

Agenda item:

Title of meeting: Cabinet

Date of meeting: 8th July 2016

Subject: Solent Combined Authority Governance Review and Scheme

Report From: Chief Executive

Report by: Paddy May, Corporate Strategy Manager

Wards affected: All

Key decision: YES

Full Council decision: No

1. Purpose of report

- 1.1. To provide an update on the work to examine the case for an inter-city, inter-authority Combined Authority with lead responsibility for regeneration, economic development, transport, and devolved central government functions, to seek a delegated authority for the Leader of the Council in conjunction with the Chief Executive to consider the outcome of the ongoing Solent Governance Review and to decide upon a response to that review.
- 1.2. To seek a delegation to the Leader and the Chief Executive to take all actions necessary to promote a combined authority or economic prosperity board scheme, preparatory to an Order of the Secretary of State where the review suggests that the case for such is established.

2. Recommendations

- 2.1. Cabinet is recommended to:
- 2.1.1 Note that a Governance Review is currently underway that is looking at governance arrangements across Southampton, the Isle of Wight and Portsmouth in the context of the efficiency and effectiveness of inter-city, inter-authority economic development, regeneration, transport, and devolved central government functions.
- 2.1.2 Agree that the Leader of the Council be given delegated authority to receive the results of the Governance Review and, in conjunction with the Chief Executive, make a decision on how to respond to this review.

- 2.1.3 Agree that if the Leader of the Council decides, in response to the Governance Review, that Portsmouth City Council should seek to promote the creation of either a Combined Authority or an Economic Prosperity Board that in conjunction with the Chief Executive she be given delegated authority to approve a draft scheme, prior to a process of consultation over the coming months.
- 2.1.4 Agree that an update report be presented to Cabinet in the Autumn.

3. Background

- 3.1 Cabinet in July 2015 resolved that the Leader of the Council and Chief Executive continue to work with other authorities in the wider Hampshire area to develop a proposal for submission to Government to achieve devolved powers and responsibilities from Central Government that will lead to better outcomes for local people.
- 3.2 Last summer the expectation was that the devolution proposals would be based on a Hampshire & Isle of Wight geography. However as the work on these proposals progressed, and the Government insisted that it would be necessary to have a directly elected mayor (DEM), it became apparent that it would not be possible to secure agreement on the governance arrangements needed for a combined authority covering 15 local authorities, 2 national parks and 2 local enterprise partnerships.
- 3.3 As the Hampshire & Isle of Wight proposal was unravelling, HM Treasury invited representatives from authorities in the Solent area to explore whether it would be possible to agree a devolution deal for the Solent area. The hope was that a deal could be announced at the Annual Budget Statement, in March. A draft deal was agreed which provided significant opportunities for authorities in the Solent area, although as part of the deal the authorities had to agree to set up a Combined Authority with a DEM. The draft deal includes:
- £900m funding for the area over 30 years to invest in economic growth and housing
 - Retaining all business rates generated in the area (approximately £400m) in exchange for the current system of government funding for local councils - meaning the area would have better control of its own financial future and be rewarded for economic growth
 - Power to create a spatial plan for the area
 - Increased productivity and more jobs and better jobs by simplifying and strengthening support for business growth, innovation, and global trade and investment
 - Control of the budget for adult education and training in the area, enabling a focus on the skills businesses need
 - Development of a new programme to help the hardest to help claimants back into work and provide them with support
 - Delivering 52,000 new homes in the area by 2026

- Control of a dedicated transport budget, franchised bus services and the network of key local authority roads
- Innovative and integrated approaches to public service reform, including health.

3.4 The expectation was that the deal would be announced by the Chancellor of the Exchequer at the Budget in March. Initially the deal was agreed by representatives from Hampshire County Council (HCC), the three unitary authorities and the five district councils in the Solent area. Unfortunately before the deal was announced, HCC changed its position and stated that they were no longer prepared to sign up to the deal. The Government asked the Solent authorities to work with HCC in the hope that a deal could be agreed with all partners, thus allowing a deal announcement to be made. Despite the best efforts of the City Council, and partner authorities, it has not proved possible to persuade HCC to sign up to the deal and the creation of a Solent Combined Authority. Indeed the County Council has now made it very clear that they oppose the creation of a combined authority in either the south or north of Hampshire. Without HCC's agreement to be part of a Solent Combined Authority it is not possible for the Solent district councils to be part of the formation of a combined authority.

4. The Governance Review and Combined Authority Scheme

4.1. In the current situation, encouraged by central government, the three unitary authorities within the Solent area (Portsmouth, Southampton and the Isle of Wight) are undertaking a governance review which is considering the best form of governance to deliver improvements for local people.

4.2. HM Government (HMG) have advised us that Governance reviews undertaken by local areas might include some, or all, of the following:

- the current governance arrangements across the area
- a socio economic profile which might include:
 - a population profile;
 - economic performance of the area;
 - growth sectors;
 - employment;
 - skills and educational attainment;
 - the housing situation;
 - the driving ambition for the area.

4.3. This profile should show the strengths and weaknesses in each of the areas above and how the weaknesses will then be improved by changed governance (for example by the establishment of a combined authority and the delivery of the powers an area has asked for).

- 4.4. The outcome of a review should be:
- an assessment of the effectiveness and efficiency of existing governance arrangements for the delivery of the powers areas have asked for in deals;
 - an analysis of the options available for making changes to these governance arrangements in order to best exercise the above powers – such as leaving existing governance arrangements unchanged or strengthening or restructuring them, or establishing an Economic Prosperity Board (EPB) or a combined authority;
 - a view as to which option is the best.
- 4.5. The draft review is currently being shared with stakeholders as part of a pre-engagement consultation exercise to understand their views on the review. The final governance review will take account of this engagement and reach a conclusion about what the best form of governance will be. The Leader of the Council and Chief Executive will receive the final governance review and decide what the best option is. A similar process is being followed in Southampton and the Isle of Wight. If it is decided that the best form of governance is either an economic prosperity board or a combined authority it will be necessary to develop a governance scheme for that body and undertake a full and meaningful consultation exercise over the summer. The scheme will show how an economic prosperity board or the combined authority would work and might include, for example, voting arrangements or the arrangements for a Shadow Mayor pending the election of a DEM.

5. Reasons for recommendations

- 5.1. There are significant benefits for Portsmouth and the wider Solent area in agreeing a devolution deal with central government. As part of any deal we will be required to undertake a governance review and respond to that review. The recommendations allow for Portsmouth City Council to fulfil this requirement. We will need to report back to Cabinet with the results of any review and subsequent work.

6. Equality impact assessment (EIA)

- 6.1. There is no need to undertake an initial EIA for this stage in the process. Depending on what is any announced deal there may be a requirement to undertake an EIA.

7. City Solicitor comments

- 7.1. The purpose of a review is to examine the exercise of statutory functions in relation to an area with a view to deciding whether to prepare and publish a scheme for the creation of a combined authority or an economic prosperity board, pursuant to the Local Democracy, Economic Development and Construction Act 2009 (the 2009 Act).

- 7.2. The review will explore whether a combined authority model or an economic prosperity board model would be likely to improve the exercise of statutory functions in relation to the review area and whilst it can include reference to a host of local authority areas, where a case is made for limited local authority areas across a region or grouping, the case should rest solely upon those areas being participants to the combined authority or economic prosperity board. Before the amendments that were made to the 2009 Act by the Cities and Local Government Devolution Act 2016, the governance review was undertaken to determine the effectiveness and efficiency of transport, economic development and regeneration arrangements within the area covered by the review. Now, given the wide power vested in the Secretary of State in relation to devolve and transfer powers, the review can examine the case for effectiveness, efficiencies across a wide range of functions and areas of activity.
- 7.3. Follow on steps include the preparation and publication of a combined authority scheme, consultation with the Secretary of State, in which the following are addressed, together with a presentation of the proposed constitution, functions, and draft order:
- Whether the change is supported.
 - Whether establishing the combined authority would be likely to improve statutory functions in the area.
 - How establishing such an authority may impact on the identities and interests of local communities and on securing effective and convenient local government.
 - The constitutional arrangements (including the name of the combined authority) and functions for a combined authority.
 - How the proposed combined authority and the LEP can work in a seamless manner to ensure the private sector is "hardwired" into the leadership and decision making.
- 7.4. Following consultation, if the Secretary of State is satisfied that granting an Order would be likely to improve those matters set out above, having regard to the need to reflect identities and interests of local communities and effective and convenient local government, he may make the Order.
- 7.5. The Order, likely to be the consultation draft, will be laid before Parliament for approval by both Houses of Parliament (the affirmative procedure).
- 7.6. The Secretary of State's Order will include a future date on which it will come into force. Following the coming into force of the Order, the new combined authority will exist as a body corporate, meaning that it will have its own identity.
- 7.7. A combined authority has a wide range of functions and powers that now extend beyond the transport and economic development functions originally envisaged under the 2009 Act.

7.8 The scope of functions and powers will depend on the specific powers granted to that authority under the establishing Order made by the Secretary of State and may include the following:

- Transport functions delegated by the Secretary of State that the Secretary of State considers can be appropriately exercised by the combined authority (excluding the power to make legislative instruments and the power to fix fees or charges).
- Transport functions of a local authority in relation to an area comprised in the combined authority area, which the Secretary of State considers can appropriately be exercised by the combined authority. The orders that are made transferring transport functions to the combined authority may be made subject to conditions.
- Functions that are transferred from an integrated transport area of Passenger Transport Executives (local government bodies with responsibility for public transport within large urban areas).
- Local authority functions for the area. However, before an order can be made the consent of the constituent councils, and where the combined authority already exists additionally the combined authority, is required.
- Public authority functions for the area. The Secretary of State may, by order, transfer functions from other public authorities to a combined authority in relation to the combined authority area. Any order that transfers functions from a public authority to a combined authority may also require the transfer of property, rights and liabilities associated with that function. If the result of the order and transfer of functions means the public authority will no longer have any functions, the order will provide for the abolition of the public authority. Any order that is made in relation to public authority functions may include provisions concerning the exercise of that function, including:
 - making the exercise subject to conditions or limitations. For example, such a condition might be used to specify that a transfer of health powers would not change responsibilities in relation to the NHS Constitution or mandate;
 - jointly working in connection with the function (such as a provision requiring the function to be exercised by a joint committee); and
 - any public authority function for the area that is transferred under an order may be transferred on the basis of being undertaken separately, with the combined authority taking over the function of the relevant public authority; concurrently, with the combined authority and public authority each exercising the function simultaneously; jointly, with the combined authority and public authority working together to exercise the function; or jointly and solely, with the combined authority and public authority working together to exercise the function while the public authority also continues to exercise the function alone.
- Police and Crime Commissioner functions where a mayor is in place. The Secretary of State may make an order providing for the transfer of functions from a Police and Crime Commissioner to the mayor of a combined authority.

The 2009 Act contains provisions in connection with an order which transfers those functions. In this case, the Constabulary boundary is not co-terminus with the proposed Combined Authority boundary.

- For mayoral combined authorities, issuing precepts. The function may only be exercised by the mayor on behalf of the combined authority.
- Health service functions. An order transferring health service functions to a combined authority must:
 - not transfer any of the Secretary of State's core duties in relation to the health service;
 - not transfer health service regulatory functions vested in national bodies; and
 - make provision about the standards and duties to be placed on the combined authority, having regard to the national service standards and the national information and accountability obligations.

8. Director of Finance and Information Services comments

- 8.1. The financial implications of undertaking the Governance Review itself relate largely to officer time. At present this officer time is being prioritised over other work in the expectation that the outcome of any proposal has the potential to be very rewarding to the city and sub-region.
- 8.2. Should a combined authority deal be the preferred outcome, then it is expected that this would be accompanied by £30m per annum to support the delivery of homes, enabling infrastructure and economic growth across the region. There is a spectrum of ways that the additional £30m per annum can be leveraged for both housing and economic growth. At one end of the spectrum, the £30m can be used as direct funding for economic growth and housing schemes and allocated on a broadly annual (or short term basis). At the other end of the spectrum, the combined authority could use the whole £30m to finance up to £500m of borrowing to inject a significant capital investment into the area.
- 8.3. Additionally, a combined authority deal may provide the opportunity to retain 100% of Business Rates in advance of the National Scheme to be introduced in 2020. This provides the prospect of retaining 100% of any uplift in Business Rates growth in the future which can be re-invested in both further growth opportunities and sustaining public services. This will sharpen the incentive for the combined authority to:
- directly contribute to growth through efficient investments; and
 - indirectly create the conditions for growth
- 8.4. Under the 100% Business Rates proposal, sustaining high quality public services will be directly linked to economic growth and therefore economic affordability of the region. The move to 100% Business Rate retention should create better conditions for growth and greater opportunity for sustainable public services.

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Signed by: David Williams, Chief Executive

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by: Name and Title