

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	7 December 2015
Title:	Negotiation and Government's proposal of a devolution deal for Hampshire and the Isle of Wight
Reference:	7137
Report From:	Chief Executive

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1. Executive Summary

- 1.1. In June Cabinet authorised the Leader and Chief Executive on the basis of the 'Wider Hampshire Model' to continue devolution discussions with partners and Government.
- 1.2. This further report seeks approval from Cabinet for delegated authority to be given to the Chief Executive, in consultation with the Leader of the Council, to progress the next stage towards securing a devolution deal for Hampshire and the Isle of Wight (HIOW), including ongoing negotiations with the Government in the light of the Government's anticipated proposal of a devolution deal for HIOW.
- 1.3. Implementation of a devolution deal would be subject to further decision making by Cabinet and full Council

2. Contextual information

- 2.1. The devolution agenda has been gathering pace since Greater Manchester Combined Authority secured the first devolution deal in November 2014. In July 2015, Cornwall became the first County area to secure a devolution deal with Government. Over summer 2015, Government encouraged areas across the country to come forward with devolution propositions by the 4th September. 38 devolution proposals were submitted to Government by this deadline, including Hampshire and the Isle of Wight. During the autumn, further deals were announced with Sheffield City region, Tees Valley Region, the North East, Liverpool City Region and the West Midlands.
- 2.2. The Cities and Local Government Devolution Bill was introduced in the House of Lords on 28 May 2015. The Bill signals Government's commitment to devolution and paves the way for the further transfer of powers away from Whitehall to local areas and includes provisions for devolution to Combined

Authorities, which are statutory bodies that enable local authorities to work jointly to deliver a broad range of functions. The Bill will also introduce powers to create a directly-elected mayor for a Combined Authority.

- 2.3. The Bill does not mandate a Combined Authority for every area or the election of a Mayor for all deals, leaving open the possibility of alternative governance arrangements. The Bill has completed all stages in the House of Lords and is now with the House of Commons. First and second Readings have been completed and the Bill is now in the Committee stage.

3. Progress to date in Hampshire and the Isle of Wight

- 3.1. On 19 June 2015, the Hampshire and Isle of Wight Local Government Association (HIOWLGA) agreed to support a proposal for a Hampshire-wide Combined Authority, covering the County Council, the 11 District Councils, the three Unitary Councils of Portsmouth, Southampton and the Isle of Wight and Solent and Enterprise M3 LEPs as the basis for developing a devolution deal and a model for the transfer of power from central government to the people of Hampshire and the Isle of Wight.
- 3.2. A Statement of Intent was sent to Greg Clark MP on 31st July 2015 outlining proposals for a devolution deal for Hampshire and the Isle of Wight and inviting Government to work with HIOW partners to explore the full potential for devolution in the area. The letter outlined ambitions in four key areas: accelerating housing delivery, raising productivity, investing in infrastructure and transforming public services. The letter indicated that a refined set of proposals would be set out in a further submission by 4th September for consideration as part of the 2015 Spending Review.
- 3.3. During August, work was undertaken at pace to prepare a more detailed devolution Prospectus which was submitted to Government on 4th September 2015. This outlines proposals across a number of areas including:
- **Boosting business and skills for work** (including enterprise and business support, innovation, skills and employment, welfare to work)
 - **Accelerating housing delivery** (including accelerating and increasing housing delivery and maintaining community identity)
 - **Investing in infrastructure** (including strategic transport connections, local transport opportunities, broadband and utilities and energy)
 - **Transforming public services** (including integrating health and social care, bringing services closer to communities and transforming adoption).

Proposals across these four themes are underpinned by a commitment to forego Revenue Support Grant and other grants in exchange for 100% business rates generated within the HIOW area.

- 3.4. On 20th October, HIOW local authority Leaders and Chief Executives met to consider the impact of the Chancellor's announcement of 5th October to allow all areas to retain 100% of business rates locally by 2020. While Members recognised the need for further detailed work and political engagement on this issue, it was agreed that for the best opportunity to secure the right deal for HIOW, partners should continue to pursue a business rate retention scheme

for the area as part of the devolution bid and in keeping with existing timescales.

- 3.5. On 17 November a panel of five Leaders and the Chairman of Enterprise M3 Local Enterprise Partnership participated in a “challenge session” with the Rt Hon Greg Clark MP, Secretary of State for Communities and Local Government, on the content of the HIOW bid. A letter was received by HIOW Leaders and Chairs in early October requesting the meeting. The session was initially scheduled for 23rd October in Winchester, but had to be rescheduled for unforeseen reasons and this short delay has impacted on the bid’s timescales.
- 3.6. The Secretary of State was positive about the HIOW deal as a whole, praising HIOW for coming together rapidly to develop a credible and ambitious bid. He felt the HIOW work on business rates was an example of innovative thinking and invited HIOW to model finance proposals with the Treasury. Questions were raised about the HIOW infrastructure proposals; the broad thrust seemed acceptable although there is work still to do to persuade the Government of the importance of green infrastructure, or “green belt”, as a necessary part of the HIOW deal.
- 3.7. The majority of the remaining questioning focused on housing and governance where the Secretary of State wanted to see greater levels of ambition. His questions implied that an enhanced offer on housing numbers and other key issues, such as use of public land and a stronger governance model, could help unlock an early devolution deal. He emphasised that as one of the first non-metropolitan areas potentially to secure a devolution deal, HIOW would be expected to set a high bar for others to follow.
- 3.8. Subject to ongoing successful negotiations, including addressing issues raised during the challenge session, the Secretary of State has indicated that a deal could be proposed in late January. Leaders and Chairs of partners to the deal will continue to be engaged and ensure that their Councils and Board Members are kept informed.
- 3.9. The County Council has been strongly supportive in principle of the HIOW bid and has played a very significant role in helping to shape its development. As the process nears completion, the Council as one of the 19 partners in the bid now needs to put itself into a position to consider and approve the final deal document.
- 3.10. The wording of the deal document will be drafted by the Government and the Government will expect HIOW to be able to respond quickly to agree the final document ahead of a Government announcement, potentially at short notice. To enable HIOW to respond to the Government at pace and take decisions in a timely manner, this report recommends that delegated authority is given to the Chief Executive, in consultation with the Leader, to progress the next stage towards securing a devolution deal for HIOW, including ongoing negotiations with the Government on behalf of Hampshire County Council and agreement to Government’s proposal of a devolution deal for Hampshire and the Isle of Wight. Implementation of a devolution deal would be subject to further decision making by Cabinet and full Council.

- 3.11. It should also be noted that the deal document is not a statutory document and that much of the detail underpinning proposals will need to be worked through following the deal announcement at which point HIOW will undertake a full governance review and public consultation. It remains at this stage a largely in principle commitment, with legal commitment following when the legislation to establish a HIOW Combined Authority starts to be put in place.
- 3.12. If a devolution deal is agreed and implemented for the HIOW area, a Combined Authority would be the most likely legal vehicle for receiving and exercising new powers and funding. It would be the means by which the 19 partners would come together to make strategic decisions on (for example) economic development or major infrastructure investment. Some of these powers could be passported through to existing structures, e.g. Local Enterprise Partnerships. Metropolitan areas have chosen the option of a directly-elected mayor to lead the Combined Authority, but other options are available to HIOW including executive arrangements or a committee structure. There is tacit recognition that the perceived benefits of an elected mayor may be more suited to metropolitan areas than to counties, and especially to an area as diverse as HIOW.
- 3.13. A Combined Authority is legally a local authority but need not have its own staff, organisation or buildings. There would be some costs but these can be minimised and shared through a 'light touch' approach that would entail no additional cost, drawing as far as possible on existing arrangements and the resources of the 19 partners. It should be noted that any such cost would be commensurate with the devolved finances that should come with any devolution deal.

4. Current state of Negotiations

- 4.1. The current position on the negotiations is fluid and further negotiations are required. An outline of the anticipated Devolution Deal document is attached in the exempt appendix to this Report. It is anticipated that the area that is most likely to be subject to late modification is housing.

5. Legal Implications

- 5.1. The existing power to establish a Combined Authority is set out in Section 103 of the Local Democracy, Economic Development and Construction Act 2009. Proposed changes to the law around Combined Authorities will substantially empower those seeking to enter into such arrangements. Based on the current drafting of the Cities and Local Government Devolution Bill, and the draft Legislative Reform (Combined Authorities and Economic Prosperity Boards) (England) Order 2015 the changes will:
- Enable local authorities that do not have contiguous boundaries to form Combined Authorities where the Secretary of State considers they can collaborate effectively in specified statutory functions.
 - Enable Combined Authorities to take on a broad range of functions, including functions which not only currently reside within individual local

authorities, but also a range of public authority functions which go beyond those enjoyed by local authorities, and also to transfer property interests to the Combined Authority relating to those functions.

- Allow a Mayoral Combined Authority to precept for its funding.
- Provide that the consent of relevant local authorities and public bodies is needed in respect of any changes.
- Allow for the possibility of an elected mayor for the Combined Authority's area who would exercise specified functions individually and chair the authority.
- Provide for the possibility for the mayor additionally to undertake the functions of Police and Crime Commissioner for the Combined Authority area (in place of the Police and Crime Commissioner).
- Remove the current statutory limitation on functions that can be conferred on a Combined Authority (currently economic development, regeneration, and transport).

6. Recommendation(s)

That delegated authority is given to the Chief Executive, in consultation with the Leader of the Council, to progress the next stage towards achieving a devolution deal for HIOW, including ongoing negotiations with Government and agreement to Government's anticipated proposal of a HIOW devolution deal.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes
Maximising well-being:	yes
Enhancing our quality of place:	yes

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Devolution-Positioning the Council (Cabinet)	6749	22 June 2015
Devolution-Positioning the Council (Full Council)		16 July 2015
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	
<u>Local Democracy Economic Development and Construction Act</u>	2003	
<u>Cities and Local Government Devolution Bill</u>		

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

No Equality Impacts have been identified

2. Impact on Crime and Disorder:

2.1. N/A

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

N/A

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

N/A

Appendix: Outline of the anticipated devolution deal document for Hampshire and the Isle of Wight