

## Heart of the South West - Devolution

Report of the Chief Executive

***Please note that the following recommendations are subject to consideration and determination by the Cabinet and County Council (and confirmation under the provisions of the Council's Constitution) before taking effect.***

Recommendations: that Cabinet recommends the Council to:

- a) note the update about the HotSW Combined Authority/devolution deal proposals (including noting that a Joint Committee, if established, will have responsibility for developing future 'deal' and combined authority proposals for recommendation to the constituent authorities);
- b) approve the proposals for the HotSW Productivity Plan preparation and consultation proposals (including noting that a Joint Committee, if established, will have responsibility for approving and overseeing the implementation of the Productivity Plan);
- c) agree 'in principle' to the establishment of a HotSW Joint Committee with a Commencement Date of Friday 1<sup>st</sup> September 2017 in accordance with the summary proposals set out in this report;
- d) agree that the 'in principle' decision at (c) above is subject to further recommendation and report to the constituent authorities after the County Council elections in May 2017 and confirmatory decisions to: approve the establishment of the Joint Committee; a constitutional 'Arrangements' document; an 'Inter-Authority Agreement' setting out the support arrangements; appoint representatives to the Joint Committee; and appoint an Administering Authority.

### Summary

Devolution for the Heart of the South West (HotSW) is being led by Devon and Somerset County Councils, all Somerset and Devon Districts, Torbay Council, Plymouth City Council, Dartmoor and Exmoor National Parks, the Local Enterprise Partnership (LEP) 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 for the area.

Regular updates on progress and key documents are provided on the Council's web page <https://new.devon.gov.uk/democracy/how-the-council-works/devolution/>

This Report provides Members with an update on the activity of the Partnership, and seeks in principle agreement to form a Joint Committee to formalise governance arrangements and launches the development of a Productivity Plan that will replace the LEP's Single Economic Plan for the area.

## **1. Background**

Since the County Council (Minute 157/10 December 2016 refers) gave in-principle agreement to move towards a Combined Authority model to deliver a Heart of the South West devolution deal, the Government has changed and the EU Referendum has taken place. Both of these events have had a significant impact on Government policy and in particular its approach to devolution.

Following the change of Government, the new Secretary of State has made a number of public statements that a Mayoral Combined Authority is required in order to achieve a significant devolution deal. The Secretary of State has promised, early in 2017, to give a definitive statement on the future of Devolution. The Partnership is awaiting this statement before considering its next steps in terms of negotiating a deal.

The Partnership is keen to maintain the momentum achieved to date by putting more formal governance arrangements in place to deliver the key ambition of raising productivity and avoid the area being disadvantaged compared to its neighbours. To allow the area to capitalise on the emerging, national Industrial Strategy, the Leaders are recommending the following at this stage:

- The creation of a HotSW Productivity Plan to develop the strength of the Heart of South West's economy; and
- That consideration is given to the creation of a Joint Committee of HotSW partners to drive the development and delivery of the Productivity Plan and be the basis for identifying further public sector reform opportunities for recommendation to the partner authorities.

Members will note that a Joint Committee is being suggested at this stage rather than a Combined Authority. Due to the uncertainty of the new Government's position on Devolution it would be prudent to formalise arrangements through a Joint Committee rather than create a Statutory Body at this time.

## **2. HoSW Productivity Plan**

The report to Council on 28 July 2016 advised Members that regardless of whether the area entered into a devolution deal with Government, the partnership intended to continue with the development of a Productivity Plan. In the Autumn Statement, the Chancellor emphasised the productivity challenge and set out how the Industrial Strategy and the National Infrastructure Fund would be aligned to address low productivity. Members will note that the Government recently released its Green Paper on the Industrial Strategy. We know that the Secretary of State for Business, Energy and Industrial Strategy expects local areas to set out their local vision for future economic growth.

The Productivity Plan, which replaces the LEP's Strategic Economic Plan, will guide the long term growth aspirations for the area and will be our key strategic document for engaging with Government on economic policy such as the Industrial Strategy. In the absence of a combined authority / devolution deal at this stage a mechanism is required to enable the partners to collaborate formally to maximise what can be achieved within existing structures and resources through new ways of working as well as continue negotiations with

Government over a range of policy agendas to help deliver the partnership's productivity ambitions.

The latest research from Exeter University confirms that the area has one of the best employment rates in the country. However, too many of those jobs are part-time and low paid. The area significantly lags behind the rest of the UK in terms of its productivity and the key to our future prosperity is to address this disparity

Productivity is defined as: "the amount of goods and services that a person, industry or country produces per hour." The more good and services that are produced, the more productive – and ultimately wealthy – an economy is. There are 5 drivers of productivity which must all be addressed for productivity to rise:

#### Competition

- Which encourages business to innovate and be more efficient; and
- Access to national and international markets through good infrastructure.

#### Enterprise

- New business opportunities for existing firms and start-ups where competition encourages new ideas and ways of working; and
- Support for businesses and entrepreneurs.

#### Investment in physical capital

- Machinery, equipment, buildings and infrastructure. More capital generally means that more can be done, better and quicker; and
- Infrastructure and somewhere to 'set up shop' are essential, and investment capital must be available.

#### Skills

- Skills are needed to take advantage of investment in new technologies and ways of running a business; and
- Skills alone can determine productivity but so do good management, creativity and investment.

#### Innovation

- The successful exploitation of new ideas: technology, products or ways of working boost productivity, for example as better equipment works faster; and research and development and general support for innovators is essential.

Although not a driver of productivity the issue of housing supply and affordability is acknowledged by local partners as a key barrier to greater productivity. Members will be aware of debates at Council regarding housing and the County Council will continue to push its partners to address this issue within the new Productivity Plan.

The Productivity Plan will be developed through an evidence base produced by the LEP's Future Economy Group and engagement with stakeholders and the community. In developing the Plan a range of issues will be explored:

- Productivity in the public and private sector
- Understanding how the local economy works and interventions required to guide investment decisions
- Bringing together local government, business community, public, the universities and other groups
- The need to build an inclusive economy with growth for all.

Work to create the Productivity Plan is intended to be a fully inclusive process involving all stakeholders and will include public consultation. It will take the form of several stages as follows:

**W/c 23 January – 10 March 2017** – a discussion paper will be shared shortly with all Councils. This 'Green Paper' will set out some of the emerging challenges for Heart of the South West productivity identified by the LEP's Future Economy Group. The results from this discussion paper will form the basis of a formal consultation paper on the vision and priorities for a Productivity Plan.

Work to create the Productivity Plan is intended to be a fully inclusive process involving all stakeholders and will include public consultation. It will take the form of several stages as follows:

**May 2017 (post County Council elections)** – A formal consultation 'White Paper' will be released to all Councils and stakeholders. This will be a public consultation to directly inform the content of the Productivity Plan.

**September 2017** – The Productivity Plan will be considered for formal adoption.

### **3. HoSW Joint Committee Proposal**

Members will be aware of work to develop a Combined Authority proposal for the HotSW area. This work was suspended following the change of government focus on Devolution. The partnership agreed that until the Secretary of State clarified Government's approach it would recommend a less risky and more cost effective short term option of forming a HotSW Joint Committee to oversee and own the development and delivery of the Productivity Plan.

The Joint Committee will not have the statutory status of a Combined Authority and cannot deliver the full range of benefits that a Combined Authority can, it does have the potential to provide cohesive, coherent leadership and formal governance. Its role will focus on collaboration, negotiation and influencing with full delegated decision making responsibilities limited to agreeing and overseeing the implementation of the HotSW Productivity Plan. All other matters where a decision is required will be referred back to the constituent authorities for approval.

Ultimately the aims of the Joint Committee through delivery of the Productivity Plan will be to:

- Improve the economy and the prospects for the region by bringing together the public, private and education sectors;
- Increase our understanding of the economy and what needs to be done to make it stronger;
- Ensure that the necessary strategic framework, including Ensure that the necessary strategic framework, including infrastructure requirements, is in place across the HotSW area to enable sub-regional arrangements to fully deliver local aspirations; and Improve the efficiency and productivity of the public sector.

The creation of a single strategic public sector partnership covering the HotSW area will: facilitate collaborative working; help us to remove barriers to progress; and will provide the partnership with the formal structure to engage with Government at a strategic level to maximise the opportunities /benefits available to the area from current and future government policy. It will also enable the constituent authorities and partners to have discussions with neighbouring councils / combined authorities / LEP areas on South West

peninsula priorities and issues as well as the ability to move swiftly towards a devolution deal and Combined Authority model in the future if the conditions are acceptable.

A Joint Committee will also provide a formal mechanism for the constituent authorities to engage effectively with the LEP across common boundaries and agendas. The LEP is in the process of adopting a new assurance framework as part of new government requirements which require improvements in the LEP's transparency and accountability. The direct involvement of the LEP in the Joint Committee on many common agendas will provide a mechanism to enable the councils to have a more direct involvement in and greater influence over the activities of the LEP.

The detail of the proposed functions of the Joint Committee and how it will operate will be set out in a draft 'Arrangements' document which will be presented to the constituent authorities for approval in the summer. The reason for only seeking an 'in principle' approval to the creation of a Joint Committee at this stage is because of the local County Council elections scheduled for May 2017. Therefore final decisions to establish the Joint Committee will be sought from all authorities in July / August with a view to the Committee being established on the 1<sup>st</sup> September 2017.

In detail the proposed functions of the Joint Committee are as follows:

- (a) Develop, own and implement the HotSW Productivity Plan in collaboration with the LEP;
- (b) To identify and develop proposals (for recommendation to constituent authorities / partner agencies as necessary) in response to policy opportunities presented by the Government to secure functions and funding for the benefit of improving productivity. Examples include Industrial Strategy, Brexit, and Devolution;
- (c) Develop and make recommendations to the constituent authorities / partner agencies for actions emerging from the work of the Brexit Opportunities and Resilience Task Group;
- (d) Continue discussions / negotiations with the Government / relevant agencies to secure delivery of the Government's strategic infrastructure commitments, e.g., strategic road and rail transport improvements;
- (e) Identify opportunities for rationalising / improving existing public sector governance arrangements and make recommendations to the constituent authorities/partners;
- (f) To work with the LEP to identify and deliver improvements to the LEP's democratic accountability and to assist the organisation to comply with the revised (November 2016) LEP Assurance Framework. This includes formally endorsing the LEP's assurance framework on behalf of the constituent authorities as and when required and before it is formally approved by the LEP's Administering Authority;
- (g) To ensure that adequate resources (including staff and funding) are allocated by HotSW partners to enable the objectives in (a) to (f) above to be delivered;

In addition to the functions set out above, the Joint Committee Arrangements document will set out in detail:

- (a) Membership arrangements: based on 1 Authority (and to include the 2 National Park Authorities, 1 Member (normally the Leader of the Council / Chairman of the National Park Authority), 1 named substitute member and 1 vote. Partner organisations such as the LEP and the Clinical Commissioning Groups will also have non-voting membership of the Joint Committee
- (b) Standing Orders / Rules of Procedure: An Administering Authority will be identified to support the operation of the Committee and it will be recommended that the Standing Orders and Rules of Procedure of the Administering Authority will apply to the operation

of the Committee. This will include the usual Access to Information rules which apply to local authority meetings.

- (c) Provisions to enable a Constituent Authority to formally withdraw from the Joint Committee and for the Joint Committee to be dissolved.
- (d) Appointment of a Chairman and Vice-Chairman on an annual basis.
- (e) The ability for the Joint Committee to appoint sub-committees or establish working groups as required.

A draft Inter-Authority Agreement will accompany the 'Arrangements' document for approval in the summer. This will detail how the Joint Committee will be supported and set out the obligations on the constituent authorities.

In particular this document will set out the Administering Authority functions in support of the operation of the Committee including the provision of financial, legal, constitutional and administrative support to the Committee.

The Agreement will also include:

- (a) The cost sharing agreement setting out how the costs of running the Joint Committee will be met by the constituent authorities
- (b) The roles and responsibilities of the constituent authorities in support of the Joint Committee
- (c) The roles and duties of the Chief Executives' Advisory Group that will support the Joint Committee
- (d) Accounts, Audit, Insurance arrangements
- (e) Confidentiality, Equal Opportunities, Data Protection provisions
- (f) Dispute Resolution provisions.

In addition to the Arrangements and Agreement documents, as part of the summer approval recommendations, the constituent authorities will also be asked to confirm nominations for Joint Committee membership; and appoint an Administering Authority to support the Committee.

#### **4. Consultation, communication and engagement**

Members, partners and the public have been kept informed of developments of the HoSW Devolution Partnership through press releases, newsletters, presentations, workshops and publication of the Devolution Statement of Intent and Prospectus for Productivity. Members, partners and the public will be fully consulted on the development of a Productivity Plan which will take place between January to Autumn 2017.

#### **5. Equality Considerations**

The partnership will develop an Equality Impact Needs Assessment that will inform the development and adoption of the Productivity Plan.

#### **6. Public Health Considerations**

Public Health specialists will be asked to review the Productivity Plan and provide advice to maximise the potential for public health improvements. The range of public health considerations will be presented once the draft plan is considered.

#### **7. Risk Management Considerations**

Risk implications will continue to be addressed at all stages of these proposals. The Secretary of State is yet to formally clarify his position on the HotSW devolution proposal although the overall policy direction seems to be becoming clearer. In the circumstances the partnership agrees it needs to move forward with the priority development of the HotSW Productivity Plan and that this can best be achieved through the establishment of a formal Joint Committee in place of the current informal governance arrangements. This will put a formal governance structure around the Productivity Plan preparation, approval and delivery so minimising risk to the County Council and the other partner authorities. It will give partners the ability to negotiate with Government at pace, particularly on the emerging Industrial Strategy but without the statutory commitment required to establish a Combined Authority.

Without a Productivity Plan and Joint Committee in place the Council and its partners will be at a disadvantage in negotiating and lobbying Government on a range of policy initiatives including the growth agenda and are likely to miss out on potential funding streams.

## **8. Legal considerations**

Each of the partners' legal teams and Monitoring Officers will be involved in the development of the detail of the Joint Committee.

The Joint Committee will be instigated through a simple 'Arrangements' document setting out the functions, membership and operation of the Committee as well as an Inter-Authority Agreement setting out how the authorities will support the Committee. These documents will be recommended for approval in the summer but a summary of the principles and issues to be covered are set out in this report.

## **9. Financial considerations**

Costs associated with the early work on the Productivity Plan preparation largely relate to officer time which is being provided 'in kind' by the authorities and partners. Specifically some direct costs will be met by the Local Enterprise Partnership across the common agendas of the LEP and the partnership.

The establishment of a Joint Committee provides a low cost option compared to a Combined Authority structure. It is anticipated that the Committee will receive considerable in kind support from partners and direct running costs will be limited to potentially providing direct officer support for the meetings, if there is insufficient 'in-house' capacity, and the costs of the meetings themselves. In respect of the latter, meeting costs can be minimised through the use of council premises for meetings if that is the wish of the authorities. The assumption at this stage is that the direct support costs will be kept to a minimum but could potentially rise to an estimated maximum of £40k per annum as a shared cost between all constituent authorities. The final costs figure will be dependent on the views of the leaders on the issues raised above. Clarification on these issues will be sought before the decision point is reached in the summer to establish the Joint Committee. It is anticipated at this stage that even if the costs are at the upper figure detailed above then in the first year (2017/18) of the operation of the Joint Committee the costs are likely to be covered by the residual devolution budget so requiring no further call for funding from the authorities.

In addition to the direct costs of administering the Joint Committee there is also the issue of a budget to fund its work. At this stage it is recommended that this should be an early issue for discussion and recommendation by the Joint Committee, once established, as this will be dependent on the eventual work programme.

In coming to their decision about a Joint Committee, Members might like to consider the potential cost/impact of not working in this way and the potential loss of investment to the area. Through recent funding initiatives and policy it is clear that Government is looking for areas to come together and articulate their vision and priorities across footprints wider than their organisational boundary or sub-regional areas. The areas that work on wider boundaries are more successful in securing funding. A recent example of this is the Growth Deal funding settlements announced in the Autumn Statement to the Northern Powerhouse and Midlands Engine authorities, who work through formal governance arrangements, when compared with the wider South West.

The proposal put before you sets out a low risk, low cost option to work in a more formal way to capitalise on opportunities arising from future Government strategies and funding strands.

## **10. Options/Alternatives**

There are two options and alternatives that Members might consider:

Option 1 – Do nothing and continue with informal arrangements within the Partnership. This has been considered but Partners view that more formal arrangements of a Joint Committee will help to strengthen the Partnership and demonstrate our intentions to Government. It will also provide the platform to negotiate with other areas on matters of major strategic and mutual interest such as transport and infrastructure.

Option 2 – move to a Combined Authority. At the moment we are unsure of Government's position on Devolution. Therefore, there is a risk of entering into a statutory arrangement with Government without the financial package or powers to support its work.

## **11. Reason for Recommendation/Conclusion**

The urgent and essential need to improve productivity across the HotSW area is the driver for the recommendations in this report.

The Productivity Plan will replace the Local Enterprise Partnership's Strategic Economic Plan. It will be the key strategic document for the partners to engage with Government on a range of investment opportunities and powers emerging from the Industrial Strategy and the National Infrastructure Fund.

The recommendations also reflect the position reached with the Government on the Combined Authority / devolution deal matters. With no agreement in sight on either issue the Leaders wish to put in place an alternative formal collaboration arrangement at HotSW level to maintain and take forward the momentum achieved by the partnership.

The HotSW Joint Committee will provide a formal strategic partnership to complement and maximise the ability of local sub-regional arrangements to deliver their aspirations. It will allow the partners to collaborate to agree and deliver the Productivity Plan as well as engage effectively with the Government, other deal areas and other LEPs on a range of policy agendas. It will allow the partnership to test and improve its ability to work together as a potential precursor to the establishment of a Combined Authority at some point in the future. It will also provide a mechanism to work alongside and influence the LEP on strategic investment decisions affecting the HotSW area and to secure improvements to LEP governance and accountability.



Without a Joint Committee in place at this time at a strategic level, the HotSW area is likely to find itself disadvantaged in terms of taking advantage of Government policy initiatives and new funding opportunities compared to those areas that have and are establishing formal strategic partnerships. Although a Joint Committee cannot undertake the full range of functions of a Combined Authority, it would provide a mechanism towards the establishment of a Combined Authority if deemed appropriate, including the potential to operate as a shadow Combined Authority at some point in the future.

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**Electoral Division: All**

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Local Government Act 1972: List of Background Papers

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