

PLYMOUTH CITY COUNCIL

Subject:	A Devolution Deal for the Heart of the South West
Committee:	Full Council
Date:	11 July 2016
Cabinet Member:	Councillor Bowyer
CMT Member:	Tracey Lee, Chief Executive
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Key Decision:	N/A
Part:	I

Purpose of the report:

In the Summer of 2015, Plymouth City Council, together with all the councils across Devon and Somerset worked together to submit a Statement of Intent to Government expressing the desire to explore a Devolution Deal that would transfer powers and funding from central Government, and enable greater influence over a wide range of public service areas.

At their meeting on 23 November 2015, Plymouth City Council endorsed recommendations to submit a detailed proposition to Government from the 17 councils and other bodies across the Heart of the South West (HotSW) partnership. The [Prospectus for Productivity](#) was submitted to Government on 29 February 2016.

On 25 May 2016, a meeting was held between the leaders of Plymouth City Council, Somerset and Devon County Councils and the Mayor of Torbay Council, with the Secretary of State for Communities and Local Government. At that meeting, the Secretary of State offered to support and open up negotiations for a Devolution Deal, if each council, and the respective MPs covering the area were able to provide evidence of an 'in principle' agreement for the creation of a new Combined Authority to administer any Devolution Deal, by the end of July.

This report seeks endorsement for this 'in principle' agreement recognising that:

- It does not commit the Council to a formal Devolution Deal, only to the principle of establishing a Combined Authority to open up negotiations and explore potential options with Government
- Any new Combined Authority would act as the legal body to administer powers handed down from central Government that we don't currently exercise
- Any Devolution Deal offered by Government on the basis of a new Combined Authority would be subject to full debate and further ratification by the Council.
- There is no requirement at this stage for the Council to take decisions on the detail of the delivery of newly devolved functions or other service provision
- The nature and constitution of any new Combined Authority will be extensively debated and will require the subsequent agreement of all constituent councils, and the Government
- All constituent councils are seeking endorsement of the same recommendations at this stage

Appended to this report are the following documents:-

- A summary paper
- A briefing note 'What is a Combined Authority?'
- 'What Devolution means for Plymouth'
- The Prospectus for Productivity

The Corporate Plan 2016-19

The transfer of powers, and control of funding from central Government will enable decisions to be taken closer to the point of service delivery, and will allow greater flexibility to respond to the needs of local communities. In this way, a Devolution Deal will support the themes in the Corporate Plan.

The Prospectus for Productivity has a strong emphasis on driving growth and is entirely consistent with the Corporate Plan ambitions around jobs, skills, homes, investment and infrastructure.

Finally, due to its prominence within the peninsula, Plymouth City Council has played a leading role in developing the Devolution agenda, demonstrating confidence in 'setting the direction to the South West.'

Implications for Medium Term Financial Strategy and Resource Implications: Including finance, human, IT and land:

1. Financial Implications

Each of the partner councils' s.151 officers will be involved in the development of the draft Deal and the associated investment framework that would support the delivery of the Deal by the Combined Authority. This will allow each partner council and the Partnership as a whole to understand the financial implications of a Combined Authority and any Devolution Deal.

2. Legal Implications

Each of the Councils' legal teams 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 each Council and the Partnership as a whole to understand the legal implications of any Devolution Deal and new Combined Authority body.

3. HR Implications

None identified at this stage. Implications will be addressed as the Devolution Deal and proposals for the Combined Authority are developed further.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

1. Other Implications (including due regard implications)

None identified at this stage, however the whole population within the local authority could potentially 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.

2. Risk Implications

The involvement of technical specialists such as s.151 officers and legal advisers in the development of any draft Deal and Combined Authority model will promote a clearer understanding of 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.

It is possible that one or more partners may not endorse the recommendations at this stage and choose not to proceed with a formal proposal to Government. This would be unfortunate as there is strength in all partners coming on board; however, it is possible for a Devolution Deal and Combined Authority 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. This should mitigate the risk of losing partners as the proposals develop.

Equality and Diversity:

An Equality Impact Assessment has been undertaken.

Recommendations and Reasons for recommended action:

It is recommended that Full Council:

1. Endorse the 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.

Reasons for recommendations:

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
- opening a dialogue with Government on integrated health and care provision, and particularly looking at the issues surrounding mental health through the establishment of a Mental Health Commission

Devolution has clear links to, and the potential to enhance the benefits from the Plymouth and South West Peninsula City Deal by gearing enhanced powers around the objectives in the City Deal future plans and ensuring that we maintain a high profile with Government.

It also links to Plymouth's Offers and Asks which identifies specific points on which the Council and partners across the city will lobby Government on.

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 service provision but rather to be actively aware and involved in discussions

Alternative options considered and rejected:

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.

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.

Published work / information:

Background papers:

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Summary Paper										

Sign off:

Fin	akhI 617. 14	Leg	DVS 2589 8	Mon Off	DVS 2589 8	HR	n/a	Assets	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member: Giles Perritt													
Has the Cabinet Member(s) agreed the content of the report? Yes													

Summary Paper

I. Background

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.

The Statement of Intent set out the broad ambition from the Heart of the South West area in terms of transforming overall productivity levels, through investment in strategic infrastructure and housing, raising skills levels and creating jobs, and integrating public services. The Statement also contained a set of principles agreed by all partners. That the devolution process would be:-

- A politically-led process without local government reorganisation
- Powers devolved to councils collectively, working with the Heart of the South West Local Enterprise Partnership, then pass-ported to the appropriate level (*Subsidiarity or double-devolution*)
- Space for collaborative propositions with other authorities within the wider South West, on issues where it would make sense
- Equal voice for all of the local authorities involved
- A pragmatic and flexible, mutually supportive approach, ensuring that no authority would be disadvantaged, even if they would not directly benefit
- Arrangements focussed on gaining new powers that are currently unavailable to local authorities and will deliver benefits for all.
- Wherever possible, partners will use or adapt existing arrangements to manage and deliver on proposals to avoid extra layers of bureaucracy
- Cost-effective solutions, pursuing fiscal neutrality in line with Government expectations.

Since September 2015, the partnership has strengthened and evolved, and jointly developed the HotSW Prospectus for Productivity. 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

Our [Prospectus for Productivity](#) 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 Greg Clark, the 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.

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.

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.

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.

2. Development and Communications

Leaders and chief executives from the 17 councils, 2 national parks, 3 Clinical Commissioning Groups and the Local Enterprise Partnership have met each month since September 2015 to monitor and make decisions to progress the overall Devolution programme. In addition, a smaller group of chief

executives and leaders for each theme is responsible for shaping and driving the programme, and for overseeing a small programme management team led by Plymouth City Council.

Regular briefings have been held with the previous and current Leaders of Plymouth City Council, the political groups, and senior officers including technical leads who are helping to define the detail of what could be in a Devolution Deal.

The Partnership regularly produces a newsletter which is available on the Member Toolkit area of Staffroom, and media releases and key documents are posted on the Council's website.

Senior finance and legal officers from all of the councils are currently involved in developing a greater understanding of the benefits, implications and risks of pursuing a Deal, and of setting up a Combined Authority.

A comprehensive Member Development Programme has been put together and this will be delivered during the Autumn in every council.

Based on advice from other Devolution areas, the Heart of the South West partnership will undertake more widespread public consultation when negotiations are at a more developed stage.

3. Next steps

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 before 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.

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

- **Productivity Plan**

The HotSW partnership has already committed to developing a Productivity Plan which will guide the powers and resources received in our Devolution agreement, together with locally aligned contributions. This Plan will incorporate and build upon a refresh of the Local Enterprise Partnership's current Strategic Economic Plan (SEP). It will go beyond the current SEP to describe a longer term and wider scope ambition.

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 and Care. Sitting beneath each of the 'golden opportunities' will be detailed

plans setting out our ambitions for the sub-region. These plans will describe the transformational impact that these opportunities will deliver if we are genuinely able to capitalise on them.

- **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:

- 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

Indicative timeline: -

1. Working towards securing a Devolution Deal

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

2. Establishing new Governance Arrangements

- May - stage I of the governance review underway
- July - endorsement of *'in principle'* agreement by councils
- August/September - stage I complete and development of CA options
- October - draft proposals for a new CA taken through councils for endorsement

3. 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 - drafting of the Productivity Plan and accompanying delivery schedule