament.

Cities and Local Government Devolution Bill

Clause 16 of the bill covers Governance arrangements etc of local authorities in England. It provides for the Secretary of State to make regulations making provisions about local authorities' governance arrangements, their constitution and membership, and structural and boundary arrangements. Governance arrangements mean the arrangements an authority operates for taking decisions - executive arrangements, the committee system.

For structural, boundary, or other changes, the context in which this power could be used is where Devolution Deals, conferring powers and budgets on an area, are agreed by Government with areas where it may not be appropriate simply for the existing councils to establish a combined authority, or indeed where a combined authority is not appropriate.

*An example may be where a single county, which may or may not be a unitary authority, covers a functional economic area which may be the basis for a Devolution Deal, and **all the constituent councils involved agree*** that the strong and accountable governance needed for the new powers and budgets to be conferred on the area necessitates simplifying the local government structures for the area. That may involve mergers of councils, moves to unitary structures, or changing the democratic representation of the area with different electoral cycles and fewer councillors.*

This power is intended to enable the Secretary of State to effect those changes simply and efficiently.

The original bill stated that **regulations under this clause are to be made only with the consent of the local authorities to which the regulations apply. The government has recently amended the bill (Amendments 25-29) to introduce:*

- *powers for the Secretary of State to allow districts and counties to join or form a Combined Authority without the consent of the other;*
- *the ability of the Secretary of State **to impose a Combined Authority in an area - even if not all of the partners consent;** and*
- *the ability of the Secretary of State to move transport and growth powers from the county council and instead place these in the districts, where it*

has been decided that districts are to join a Combined Authority without the consent of the county council.

In certain circumstances it would appear the Secretary of State could also remove powers from a district and transfer them to a county

It should also be noted that the Secretary of State's powers in this regard are time limited and will cease in March 2019.

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

- 10.1 The vast majority of local authorities across the country have expressed interest in negotiating devolution deals. A primary reason for this is government's changes to the allocation of funding for growth and productivity initiatives, with prioritisation given to those areas that have negotiated devolution deals. There is a risk that the city and sub-region loses out through non-participation in a devolution deal.

Mitigation: Non-participation in the negotiation phase of a devolution deal is not considered to be in the city's best interests. The council and its partners have made significant representations about emerging drafts of the prospectus to ensure that the importance of the city as the engine of past and future economic growth for the wider sub-region is recognised.

- 10.2 In looking at effective and convenient local government, governance reviews have the potential to embrace local government reorganisation. There is a risk in the longer term that the city runs the risk of losing its distinctive 'voice' and has a much-reduced influence over its own destiny.

Mitigation: Whilst the prospectus commit the partners to "best endeavours" to create a combined authority and a governance review, this has no legal status as any devolution deal, including formal commitment to a governance review would require formal approval by full council. Notwithstanding this position, it is important to note the provisions that the government has added to the Cities and Local Government Devolution Bill, including the ability of the Secretary of State to impose a Combined Authority in an area - even if not all of the partners consent.

11. 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 impact of a devolution deal would need to be assessed in due course.

12. Are there any other options?

These are presented in the paper.

Chief Executive & Growth Director

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:

Democratic Services (Committees)

Room 2.3

01392 265275