

# The Solent Deal

Greater powers for South Hampshire & the Isle of Wight

*APPENDIX 1*

## **Final Strategic Governance Review**

**30<sup>th</sup> September 2016**

# 1. INTRODUCTION

- 1.1 The following report is the conclusion of a formal review of strategic governance arrangements that was undertaken in 2016. The review was commissioned to ensure that sufficiently robust governance arrangements will be in place to support the devolution of powers and responsibilities from central government to the Solent Mayoral Combined Authority. It was prepared on behalf of the local authorities for Portsmouth, Southampton and the Isle of Wight, and the Solent Local Enterprise Partnership (LEP). In particular, it examines the case for the Solent Mayoral Combined Authority, and the impact that such a body would have on the effectiveness and efficiency of arrangements to promote economic development and regeneration, and of transport within the area. This review has been amended following the conclusion of the thorough consultation programme that was undertaken across the three unitary authorities between 22 July 2016 and 18 September 2016. This consultation confirmed that there was widespread support for the principle of devolution, for the three unitary authorities working together and for a Mayoral Combined Authority to be set up to deliver the devolution agenda.
- 1.2 Devolution signals the transfer of significant responsibilities relating to economic growth and public service reform. It is based on a shared commitment to bring decision making closer to local communities and to ensure that local powers are in place which will help double the size of the economy and support efficient, sustainable and effective public services.
- 1.3 A clear feature of any devolution agreement is to review governance arrangements to support the accountable, decisive and cooperative exercise of new powers, functions, and responsibilities. In common with other devolution agreements, a Mayoral Combined Authority (MCA) is suggested as the most effective governance arrangement to achieve this goal, subject to the outcome of a formal governance review.
- 1.4 An MCA would involve bringing together the three Councils and the Local Enterprise Partnership into a formal body which supports cooperative decision making on a shared programme relating to economic growth, regeneration, transport and public service reform. The MCA would operate on the principle that powers are not taken away from constituent councils but that decisions are made collectively about prescribed issues that cross local authority boundaries and relate to common themes and challenges that the three local authorities face. It would not replace the existing councils or act as a parent body. It is not Local Government Reorganisation but a mechanism to allow the three councils to cooperate where they wish to do so.

A key principle throughout this review is subsidiarity – the practice of taking decisions at the lowest and/or most practical level of geography.

- 1.5 Subject to parliamentary approval, the MCA would be chaired by a directly-elected Mayor who would be able to exercise a number of functions, powers and responsibilities transferred from central government to the sub-region covered by the three local Councils (the MCA area).
- 1.6 Specific provisions would be in place to allow the Mayor to exercise their powers with reasonable autonomy but also to ensure they fully consider the views of the constituent councils and the LEP.
- 1.7 This governance review has been prepared in line with statutory processes within the Local Democracy, Economic Development and Construction Act 2009 as amended by the Cities and Devolution Act 2016.
- 1.8 This document was finalised following the completion of a statutory consultation exercise on this review and the draft Governance Scheme that took place between 22 July 2016 and 18 September. There is a separate report on the consultation results and the analysis of these results.
  - 1.8.1 It is important to note that in quantitative terms, the consultation received high levels of approval with over 70% of respondents favouring devolution, the three authorities working together and the areas of activity for devolution (supporting businesses to grow, skills and employment, housing and infrastructure, and transport). 58% of respondents agreed with the principle of devolving power to a Combined Authority with an elected mayor.
  - 1.8.2 Respondents were also given the chance to give qualitative comments and this was supplemented by discussions at public meetings and free standing responses that were received. These comments, by their nature, tend to reflect a minority view with many respondents silent. However they do reflect themes which have been considered as part of the option appraisal of this Governance Review and in the development of the scheme and some of them have reinforced decisions that have been taken. Examples of how these have influenced this work would include:
    - *Providing clarity about extent of the powers of the Combined Authority, and over the respective powers and roles of the Mayor and the Combined Authority and how decisions will be made* - this has been made much more clear in the scheme
    - *Providing clarity on the relevant geographical areas upon which the Combined Authority will focus its work* - and the relationship of third-party non-constituent authorities and co-optees to the constituent authorities and mayor.

- *No need for additional layer of bureaucracy* - the scheme makes clear that the aim would be for the three Statutory Officer posts to be filled by existing post holders

1.8.3 Other consultation proposals could either be picked up in future devolution deals (such as other areas of work to devolve like health or the emergency services) or are at odds with the quantitative results and the devolution deal with government (such as no need for an elected mayor).

1.9 The purpose of the review was to determine:

- Whether the areas covered by the Local Authorities of Portsmouth, Southampton and the Isle of Wight constitutes a functional economic area and suitable footprint to coordinate public service reform; and
- Whether the existing governance arrangements for economic development, regeneration, transport and public service reform are effective or would benefit from changes, including establishing an MCA, particularly in the context of significant devolution.

1.10 The report is divided into the following four sections:

- The case for a Solent Mayoral Combined Authority:** An outline of how the Portsmouth, Southampton and Isle of Wight geography, shared priorities and current devolution agenda lends itself to strengthened governance arrangements.
- Current governance arrangements:** An exploration and critical appraisal of existing governance arrangements in the MCA area.
- Future arrangements:** An appraisal of five potential governance options with a justification for an MCA as the preferred option.
- Proposed role and function of a Mayoral Combined Authority:** Information on how the proposed governance arrangements would operate.

1.11 In addition, the annex of this report provides the published governance scheme for the Solent MCA which has been revised following the consultation over the summer.

**The approach that was followed**

- 1.12 The Leaders of Portsmouth, Southampton and Isle of Wight local authorities agreed to commence a formal governance review. A governance group was formed with officers from the three Local Authorities and the Solent Local Enterprise Partnership provided some input. The group met regularly to scope potential options and design the process for the review. The group has worked closely with Government officials to ensure the process meets the new statutory requirements of the Cities and Devolution Act 2016 and related legislation. The Council Leaders and the LEP are minded to pursue a Combined Authority to formalise, strengthen and democratise cooperation where there is a consensus to take a joint approach on growth and reform. Clearly governance arrangements will be a factor in any potential devolution agreement but Council Leaders felt that a formal governance review should not wait for any deal to be finalised.
- 1.13 Under the terms of the most recent legislation, the statutory process for a governance review has four main steps:
- i. Production of a document reviewing existing governance arrangements (the earlier version of this document) and analysing the alternative options. For subsequent steps to follow, this must lead to the conclusion following engagement with key stakeholders that these current arrangements can be improved upon by adopting one of the alternative options. This document was considered by the Councils and the Solent LEP board;
  - ii. Consulting on the proposed governance arrangements to secure engagement across a broad range of stakeholders. This took place between 22 July and 18 September 2016.
  - iii. The Secretary of State will consider the governance review and scheme. If the Minister is content that adequate consultation has taken place and considers that establishing a MCA is likely to improve the exercise of statutory functions in the area a draft parliamentary order will be developed
  - iv. The constituent councils will need to give their formal consent to any draft order prior to it being laid before Parliament.

**Engagement and Public Consultation**

- 1.14 It is a legal requirement that a public consultation be undertaken to support the review of governance arrangements and to gain views on additional central government functions that are to be conferred on local bodies. Given the

significance of the devolution agreement and the subsequent change to governance arrangements, a two stage approach to consultation was undertaken.

- 1.15 Phase one: Engagement with key stakeholders on the provisional findings of the Governance Review. This included the proposed changes to governance arrangements required to support devolution from central government. Stakeholders had the opportunity to respond if they wished to do so. A number of organisations were contacted directly to invite them make a response.
- 1.16 Phase two: Full public consultation and engagement took place between 22 July and 18 September 2016 to gain views on the governance review and the detailed proposals for the Governance arrangements for the Solent MCA (the draft scheme).

### **Options for consideration**

- 1.17 The governance group considered a range of options that could be appropriate based on experience elsewhere and the objectives of the MCA area. Five options were identified which include:
- i. **Status quo**: This involves continuing existing arrangements. Current approaches are based on a partnership model that has supported collaboration to date. The challenge will be whether these partnerships are sufficient to drive greater cooperation and reform.
  - ii. **Joint Committee**: This involves creating a board that would incorporate the three Councils and the Solent LEP. Under Section 101 of the Local Government Act 1972, it would have clear terms of reference and be a public meeting. It would have a statutory basis, but would not be able to hold funds, to make many decisions without individual authorisation by constituent members, be able to directly employ staff, be sufficient to receive significant powers from central government and would represent only a minor improvement on current arrangements.
  - iii. **Economic Prosperity Board (EPB)**: This is a formal, legally constituted body that enables greater cooperation on economic growth. An EPB has no borrowing powers and cannot impose levies. It is supported by legislation and could hold powers and funding on behalf of constituent councils and central government. It would not be able to take on informal powers to coordinate transport or wider public service reform
  - iv. **Integrated Transport Authority (ITA)**: An Integrated Transport Authority is a separate legal body responsible for the strategic coordination of transport including strategic highways and public transport. It would be led by a board consisting of the Leaders of the three constituent councils

and could also include the Solent LEP. At present these bodies have been within metropolitan areas.

- v. **Mayoral Combined Authority (MCA):** This provides a legal body that can enable Local Authorities and the Solent LEP to make joint decisions on a shared programme of economic growth and public service reform. As it has a legal personality it is able to hold budgets, employ staff, and enter into contracts. The MCA would be chaired by a directly elected Mayor and appears to be the preferred governance mechanism for significant devolution agreements. The role of the Mayor is seen as necessary by central government to provide visible leadership over devolved functions.

### Criteria for options appraisal

- 1.18 The following seven criteria have been identified to guide the evaluation of the five governance options:
- i. **Enables wider strategic objectives and devolution priorities:** The governance proposals would support the delivery of the economic and reform ambitions and associated devolved powers outlined in section 2 of this document.
  - ii. **Efficient and effective decision making:** Arrangements would enable decisive, informed and joined-up decision making rather than create additional bureaucracy.
  - iii. **Democratic accountability:** The proposal would be supported by a clear democratic mandate and effective oversight and scrutiny arrangements.
  - iv. **Local flexibility and subsidiarity:** The proposal would not threaten the sovereignty of individual constituent members but would enable cooperation on matters that are best governed across administrative boundaries.
  - v. **Positive business engagement:** The proposals would ensure that positive relationships with businesses are maintained and enhanced.
  - vi. **Cost:** The proposal would not add significant cost to constituent members and could potentially enable efficiency savings.
  - vii. **Broad support from stakeholders:** This would involve clear support from the constituent councils, LEP and significant support from our partners, neighbouring councils, the private sector and the wider public. This criterion will be assessed following the completion of a formal engagement exercise.

## 2. THE CASE FOR A SOLENT MAYORAL COMBINED AUTHORITY

### Solent in context

- 2.1 With a population of more than 580,000 and more than 30,000 businesses, the Solent Mayoral Combined Authority area is an internationally-recognised economic hub anchored around the Isle of Wight, the two cities of Portsmouth and Southampton, and the Solent waterway. The economic and communications inter-dependencies between the cities and the Isle of Wight are critical to our continued success.



- 2.2 The economy of the Solent MCA area has a significance that extends beyond the locality, making an important contribution to the national economy. With about 95% of the total volume of UK import and export trade arriving by sea, the maritime services sector is vital to the UK. The Solent has an important role to play in this regard. At just 20 nautical miles from the international shipping lanes in the English Channel, the Ports in the area of the Solent MCA (Portsmouth and Southampton) provide a sheltered haven with unique double tides that allow the world's largest ships easy access. The mass market of mainland Europe is less than 100 nautical miles from the Port of Southampton, which lies in close proximity to the UK's motorway network and has direct links to the national rail network. The Port of Southampton is



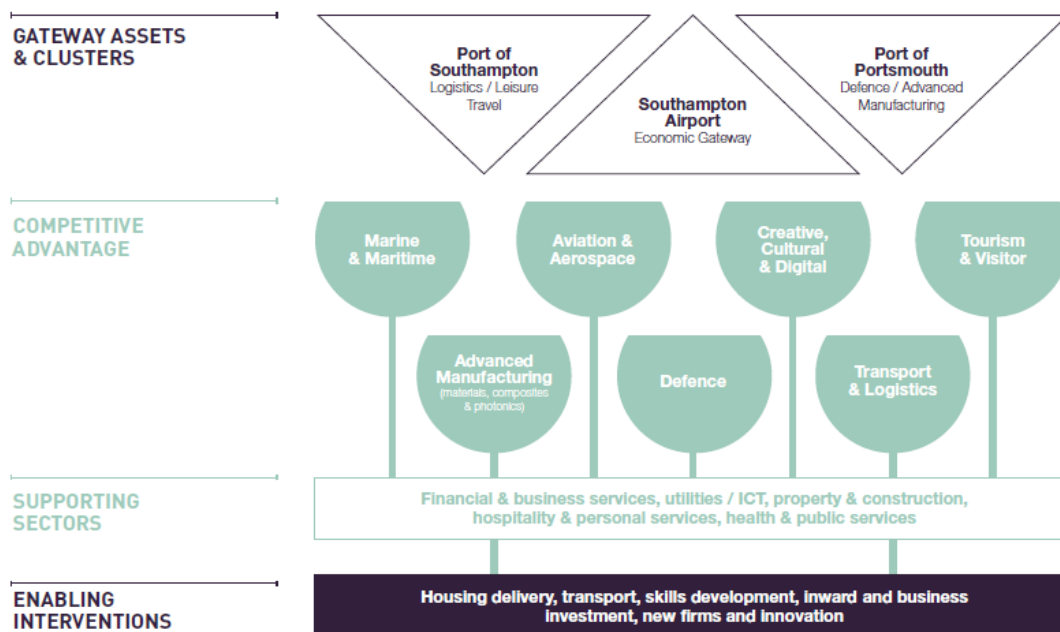
one of the largest, busiest and most diverse ports in the UK, providing a wide range of passenger, freight and cargo functions. It provides, directly and indirectly, 15,000 jobs, contributing over £1.2bn of output per annum. It is a hub for the country's thriving motor industry, exporting 1,000,000 vehicles per annum, more than any other port in the UK. It is also the country's busiest cruise port, home to the UK P&O, Cunard and Carnival cruise fleets, the latter being the largest cruise operator in the world.

- 2.3 Portsmouth international Port is the UK's premier ferry port for the Western Channel and the second busiest Cross Channel ferry port overall. In 2013 the Port's turnover was £15.78 million and the trading surplus was £7.36million. 2 million passengers, 637,000 cars and 220,000 freight units came through the Port in 2013. The Port consists of nine commercial berths; five of them roll on-roll off (Ro-Ro) serving France, Spain and the Channel Islands. Two large conventional berths serve deep-sea world-wide refrigerated cargo and short-sea container vessels and two berths serving dedicated Isle of Wight car ferries. The Old Camber Dock also forms part of the Port and is regularly used as a fishing dock and leisure marina. The Port's income largely derives from three areas of operation, the Continental Ferry Port operating Ro-Ro berths 1 to 5, MMD (Shipping Services) Limited (operating from Albert Johnson and Flathouse Quays) and other activities. Other small private berths and marinas exist within the Harbour.
- 2.4 Whilst not located within the proposed Solent MCA area it should also be noted that Southampton International Airport is adjacent to the city of Southampton and is home to eight airlines and serves up to 49 short haul UK and European destinations for business and leisure travellers. The Airport forms an economic gateway for the Solent and there is a recognized interrelationship between this key gateway and the Port of Southampton and it also sits at the heart of a significant growth hub, across the wider area at sites including; the former Ford site, and the city of Southampton.
- 2.5 Similarly, Portsmouth Naval Base is at the heart of the defence cluster in the MCA area providing, directly and indirectly, 20,000 jobs across the MCA area and wider sub-region and contributing over £1.6bn GVA of output. Currently, the Naval Base supports the Royal Navy surface fleet, delivering maritime services functions including: integrated ship support; complex software engineering and advanced manufacturing solutions; equipment management; training; and estates and logistics services. This cluster encompasses: the Naval Base; associated naval establishments; the defence industrial base and linked firms, including BAE, Babcock, Lockheed Martin, Northrop Grumman, Qinetiq, Serco Denholm Ltd, Airbus, Thales and Vector Aerospace.
- 2.6 The Isle of Wight covers an area of 147 square miles, with a coastline that runs for 57 miles. The Island is connected to the mainland primarily by the ports of Southampton and Portsmouth. The Island influences and is influenced by the wider MCA area, sub-

regional, regional, national and international context. It is also widely regarded as a leading location for advanced materials, is a world class composites hub supporting the marine, maritime and aerospace industry and home to leading edge companies such as GKN, BAE Systems, Gurit and MHI Vestas. The Solent MCA area is showcase for the leisure marine sector hosting the world-renowned Cowes Week, which is the longest running sailing regatta in the world having started in 1826 (and which does shape the Island’s economy and profile), the Southampton International Boat Show, ACWS and the home of the Land Rover Ben Ainslie’s Racing America’s Cup Race.

- 2.7 Our maritime and marine research base is also amongst the best in the world. We have a robust knowledge infrastructure with strengths in key economic sectors, internationally-renowned companies, world-class universities (2 in Southampton, 1 in Portsmouth) and a network of high quality Further Education (FE) colleges.
- 2.8 The Solent therefore is a significant MCA area gateway economy with strengths across a range of industries in the private sector.

**Figure 1.1 – Key sectors and specialisations**



- 2.9 As a consequence of these economic assets, the three Solent “ports” and their respective cities and the Isle of Wight contain important clustered sectors and concentrations of economic activity and smart specialisation, most notably in the marine and maritime sector, and also in defence, logistics, and advanced manufacturing (including advanced materials and photonics), aerospace, and digital (creative and cyber security) and tourism/visitor economy are some of the principal

industries which benefit from the unique economic environment in the proposed Solent combined authority area. All of these industries are also supported by a wider supply chain that also serves local population based demand - see (Figure 1.1).

2.10 Nevertheless, in an era of global competition, and significant change domestically economic assets are only ever relative and require continued investment and support in order to maintain their international attractiveness. There is a shared desire through the Solent MCA to ensure that the area does build on the collective strengths and also tackle the barriers to growth. The drivers of productivity and growth for all are well understood: a dynamic, open enterprising economy supported by long-term public and private investment in infrastructure, skills and science built around the following pillars:

- encouraging long-term investment in economic capital, including infrastructure, skills and knowledge; and
- promoting a dynamic economy that encourages innovation and helps resources flow to their most productive use. Moving forward we face new challenges around stimulating the economy.

Following the decision to leave the EU on 23<sup>rd</sup> June 2016, it is important to note that the Solent MCA area provides an ongoing and vital future gateway to trade in Europe

### **Public Services**

2.11 Public Services across the area operate on a number of different footprints but increasingly cooperation on service reform initiatives is taking place at a MCA area level. Paragraphs 2.29-2.34 develop this further.

### **Strong Foundations**

2.12 The mutual interests and interdependencies of the MCA area are well understood and it has long been acknowledged that economic growth can be maximised by working together. This long-standing cooperation has been represented in the past by the Economic Alliance which subsequently became the Enterprise Commission and is continued in the present day by the LEP. Increasingly this cooperation has deepened into areas of public service reform. The following shared priorities have emerged from these arrangements.

### **Emerging agenda**

2.13 Looking forward there are a number of shared priorities that address the challenges and opportunities outlined above at both a spatial and thematic level.

2.14 Unlocking growth and improving productivity is a key challenge for the Solent MCA

area, which has productivity levels in the cities and the Isle of Wight way below the UK average. This is best summarised as follows:

- (1) Transport has a vital role to play in the area by bringing businesses and people closer together and fostering the agglomeration that make our two cities of Portsmouth and Southampton work and also connecting the Isle of Wight to the mainland. Transport will connect people to jobs and products to markets and, it underpins the supply chains in key industries (such as marine and maritime, advanced manufacturing and aerospace) and the logistics networks in our area. Given the location of our global gateways it is also fundamental to the domestic and international trade that goes through the Port of Southampton. The connectivity, condition and capacity of our transport network is therefore critical if we are to secure a step change in productivity in the Solent.
- (2) Linked to this, new and innovative ways of working will also be important to delivering our growth ambitions and here digital infrastructure is vital. With the roll out of superfast broadband in the area, the super connected cities programme and the development of an Island superfast broadband network, it is improving, but there are still too many businesses hampered by slow connections, and households who cannot play their full part in the digital economy.
- (3) Availability of land assets remains important and timely public land release will improve investor confidence and create greater levels of business certainty. In particular the loss of land at strategic waterfront locations and lack of land for industrial development around key transport hubs is inhibiting growth in our world class marine and maritime sector, as well as other areas and we will want to ensure that this is addressed. Providing the right sites and meeting industry demand will be critical to enable the maritime sector to fully realise its potential.
- (4) Housing also has a vital role to play. The UK has not built enough homes to keep up with growing demand. In the Solent area the market does not function properly when viewed from the perspective of new supply, availability and affordability. There is a serious and chronic shortage of housing and steps are being taken to address this with delivery of new housing featuring very prominently in current plans. Notwithstanding this we all need to do much more as it is affecting productivity and restricting labour market flexibility, with many businesses simply unable to fill vacancies and many areas of the health and social sector reporting skills shortages as they struggle to recruit key workers.
- (5) Traditionally productivity growth in the Solent has gone hand in hand with rising human capital, as more people have become educated, and to a higher

level. However, the Solent area suffers from several weaknesses in its skills base that has contributed to the widening of the productivity gap. We perform poorly on intermediate, professional and technical skills (particularly in science, technology, engineering and mathematics (STEM)). It is imperative that the Solent addresses these shortfalls if productivity is to improve and the work we are undertaking through the Solent area review to reshape and simplify local provision to respond to businesses' call to improve skills training will be increasingly important as we move forward.

- (6) The Solent is home to three world class universities (located in the cities) and this represents an important competitive advantage, as technological change continues to increase demand for higher skilled roles in our area. The creation and application of new ideas is critical for our long-term productivity growth. The Solent benefits from strong links between universities and industry, but there is still more we can do in commercialising discoveries made in the research base and in ensuring the diffusion and adoption of these discoveries and we could perform better on SMEs introducing product or process innovations. There is also an ambition to secure a HE presence on the Isle of Wight which will build upon the recent investment in the world class composites centre of excellence.

2.15 We will therefore be seeking through devolution to agree a deal that can tackle barriers to productivity by;

1. Supporting the development of a highly skilled workforce, with employers in the driving seat;
2. Supporting the three Solent universities in increasing their collaboration with industry and commercialising research;
3. Delivering new housing and employment growth by unlocking key sites;
4. Establishing a modern integrated transport system that is sustainable and has a secure future efficient and effective transport infrastructure is an essential component in the success and survival of economic clusters and the Solent must act now to strengthen its comparative advantages across its key sectors to realise economic value. This includes strengthening the cross Solent connectivity and island infrastructure; and
5. Delivering world-class digital infrastructure with reliable and high quality fixed and mobile broadband connections for residences and businesses.

2.16 The Solent devolution deal seeks to create a new combined authority to secure the devolution of responsibilities and powers in the following areas:

1. Business support and innovation;

2. Learning, Skills and Employment;
3. Housing and Planning;
4. Transport;
5. Fiscal responsibilities for the local area; and
6. Public Service Reform

2.17 For the Solent MCA that means that we will be able to invest in our economic infrastructure, develop the skills that our economy needs to succeed and ensure that ideas and knowledge are at the forefront of our approach, supporting our businesses to innovate, export and grow. This is critical if we are to build on our sectoral strengths in defence, logistics, and advanced manufacturing (including advanced materials and photonics), aerospace, and digital (creative and cyber security) and tourism/visitor economy and recognise our comparative advantage in marine and maritime.

### **Transportation and Infrastructure**

2.18 The three unitary councils are the highways authorities for their areas. The MCA will:-

1. Take responsibility for a devolved and consolidated multi-year local transport budget for the area of the Combined Authority, including all relevant devolved highways funding;
2. Receive new powers for the franchising of bus services in the area of the Combined Authority, subject to necessary legislation and local consultation. This will be enabled through the *Bus Services Bill* which is on its passage through Parliament;
3. Take responsibility for a *Key Route Network* of local authority roads; the management and maintenance of which will be undertaken by the proposed Mayoral Combined Authority. To support this all relevant local roads maintenance funding will be devolved as part of the consolidated multi-year local transport budget;
4. act as a single policy and delivery body will be created covering the MCA area in order to determine, manage and deliver the MCA's transport plans and the delivery of integrated public transport networks for the MCA area.
5. The MCA will act as a focus for the One Public Estate programme and develop proposals for public sector locational hubs in city, town and district centres allowing local, regional and national public sector bodies to take advantage of modern integrated working to reduce costs, improve productivity and offer better services to the communities in the MCA area.
6. The MCA will seek to identify and realise funding opportunities, to supplement the government allocation, from a range of sources that may include private sector investment, prudential borrowing and a

business rates supplement to create an investment fund to enable consistent long term planning and programming of major infrastructure projects.

2.19 Existing arrangements respond to local challenges but there is room for improvement;

1. Partnerships are working well but with the reduced resources within local authorities greater collaboration, joint decision making and pooled funding could improve responsiveness;
2. Communication generally works well but there still needs to be an improvement to ensure information is fed down to relevant colleagues/officers within local authorities;
3. A significant amount of work has been undertaken on transport and infrastructure studies in the regions by local authorities and the LEP. There needs to be significant improvements in cross organisation working in the region that builds on the solid work of existing structures and to reduce duplication;
4. We have grasped opportunities within the region to ensure transport and infrastructure improvements are delivered; however we have not always been successful in obtaining sufficient funding. We need to improve our joined up thinking within the region to provide more efficient transport and infrastructure improvements and solutions;
5. The Solent Transport Local Transport Authorities and the LEP need to continue to develop more synergies and joint working to enable further investment with organisations such as Highways England, Network Rail, Local Bus companies and utility companies.
6. The existing governance arrangements do not allow for enough effective shared expertise;
7. The existing governance arrangements can be short 'termist' in some cases. A good example is whole life asset management. We are spending a significant amount of capital funding in the region but we cannot plan ahead due to funding uncertainties to maintain these new assets. We need to achieve greater certainty over long term funding and have the revenue support programmes in place to ensure they are maintained.

2.20 The Solent MCA area will commission a Strategic Transport Plan which will align with adjoining local authorities and the LEP's Strategic Economic Plan and Transport Investment Plan to connect people and places as well as support economic growth and jobs. The MCA could have an important role as the Local Transport Authority for the Solent MCA area.

2.21 The changes will improve the integration of policy on economic development with, planning and transport policies and the co-ordination and delivery of transport in the MCA area. The MCA will have:

1. A stronger focus on the role of transport in supporting economic development and regeneration, through effective collaboration between Mayor and Leaders and the LEP;
2. Strong interfaces with the LEP alongside the LEP private sector representatives, are central to ensuring that the LEP's growth priorities are fully reflected in the planning, commissioning and delivery of transport in the Solent.
3. Stronger focus on the whole of the Solent's transport network, including cross Solent links, roads, cycling and walking, to ensure effective connectivity to address the needs of our future economy, whilst connecting communities in greatest need with future opportunities;
4. Streamlining of decision-making facilitating more rapid and efficient decision-making;
5. Strong shared commitment to working together to deliver the best outcomes for the Solent.

2.22 The region does not have an effective fully integrated rail and rapid transport network that connects its main centres with quick frequent services, and that increases the number of people who can readily access the main centres. By delivering this, there will be a reduced impact on the environment, improved air quality, reduced carbon emissions and improved road safety. The resulting network will enable the efficient movement of goods to support businesses to connect to supply chains, key markets and strategic gateways.

2.23 The travel to work patterns indicate that there is a high level of inter-connectivity across the Solent area. It is precisely this level of interconnectivity that provides the evidence of employers in one area accessing labour pools in a connected area, and is the basis for the conclusion in respect of the existence of travel to work areas (TTWAs) across our area.

2.24 New powers for possible bus franchising will provide new opportunities through the MCA. The main features will include:

1. Full control over all ticketing arrangements for franchised services – including fares, ticket types, branding and marketing;
2. Some flexibility to operators to set some or all aspects of ticketing arrangements commercially;



3. Cross-boundary operators will have the right to participate in the ticketing scheme.

2.25 The Bus Services Bill (if enacted) and franchising activity will enable the creation of a more integrated network. The MCA would work in partnership with rail and ferry operators to secure their further involvement.

2.26 The Solent is well positioned to build on the existing smart multi-operator, multi-modal Solent Go scheme which has already secured the involvement of bus and ferry operators. This will be extended to other transport modes with the MCA having the ability to set the pricing of Solent Go products.

## **Housing**

2.27 The PUSH Spatial Position Statement, which covers the housing market areas in South Hampshire, would form the basis of further work by the 3 Unitary Councils.

2.28 Within the 3 Councils, the proposed approach for delivering housing for the devolution agreement is as follows:

- Principle – To build on the PUSH Spatial Position Statement, and the evidence and data that underpinned this, to ensure sustainable housing growth in the Devolution area. Fundamentally, we acknowledge the role of housing in supporting economic growth and the link to productivity.
- Joint Strategic Work – To work together in a professional group with senior officer representatives of the 3 unitary local planning authorities to inform an updated strategic evidence base and Spatial Plan to reflect the devolution geography.
- Local Plans – The strategic evidence base will be used by each local planning authority to deliver up to date Local Plans which will detail how each local planning authority will deliver the housing growth in their area.
- Delivery - The Councils will work together to develop a delivery plan which will be used to identify opportunities for working with the LEP, government agencies such as the HCA and central government to identify funding and delivery opportunities for housing on individual sites, to support the growth and regeneration of the two cities, and to manage development on the Isle of Wight.
- Governance – The Councils and the LEP will work collectively with each other and with surrounding Councils (exercising the statutory ‘duty to co-operate’) to ensure that overall housing needs in the Housing Market areas are met in the appropriate locations and with the necessary infrastructure to ensure this delivery.

**Transforming Public Services:**

- 2.29 The public service providers have a strong tradition of collaborative working to grow the local economy and improve outcomes for people through initiatives such as the Partnership for Urban South Hampshire (PUSH), the Southampton – Portsmouth City Deal, the one public estate programme in the cities and integrated local systems of care projects; Portsmouth Blueprint, Better Care Southampton and My Life a Full Life (Isle of Wight).
- 2.30 Nevertheless the financial pressures on the public sector continue to increase because; productivity levels remain low, the age of the population is increasing, people’s dependency on the public sector remains high and the complexity of the care needs in the most vulnerable in our community is growing.
- 2.31 The area has a complex mix of public sector organisations providing the full range of services to the local community. These include 3 unitary local authorities, 3 clinical commissioning groups, 1 NHS Trust, 1 NHS integrated trust, 1 NHS foundation trust, 2 ambulance services, 2 fire and rescue services and a police service which covers the whole of Hampshire and Isle of Wight. There are also 33 town and parish councils on the Isle of Wight.
- 2.32 No single geographical boundary is ever going to ideally suit the range of services covered by local government, health, police, fire and rescue, but it is considered that the close collaboration and additional powers and resources afforded by a Combined Authority can significantly assist with the creation of more efficient and effective services for local people.
- 2.33 An innovative and collaborative way of working to tackle these issues as a package and not each in isolation is needed. This will come from decisions being taken as close as is practically possible to those most affected by them, but driven and informed by:
- A single evidence based approach to strategic planning and decision making.
  - Increased clarity and reduced ambiguity, duplication and time in decision making.
  - Improved targeting of resources to deliver agreed outcomes.
  - Collective approach to securing and using local growth and private sector funds to improve outcomes.
  - The sharing, pooling and integration of resources at scale to improve the overall effectiveness and efficiency of the services being provided.
  - The co-ordinated and timely use of all public sector land and buildings as the catalyst for change.

- Recognition of the challenging geography and the need to connect and coordinate activity across the whole area.

2.34 The new models of working will be built on the pillars of best practice and pilot programmes of activity to prove their effectiveness and impact. They will seek to involve and empower the individual to take responsibility and be accountable for, themselves, their family and their community; it will only offer public service interventions where there is demonstrable failure in the system.

## Fiscal

### 100% Business Rate Retention

2.35 The proposal to retain 100% Business Rates involves foregoing Revenue Support Grant and other Government Grants in exchange for the retention of 100% Business Rates. This will be achieved in a way that is fiscally neutral for Government. However, it will allow the MCA to retain 100% of Business Rates (including any uplift in Business Rates growth) to be invested in both further growth opportunities and sustaining public services.

2.36 The current and proposed system of Local Authority funding broadly comprises the following for each of the Authorities

CURRENT FUNDING PROFILE	Portsmouth		Southampton		IOW		TOTAL	
	£m	%	£m	%	£m	%	£m	%
Council Tax	65.0	39%	79.4	41%	72.7	53%	217.1	44%
Business Rates	39.6	24%	46.5	24%	17.1	12%	103.2	21%
Government Grants (Incl. "Top Up" & Public Health)	63.9	38%	65.7	34%	48.3	35%	177.9	36%
<b>Total Funding</b>	<b>168.5</b>	<b>100%</b>	<b>191.7</b>	<b>100%</b>	<b>138.0</b>	<b>100%</b>	<b>498.3</b>	<b>100%</b>

EQUIVALENT FUNDING PROFILE UNDER 100% BUSINESS RATE RETENTION	Portsmouth		Southampton		IOW		TOTAL	
	£m	%	£m	%	£m	%	£m	%
Council Tax	65.0	39%	79.4	41%	72.7	53%	217.1	44%
Business Rates	80.9	48%	94.9	50%	34.1	25%	209.9	42%
"Top Up" / "Tariff" (Note 1)	22.7	13%	17.3	9%	31.2	23%	71.2	14%
<b>Total Funding</b>	<b>168.5</b>	<b>100%</b>	<b>191.7</b>	<b>100%</b>	<b>138.0</b>	<b>100%</b>	<b>498.3</b>	<b>100%</b>

#### Note 1

It is expected that the new 100% Business Rate Retention Scheme will lead to the ending of all Government Grants but that a mechanism to continue the national redistribution of funding for areas of relatively higher need will continue through a mechanism of "Top Ups" and "Tariffs"

2.37 The 100% Business Rates retention proposal shifts the bias considerably, the tables above illustrate that whilst the overall funding level will remain the same at inception, the proportion of Local Authority funding from Business Rates will double from 21% currently to 42%. Going forward, in monetary terms, for every 1% increase in Business Rates, the funding for Local Authorities will increase by £2.1m (compared to £1m at present). This will sharpen the incentive for the MCA to:

- directly contribute to growth through efficient investments; and
- indirectly create the conditions for growth

2.38 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 will create better conditions for growth and greater opportunity for sustainable public services.

2.39 The proposal also involves the pooling of those Business Rates and the re-distribution via a local funding methodology and formula, removing the MCA from the national funding system.

2.40 The key attractions of the proposal are:

- Greater funding certainty and financial planning - freedom from the current nationally determined Local Government Funding system and its inherent uncertainties. Uncertainties such as the level of funding to be allocated, the methodology for allocating funding and its propensity to change over time coupled with the variable nature of medium term funding settlements, inevitably linked to the parliamentary cycle.
- Financial autonomy and accountability - the ability of the MCA to determine a local specific funding system providing the right incentives and tools to deliver and balance Economic Growth and Housing Growth as well as to better target funding towards locally determined need. It also has the potential to overcome current system constraints and imperfections where growth in one locality confers public service or infrastructure burdens in another without recompense. In addition for example, there will be the opportunity to "top slice" an element of growth funding to invest (or co-invest with other stakeholders) for schemes with reach and impact across each other's boundaries
- Removal of barriers to investment for jobs and growth with the right to retain 100% of the proceeds of growth over the long term. This will provide confidence to invest up front in any enabling infrastructure required to facilitate the generation of that future business rate growth
- Greater influence over future funding available arising from the ability to influence future business rate income through the confidence to invest for growth

- 2.41 The key risks associated with the proposal are:
- There is a serious downturn in the economy that depresses Business Rates for a prolonged period
  - There are valuation appeals in the system for particular categories of business that, if successful, could have a knock on effect across similar businesses that result in a significant reduction in overall business rates for the MCA as a whole
- 2.42 The latter of these two key risks is the more likely but of lesser financial impact. Historically, property based taxes have been demonstrated to be relatively stable through economic cycles.
- 2.43 Similarly, whilst a generic reduction in business rates payable across a particular business category could be significant, its impact will be better managed across the combined pool of Business Rates for the three authorities
- 2.44 These risks are limited by the existence of a national "safety net" system that is available as compensating support in the event of a reduction in Business Rate income beyond a certain threshold.

Single Pot - £30m per annum

- 2.45 The three Authorities within the Solent MCA have interconnected and dependent economies centered on the marine and maritime sector. There are however significant barriers to growth including a chronic shortage in housing and a significant transport infrastructure deficit, which if left unaddressed will act as a drag on the region's growth potential and jeopardise its existing comparative advantage against global competitors.
- 2.46 The MCA proposal includes the award of an additional £30m per annum for 3 years (£900m in total) of which 75% is capital funding and 25% is revenue funding.
- 2.47 There is a known housing demand for the three Unitary Authorities of 24,000 over the period 2016/17 to 2025/26 and a funding gap for enabling infrastructure of £493m (of which £300m relates to Transport improvements). Additional Local Authority funding and co-invested with the funds of the Solent Local Enterprise Partnership will be vital to meet that need. Without the MCA deal and the additional £30m per annum, the Solent Economy will continue to be held back and not realise the output potential being achieved by its southern comparators. The chronic shortage of housing is affecting productivity and restricting labour market flexibility with many businesses unable to fill vacancies.

- 2.48 Equally, there is a significant Transport Infrastructure deficit across the region which is a barrier to productivity growth. The £30m per annum would, in part, be used to fund (or co-fund with partners) those schemes that would unlock the greatest return.
- 2.49 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 MCA could use the whole £30m to finance up to £500m of borrowing to inject a significant capital investment into the area.
- 2.50 In terms of overall fiscal Governance, it is fully expected that more efficient investment decisions will be made and as a consequence the economic growth potential of the region maximised. Decisions will be taken on a whole MCA basis following a robust and transparent criteria based prioritisation methodology. That methodology will follow established guidance and the principles of the Government's "Green Book" 5 Case Model ensuring that investments will be made which are deliverable and where the greatest Benefit/Cost ratio can be achieved, regardless of location rather than one which is constrained (or ring-fenced) by individual local authority boundaries.
- 2.51 This should maximize the economic growth potential for the MCA area as a whole and also maximise the business rate return distributed back to all of the constituent authorities.

**Welfare**

- 2.52 The three Unitary Authorities each have a higher percentage of their working age population on out of work benefits than the South East, with Southampton at 8.5%, Portsmouth at 6.4% and Isle of Wight at 10.8% against 6.4% for the South East.
- 2.53 By contrast, the wider Hampshire population stands at 5.4%, a percentage point below the South East (figures at February 2016).
- 2.54 In line with national trends, those seeking Job Seekers Allowance (JSA) in the area have reduced. However, there is a significant challenge in supporting those in receipt of Employment Support Allowance (ESA) to gain and sustain employment, as this cohort has multiple barriers to address including mental and physical health issues, low skills levels, substance misuse, debt and poor housing which require locally integrated, aligned and delivered services.

- 2.55 In the three Unitary Authorities, this group amounts to some 24,000 people, who collectively make a significant demand on public service support and funding, around 93% of whom will have left the nationally commissioned Work Programme without gaining employment. Many of these people will present the highest cost to the local and national public purse in terms of health, social and welfare funds.
- 2.56 Locally devolved pilot programmes for this cohort through our City Deal programme have evidenced that at least 30% of this cohort sustain employment for more than six months (against 7% of current national programmes)

**Delivering on this agenda**

- 2.57 The Councils and the Local Enterprise Partnership recognise that to deliver on this agenda will require strong, visible, and accountable governance. While current arrangements have worked well to date, the next section of this report argues that they are not sufficient to meet the opportunities outlined above.

### 3. CURRENT GOVERNANCE ARRANGEMENTS

3.1 Southampton Portsmouth and the Isle of Wight Councils have long displayed examples of collaboration and cooperation in order to provide the best services to their residents and businesses, shown most clearly in the examples below. The local authorities are committed to working together and with other partners to tackle issues in a targeted and coordinated way. There are a number of current projects and combined services that provide examples of collaboration between local authorities.

3.2 These include:

- Partnership for Urban South Hampshire (PUSH)
- Solent Transport
- Southampton and Portsmouth City Deal
- Flood Defence Partnership

3.3 In the field of economic development there are a very wide range of groups and boards. As an indication, the range of bodies involving the councils include:

- Solent LEP Board
- Solent LEP sub-groups including:
  - Employment & Skills Delivery Panel;
  - Innovation and Business support panel;
  - Land, Property & Infrastructure Delivery Panel;
  - Solent Land property and Infrastructure Board
  - Inward Investment Delivery Panel;
  - Marine & Maritime Steering Group.
- Local/Regional Business Networks and Trade Associations (Business South, Hampshire Chamber of Commerce, Isle of Wight Chamber of Commerce, Federation of Small Businesses, EEF, IOD, British Marine, Marine South East, Southern Enterprise Alliance). It should be noted that several of these organisations collaborate under the Hampshire & Isle of Wight Business Alliance (HIBA).

#### 3.4 Governance Bodies

#### 3.5 Partnership for Urban South Hampshire (PUSH)

3.5.1 PUSH is a statutory joint committee established under the Local Government Acts 1972 and 2000 and the Localism Act 2011. It is a statutory joint committee comprising the unitary authorities of Portsmouth, Southampton and the Isle of Wight, the district councils of Eastleigh, East Hampshire, Fareham, Gosport, Havant, New Forest, Test Valley and Winchester, and Hampshire County Council, . Various other bodies are able to participate (but do not vote). PUSH was formed in 2003 and has expanded in



recognition of the value of working collaboratively. More recently, the formation of the Solent Local Enterprise Partnership (Solent LEP) on the same boundaries as PUSH, has further enhanced PUSH's engagement with private sector businesses.

3.5.2 PUSH operates on the key principle of subsidiarity, being a strategic partnership dealing with matters affecting the wider sub-region where it can add value to the efforts of individual councils. PUSH does not get involved in direct service delivery or the statutory roles of the partner authorities or those of its wider partners. PUSH's key role is in co-ordination and oversight of both policy development and delivery at a strategic level and the governance structure and arrangements reflect these guiding principles.

3.5.3 PUSH's key priorities are:

- Promoting economic success;
- Providing sustainable communities
- Reducing inequalities;
- Investing in infrastructure;
- Promoting a better quality of life.

3.5.4 The governance arrangements (the joint agreement) can be found at <http://www.push.gov.uk/partnership/working-arrangements.htm>

### **3.6 Solent LEP**

3.6.1 The Solent LEP was formally launched in 2011 following recruitment of the Board. The Board is led by business representatives, working with colleagues from higher education and local authorities.

3.6.2 The vision of the LEP is:

*"... to create an environment that will bring about sustainable economic growth and private sector investment in the Solent. It will assist this globally-competitive area reach its full potential, enabling existing businesses to grow, become more profitable and to be greener; enabling the creation of new businesses and attracting new businesses to the region."*

3.6.3 The 6 objectives of the Solent LEP are:

- **Maximise the economic impact of our economic assets** in the area and sectors with the potential for growth. Promoting the area as the UK's leading growth hub for advanced manufacturing, marine and aerospace both at home and, more importantly, in the global marketplace. Developing the advanced engineering and manufacturing sector through a business-led approach and supporting the visitor economy.
- **Unlock critical employment** sites to enable the Solent businesses, particularly the marine, maritime and advanced manufacturing sectors of their economy, to expand.
- **Provide new housing** to support our growing workforce.

- Ensure people have the **right skills** to access employment and support our growing sectors.
- Provide **effective support to our small and medium-sized enterprises (SMEs)** to enable them to grow – including marine and maritime SMEs; and
- Unlock **innovation led growth** to engage more businesses in knowledge exchange and innovation, develop links to wider Higher Education Institutions (HEIs) and demonstrate the benefits of working with knowledge based partners.

3.6.4 Local authorities including Southampton Portsmouth and Isle of Wight Councils are represented on the LEP Board and have worked with the LEP on developing the Strategic Economic Plan and the delivery of projects funded under the Local Growth Deal and the European Structural and Investment Fund Strategy.

### **3.7 Employment and Skills Board**

3.7.1 The Employment and Skills Board, a sub-group of the LEP, provides a private sector-led focus for employment and skills provision for the Solent LEP area, and recommends prioritisation of Local Growth Deal skills capital and specific locally allocated funds. It does not, however, provide governance for DWP, SFA, EFA or EU funds more generally. Its membership is drawn from business communities. This membership includes representatives from Further Education, Higher Education and a number of key public sector organisations at elected member level.

3.7.2 It has sub groups to take forward priority areas identified as critical for the economic development of the Solent LEP area. The priority areas are:

- Further Education College sub -group
- Pre-16 group to consider vocational preparation for young people

3.7.3 The Employment and Skills Board also interfaces with the LEP Board and Panels overseeing capital investment, awards of grants to businesses and innovation. However, all decisions are ratified by the main LEP Board.

### **3.8 Solent Growth Forum**

3.8.1 The Solent Growth Forum is an advisory committee composed of the members of PUSH as well as the co-opted members listed below, with the following purposes:

- to review projects funded under the Solent Growth Deal
- to provide recommendations, expert advice, and guidance on any matter relating to Solent Strategic Economic Plan (SEP), the work of the Solent LEP Board, and the is various Delivery Panels;
- to advise on the policies and programmes outlined in the SEP;
- to review the delivery of the SEP;
- to receive updates on the delivery of the European Structural Investment Funds;
- to encourage optimal delivery of the strategic priorities across programmes, and the optimal delivery of strategic priorities;

- to provide a strategic review of the development and delivery of the multi-year SEP.

### 3.8.2 Co-opted members; representatives are included from the following:

- University/Higher Education sector
- College/Further Education sector
- Business Organisation Representative Organisations
- Trade Unions
- Voluntary and Community Sector
- Government Agencies (e.g. Highways Agency, Network Rail, Environment Agency, Skills Funding Agency)
- Department for Business, Innovation, and Skills
- National Health Service bodies, and the Clinical Commissioning Group

## **3.9 Strategic Transport**

3.9.1 Responsibility for transport functions across Southampton Portsmouth and Isle of Wight Councils is divided between a number of different bodies, locally and nationally. Nationally, Highways England is responsible for major/trunk roads and motorways including the M3, M27, M271, M275, A3, A3(M), A27, A31, A34, A36, A303. Network Rail are responsible for railway infrastructure with a number of Train Operating Companies with varying degrees of engagement at a strategic level.

3.9.2 Locally, there are a number of formal and informal mechanisms whereby transport is considered at a strategic level across Southampton Portsmouth and Isle of Wight local authority boundaries.

- Local Transport Plans for each Highway Authority
- Solent Transport
- Local Transport Body(LTB)

## **3.10 Solent Transport**

3.10.1 Originally Transport for South Hampshire (and then Transport for South Hampshire and the Isle of Wight), Solent Transport was set up in 2007, following earlier work carried out by the voluntary Solent Travel Partnership to plan transport improvements for the south Hampshire sub-region.

3.10.2 Like PUSH, Solent Transport is a statutory joint committee convened under the Local Government Acts 1972 and 2000 and the Localism Act 2011. The local authorities in the partnership are Hampshire County Council, Portsmouth and Southampton City Councils and the Isle of Wight Council.

3.10.3 Solent Transport works closely with the Solent LEP, Highways Agency, Network Rail, South Hampshire Bus Operators Association and other stakeholders to deliver transport improvements such as the link between Portsmouth and Southampton.

3.10.4 The full governance arrangements are set out in the legal agreement, a copy of which can be accessed here: <http://www3.hants.gov.uk/tfsh/tfsh-who-we-are.htm>

### **3.11 European Structural and Investment (ESI) Funds**

3.11.1 The Solent LEP has an ESIF Sub-Committee to advise the Managing Authorities (DCLG, DWP, etc), regarding the local allocation of EU funds in accordance with the local European Investment Strategy. Representatives include local authorities, voluntary sector agencies, trades unions and government departments. Responsibility for decisions ultimately rests with the Managing Authorities.

## 4. OPTIONS APPRAISAL

- 4.1 To ensure compliance with the relevant legislation (the Local Democracy, Economic Development and Construction Act 2009), the Governance Review must establish if a Combined Authority or Economic Prosperity Board would be likely to bring about an improvement in Portsmouth, Southampton and the Isle of Wight Councils regarding:
- The exercise of statutory functions relating to economic development, regeneration, and transport in the area;
  - The effectiveness and efficiency of transport; and
  - The economic conditions in the area.
- 4.2 The unitary councils have a responsibility for the economic, social and environmental well-being of their area, a duty to produce local transport plans and prepare local land use plans.
- 4.3 In terms of transport, the Department for Transport have noted that partners should address the following major issues when formulating governance arrangements:
- Political leadership for transport at the most senior level;
  - Ability to take difficult decisions;
  - A long term (ten year) investment programme, focusing on the top priorities for the functional economic area as a whole;
  - A local investment budget combining local resource in addition to Departmental resource;
  - Evident links to strategies and decision making processes on economic growth, housing and planning; and
  - Efficient use of transport resource across the area (e.g. joint procurement, maintenance contracts, rationalisation of highway functions).
- 4.4 In line with other Governance Reviews, this Governance Review explores the following options:
- Option 1 - Leaving existing governance unchanged (the status quo);
  - Option 2 - Establishing a Joint Committee;
  - Option 3 - Establishing an Economic Prosperity Board; and
  - Option 4 - Establishing a Mayoral Combined Authority.
- 4.5 The option for an Integrated Transport Authority was discounted due to the geographical separation of the local authority areas and the restrictions imposed by section 78(6) of the Local Transport Act 2008. For each option a number of hypotheses are set out. They were designed to stimulate and highlight issues on which stakeholders and councils might have wanted to express their own views. The results from the consultation undertaken on the review and scheme has been fed into the option appraisal.

## 4.6 Status quo

### 4.6.1 Background Information

- From the Government guidance for LEPs on Growth Deals is clear that local authorities will require greater collaboration, commitment and strengthened governance arrangements to seize any devolution opportunities.
- Demonstrating commitment to the growth agenda and the clear expectation that Local Authorities will put economic development at the heart of all that they do and work collaboratively across the functional economic area is part of the Government's response to Lord Heseltine's review.
- There is no formal link between decision making in relation to economic development (including inward investment, employment, skills and housing), regeneration and transport for the area;
- The framework within which local authorities now operate has changed fundamentally since 2010, as have the funding mechanisms. The abolition of regional bodies and the regional planning framework has been replaced with Local Enterprise Partnerships and an emphasis on City Regions and government funding is increasingly devolved to these structures rather than to individual councils (Local Growth Funding, for example).

### 4.6.2 Hypotheses

- Maintaining the status quo means existing fragmented decision making processes would continue and set Portsmouth, Southampton and the Isle of Wight Councils aside from those other parts of the country that are in the process of strengthening and aligning decision making.
- The statutory and non-statutory arrangements leave space for ambiguity and overlap between the roles and functions of various MCA area bodies and are dependent on agreements by constituent authorities and partners. It is, therefore, more challenging for decisions to be aligned in a way that secures maximum economic and social benefit.
- Strengthening and clarifying these relationships would also increase transparency, accountability, democratic legitimacy and the certainty of local decision making.
- Whilst the current arrangements may have served Portsmouth, Southampton and the Isle of Wight Councils sufficiently well in the past, the changes in the national framework coupled with the current economic conditions suggest that the areas needs are unlikely to be met by its existing governance structures. The voluntary partnership between local authorities is no longer sufficient to underpin authorities' ambitions, and does not meet the expectations of government. It is in danger of selling the area short. This will not only impact on Hampshire/IOW, but significantly on the wider UK economy due to the trade and export potential of the Ports
- Portsmouth, Southampton and the Isle of Wight Councils would benefit from a single democratically and financially accountable model, a legal entity in its own

right, to provide the necessary certainty, stability and democratic accountability to allow for long-term strategic economic and social decisions to be made.

- No change would mean that Portsmouth, Southampton and the Isle of Wight are disadvantaged both economically and politically. The challenge however is to ensure any new arrangement also enhances democratically elected councillors' ability to influence the wider agenda, without undermining discretion on matters of more local significance.
- Overall, keeping the status quo would mean accessing new funding and powers that would contribute to economic growth would be more difficult. It is likely to deprive the area of a stronger voice both nationally and internationally and would continue the current fragmented, overlapping and democratically deficient governance arrangements.
- Some of the comments received in the consultation process questioned the need for a new Combined Authority and so this option would be in line with the people that made this response although not in line with the quantitative analysis which showed that the majority of people did not favour this option

## **4.7 Establishing a Joint Committee**

### **4.7.1 Background Information**

- In this model two or more local authorities agree that a certain function or range of activities will be carried out by those authorities jointly and therefore on a collaborative basis. Such arrangements can, if properly managed, result in a reduction in duplication, and in the case of more specialised services, (where each authority may have small numbers of staff seeking to cover a wide range of activities), the creation of a critical mass resulting in improvements in service.
- The joint committee has no separate legal identity and no corporate status and so cannot own property or enter into contracts in its own right. Therefore it is usual for any agreement referred to above to also address such issues (e.g. with one authority acting as a "lead" or for the responsibilities being shared between participating authorities, following agreed principles, dependent upon the nature of the issue arising).
- The Joint Committee model allows an area to demonstrate effective decision making and political oversight for the management of funding that is allocated to the LEP (this being the Solent Growth Forum).

### **4.7.2 Hypotheses**

- However, a Joint Committee model may not address the current fragmented and separate decision making processes in place; especially in relation to transport and its integration with economic regeneration.
- A Joint Committee does not have a statutory remit and is not a formal legal entity. Each constituent authority will have to authorise and delegate functions to the Joint Committee. Councils are also able to withdraw the delegation in the future leading to short termism and potential instability.
- Non-local authority members are able to be co-opted but cannot vote.
- Joint Committees cannot be accountable bodies for funding purposes, nor employ staff, due to their lack of legal status. Ultimate responsibility for finances remains with the constituent councils or a delegated lead local authority.
- Some of the comments received in the consultation process questioned the need for a Directly Elected Mayor and so this option would be in line with the people that made this response, although not in line with the quantitative analysis which showed that the majority of people (58%) did favour having a mayor
- A Joint Committee may represent only a minor improvement on current arrangements at best.



## **4.8 Establishing an Economic Prosperity Board**

### **4.8.1 Background Information**

- Economic Prosperity Boards (EPB) share many of the features of a Combined Authority in that they have legal personalities and would provide a strong basis for taking on devolved powers and funding relating to economic development and regeneration, for example Accountable Body status for government and EU funding.
- Economic Prosperity Boards cannot levy or borrow money.
- Economic Prosperity Boards do not include transport functions.

### **4.8.2 Hypotheses**

- Transport is an essential component to achieving growth.
- An EPB could lead to some efficiencies and improvements around economic development, housing, employment and skills, but it would miss out the opportunity for integration with transport: this would leave this model of governance with some inherent inefficiencies.
- An EPB would not address the issues around strategic transport at the pan-Portsmouth, Southampton and the Isle of Wight Councils footprint / level.
- As with the Joint Committee some of the comments received in the consultation process questioned the need for a Directly Elected Mayor and so this option would be in line with the people that made this response, although not in line with the quantitative analysis which showed that the majority of people (58%) did favour having a mayor
- There is a key role for transport to play within a wider integrated approach to economic development, regeneration, employment and skills and strategic housing and ensuring that these decisions are taken in full accordance with their transport implications, and equally, ensuring that transport fully supports wider policy objectives.

## 4.9 Creating a Mayoral Combined Authority

### 4.9.1 Background Information

- A Mayoral Combined Authority (MCA) is not a merger of existing Local Authorities and would take over some functions with a very specific remit.
- MCAs are corporate bodies with their own legal identity which are able to take on the functions and responsibilities of sustainable economic development and regeneration and in addition transport functions available to Integrated Transport Authorities. Like EPBs, they can act as the Accountable Body for government and EU funds.
- An MCA can be set up by two or more local authorities whether contiguous or not. They must cover an area's natural economic footprint and want to collaborate, on a voluntary basis, more closely together to improve economic outcomes.
- An MCA can have statutory powers and duties conferred on it that it can exercise in its own right.
- The legislation allows for considerable flexibility in establishing an MCA

### 4.9.2 Hypotheses

- An MCA would be able to bring together strategic decision making powers into a single body, so improving the alignment, coordination and delivery of economic development and transport related initiatives.
- It would provide a visible, stable and streamlined body corporate to which Government would be more confident in devolving powers and funding.
- The maximum benefit would be gained by integrating and bringing together at a strategic level those functions across the area that enhance economic prosperity. These are likely to include economic development, transport, housing, strategic land use, employment and skills, and the ability to develop joint governance arrangements for health and wellbeing, community safety, police and crime and wider functions. The extent of the decision making powers that are given to the MCA is a crucial detail in the scheme that is developed. Full powers could be given for some functions (e.g. transport) whilst for other functions, the powers could be limited to co-ordination and recommendation (e.g. strategic land use).
- It is the enhancement of decisions and information at a strategic level and those decisions best taken across a functional economic area that are most frequently cited as the advantages of an MCA.
- It is anticipated that a rationalisation of the existing regional / sub-regional / MCA area structures will take place following on from the governance review. Therefore, although it would be wrong at this stage to make any pre-determination as to any consequences should an MCA be created, it would seem logical (if not inevitable) that the constitution of bodies such as Solent Transport / the Partnership for Urban South Hampshire (PUSH) would be effected by the creation of an MCA.

- It would be able to own property and enter into contracts, levy funding and borrow
- The consultation results clearly show that the majority of people favour devolution of powers and responsibilities from central government, that the three authorities should work together to achieve this and that a mayoral combined authority was the best option to deliver devolution. This shows that this option is supported through the consultation process.

#### **4.10 Summary of Findings**

4.10.1 A summary of the information above is shown below:

4.10.2 **Status quo:** maintaining the status quo would not make sufficient improvements in the economic conditions of the area. The existing and fragmented decision making process would continue and without a formal link between economic development, regeneration and transport functions it is more challenging for decisions to be co-ordinated in a way that secure maximum economic and social benefit or provide for longer-term planning and clear accountability.

4.10.3 **Establishing a Joint Committee:** a Joint Committee would address some of the governance and accountability issues around economic development and regeneration but would not dramatically improve the effectiveness and efficiency of transport. Due to a lack of new powers the existing and fragmented decision making structures would remain.

4.10.4 **Establishing an Economic Prosperity Board:** an Economic Prosperity Board would address some of the governance and accountability issues around economic development and regeneration but, as above, would still leave the issues around transport outside the formal joint arrangements, limiting the scope for increased effectiveness and efficiency.

4.10.5 **Creating a Mayoral Combined Authority:** building on existing arrangements and supporting the Solent LEP, the creation of a Solent (Portsmouth, Southampton and the Isle of Wight Councils) Mayoral Combined Authority, with the alignment of accountability, governance and geographies for economic development, regeneration and transport would provide the area with the best possible chance of securing significant and lasting improvements in economic development, regeneration and transport. Acting across the administrative boundaries of the area in pursuit of common interests would enhance the area's economic growth potential. This model would further strengthen democratic and financial accountability and lead to improvements and efficiency in transport by replacing the existing and fragmented arrangements and is in line with the options favoured in the recent consultation exercise.

#### **4.11 Summary of benefits**

4.11.1 Based on the analysis above, an MCA is the preferred option with the biggest potential to:

- Enable devolution of central government functions to the sub region to ensure decision making happens closer to local people;
- Optimise economic growth in the MCA area and create further efficiencies through Public Service Reform;
- Provide the legal identity and statutory basis to be the accountable body for key decisions and functions;
- Enhance the transparency and democratic accountability of arrangements in the MCA area;
- Integrate and streamline growth, transport and reform functions into one single body, removing potential duplication and confused accountabilities;
- Enable effective engagement with businesses and other key partners;
- Be recognised by central Government as a robust mechanism that allows the MCA area to speak with one voice;
- Can be established in a way that meets local circumstances;
- Provide the opportunity to pool existing officer capacity and make the best use of resources in the MCA area; and
- Improve the exercise of statutory functions in the MCA area and so meets the requirements of the legislation.

4.11.2 The next section provides further detail on how an MCA for the MCA area would operate.

## 5. MAYORAL COMBINED AUTHORITY: PROPOSED POWERS AND COMMITTEE STRUCTURE

- 5.1 The Solent MCA would bring together strategic decision making powers relating to growth and service reform into a single accountable body. It would operate as a construct of the three councils and the LEP bringing sovereign bodies together on a voluntary basis to make joint decisions on agreed issues. The Mayor's role would be to provide visible leadership particularly in matters relating to devolved growth and transport functions.
- 5.2 The following sections outline the suggested approach to the functions, powers and committee structure required to ensure the MCA will achieve its objectives. Annex One includes the proposed Scheme for Publication.
- 5.3 The constituent councils and the LEP need not cede responsibility for local functions to the MCA unless they via their representation on the MCA believe that a pooling of responsibility would demonstrably improve economic conditions and wider service reform. Potential local powers and functions that could sit with the MCA, be undertaken by the LEP or be undertaken jointly between the LEP and MCA include:
- the investment plan for the area;
  - an inward investment strategy for the MCA area;
  - the strategy and activity for place based marketing across the MCA area;
  - economic assessment and research to provide an evidence base for economic strategy;
  - the long-term strategic vision for housing and regeneration investment to support economic growth;
  - the accountable body for interventions, projects and programmes that correspond to priorities that cover the whole of the MCA area;
  - strategic plan for skills delivery across the MCA area;
  - enabling the MCA to act as the forum for local authorities to exercise the Duty to Cooperate, in respect of strategic planning matters;
  - the key decision making forum and accountable body for public service reform programmes and external funding opportunities that enable reform and cover the MCA area;
  - appointing staff required to administer the MCA and support the implementation of its decisions
- 5.4 It is likely that the Combined Authority would also benefit from the flexibility of holding the General Power of Competence, introduced by the Localism Act 2011 and

which gives the power to do anything an individual can do provided it is not prohibited by other legislation.

**Representation**

- 5.5 On the creation of the MCA, pending the election of a Mayor, an interim Mayor shall be appointed. They must be an elected person, shall be nominated by a full voting member of the MCA, and must be agreed (unanimously) by the full voting members of the MCA. The interim Mayor shall have the same powers as the directly elected Mayor.
- 5.6 The Mayor will act as the Chair of the MCA. The Mayor will have a term of 4 years and is elected by the local government elected for the areas covered by the constituent councils.
- 5.7 Each constituent council will have one representative who will be the Leader of the Council, Deputy Leader, directly elected mayor or deputy mayor of the relevant Constituent Council. It is also proposed that the LEP Chair would be a member as a non-constituent member. In total this represents 5 representatives including the Mayor, constituent councils and the LEP.
- 5.8 The constituent councils and the LEP will act as a Cabinet for the Mayor. The Mayor will allocate portfolios across his/her cabinet. The Mayor will also act as the public figurehead of the MCA and as the single point of contact with central Government, neighbouring councils and key partners.
- 5.9 Further associate Members or observers could be co-opted to the MCA but would not have any voting rights. In addition, the following will be invited to be non-constituent members:
  - Fareham BC
  - East Hants BC
  - Eastleigh BC
  - Gosport BC
  - Hampshire CC
  - Havant BC
  - New Forrest DC
  - Test Valley BC
  - Winchester CC

## Voting

- 5.10 Proposals for decision by the MCA can be put forward by the Mayor or any Cabinet Member. All constituent Members including the Mayor have one vote. The LEP will have a vote on specific matters (those relating to their functions) but no vote in issues that result in overturning a Mayoral decision. Any questions that are decided by the MCA are set to be decided by a majority of the constituent members present and voting save where otherwise expressed.
- 5.11 The Mayor's proposals for strategies and plans can be overturned by a two thirds majority of constituent councils. The Mayor can vote on MCA matters.
- 5.12 A number of reserved matters would require the unanimous support of the three constituent councils and the mayor/interim mayor:
- The co-option of additional voting or non-voting members onto the MCA;
  - Amendments to the governance scheme and its successor Constitution;
  - Adoption of the Spatial Strategy;
  - Adoption of a medium term financial plan, including the determination of any contributions from the constituent councils;
  - Approval of borrowing limits, the treasury management strategy and the investment strategy;
  - Establishment of arms-length companies;
  - Setting of any transport levy;
  - The adoption of key plans and strategies as determined by the MCA in its standing orders; and
  - Approval to receive new powers and responsibilities from central Government.

## Overview and scrutiny

- 5.13 An overview and scrutiny committee will be established to hold the Mayor and the Combined Authority to account. This committee will have the power to:
- Invite the Mayor and members of the MCA to attend before it to answer questions;
  - Invite other persons, including members of the public to attend meetings of the committee;
  - Review or scrutinise decisions made or decisions that could be made in the future relating to the functions which are the responsibility of the MCA;
  - Make reports or recommendations to the MCA in relation to their functions; and
  - Review or scrutinise a decision made but not implemented including the power to recommend that the decision be reconsidered by the MCA.



- 5.14 In so far as possible, the committee would reflect the political proportionality of the constituent councils. Its members cannot hold executive positions in those authorities. The chair of the committee would come from a different political party from the combined authority's majority party / the Mayor. The committee will also have the power to co-opt non-voting members.

**Officer capacity**

- 5.15 The MCA will need to have in place the relevant staffing resources, systems and procedures to deliver its functions. Statutory officers including the Head of Paid Service, Section 151 Officer and Monitoring Officer will be sourced from existing constituent bodies and ideally one will be appointed from each constituent council. Existing capacity in the MCA area will be maximised to provide an opportunity to ensure the best use of resources. Technical and policy support will be pooled as required or be provided through a constituent council.
- 5.16 A consistent and professional secretariat function will be formed. The overriding principle will be that the total officer resource will build on the capacity already in place across the 3 councils, existing bodies in the MCA area and the LEP and any additional costs would be offset by efficiencies and savings.

Annex 1

Scheme for the establishment of a Solent Mayoral Combined Authority

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# SOLENT

## Mayoral Combined Authority Scheme

## Annex 1

**Scheme for the establishment of a Solent Mayoral Combined Authority**

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*This Scheme is prepared and published by Portsmouth City Council, the Isle of Wight Council, and Southampton City Council under section 109 of Local Democracy Economic Development and Construction Act 2009, (the 2009 Act) as amended by the Cities and Local Government Development Act 2016 (the 2016 Act) and comprises proposals which were presented in a Strategic Governance Review (the Review) and a document titled "Draft Scheme").*

**Scheme for the Establishment of the Solent Mayoral Combined Authority**

1. Following the completion of the Review, the Isle of Wight Council, Portsmouth City Council, and Southampton City Council, have prepared this Scheme, pursuant to section 109 of the 2009 Act, for the creation of a mayoral combined authority (Mayoral Combined Authority).

The following general powers, functions, and freedoms are sought, together with those described in more detail throughout this Scheme:

- Responsibility for a consolidated, devolved transport budget, with a multi-year settlement
- Responsibility for (and powers in relation to) franchised bus services
- Responsibility for a new Key Route Network of a local authority roads that will be managed and maintained by the Mayoral Combined Authority
- Powers over strategic planning, including the responsibility to propose future spatial plans for the Mayoral Combined Authority Area
- Retention of 100% of business rates, and powers over their allocation
- Responsibility for the 19+ Adult Education Budget

It is recognised that further powers may be agreed over time and comprised in future legislation.

**Area of the Mayoral Combined Authority**

2. The area of the Mayoral Combined Authority shall be the whole of the following constituent local authority areas:

- Portsmouth City Council
- Southampton City Council
- The Isle of Wight Council

Each of the above authorities will be the Solent Mayoral Combined Authority's constituent members, and *Constituent Authority* and *Constituent Authorities* will be construed accordingly.

### **Name of the Authority**

3. The name of the Mayoral Combined Authority will be the *Solent Mayoral Combined Authority*.

### **Non-Constituent Authorities**

4. The following local authorities, the Non-Constituent Authorities, shall be invited to appoint representative members:

- Hampshire County Council
- Fareham Borough Council
- East Hampshire Borough Council
- Eastleigh Borough Council
- Gosport Borough Council
- Havant Borough Council
- New Forest Borough Council
- Test Valley Borough Council
- Winchester City Council

### **Membership of the Solent Mayoral Combined Authority**

5. The membership of the Mayoral Combined Authority shall be as follows (and *Member* and *Members* shall be construed accordingly):

- (1) The directly elected Mayor of the Mayoral Combined Authority (or Interim Mayor appointed in accordance with (4) below).
- (2) A single elected member appointed by each Constituent Authority. The elected member appointed must be the leader, deputy leader, directly elected mayor or deputy mayor of the relevant Constituent Authority (as appropriate) (*Constituent Authority Member*).
- (3) An alternative single elected member appointed by each Constituent Authority (which shall be either the leader, or directly elected mayor, or deputy leader, or deputy mayor (as the case may be)) to act as a Member of the Mayoral Combined Authority in the absence of the Member appointed under sub-paragraph (1) (*Substitute Member*).
- (4) An a separate elected member of a Constituent Authority, appointed by the unanimous agreement of the Constituent Authorities (failing which, a majority vote shall be acceptable), to act as Interim Mayor, such appointment to be for a period of up to six months (whereupon a member from a different Constituent Authority to the previous Interim Mayor shall be appointed as Interim Mayor) or up until the time that a directly elected Mayor is appointed (whichever is sooner).
- (5) Where a leader or deputy leader of a Constituent Authority is appointed as the Mayor or Interim Mayor, the Constituent Authority shall appoint the leader or deputy leader (not being the Mayor or Interim Mayor) as the member of the Mayoral Combined Authority, and shall appoint another member of the Constituent Authority as Substitute Member.

- (6) A Member voluntarily appointed by each of the Non-Constituent Authorities (*Non-Constituent Authority Member*), and the Chair of the Solent Local Enterprise Partnership (*Solent LEP Member*).

## **The Role of Mayor, Constituent Members, Solent LEP Member, Non-Constituent Members**

### **Mayor**

6. The Mayor shall oversee the delivery of functions by the Mayoral Combined Authority, all work areas, initiatives, and projects, and shall be the initiator of plans, policies, budget plans, and strategies, for the consideration of the Constituent Members. While some functions, projects, or initiatives, may be lead upon by Constituent Members following a delegation made in accordance with this Scheme, the Mayor shall continue to oversee all areas.

### **Constituent Members**

7. The Constituent Members shall jointly make decisions with the Mayor, scrutinising, challenging, and promoting recommendations brought before them. In addition to this, Constituent Members may individually lead on certain functions, projects, or initiatives, where a delegation has been made to them, in accordance with this Scheme (and subject to the supervisory role of the Mayor referred to at paragraph 6), above.

### **Solent LEP Member**

8. The Solent LEP Member shall be a decision-maker, alongside the Mayor and Constituent Members, in relation to the matters described at paragraph 21.

### **Non-Constituent Members**

9. The Non-Constituent Members shall participate on a voluntary basis in an advisory and non-voting capacity, in meetings of the Mayoral Combined Authority.

### **Co-optees**

10. Any individual co-opted by the Mayoral Combined Authority or the joint Overview and Scrutiny Committee, shall participate on a voluntary basis, and in an advisory and non-voting capacity, in meetings of the Mayoral Combined Authority, or the joint Overview and Scrutiny Committee.

### **Mayor, Interim Mayor, Members**

11. Upon appointment and taking office, the Mayor will chair the Mayoral Combined Authority. The Non-Constituent Authority Members shall be invited to participate in meetings, initiatives, and discussions by the agreement of the Constituent Members, and Mayor/Interim Mayor.

12. Up until the appointment and taking office of the Mayor the Interim Mayor will chair the Mayoral Combined Authority. Where the Mayor/Interim Mayor is absent from a meeting, the participating Constituent Members shall elect a chair for the duration of that meeting.

13. Each Member shall when acting in their role as Member, promote the best interests and objectives of the Mayoral Combined Authority Area.

14. A Constituent Authority, Non-Constituent Authority, and the Solent Local Enterprise Partnership may at any time terminate the appointment of their respectively appointed Member, which shall take effect upon the receipt of a notification to the Monitoring Officer of the Mayoral Combined Authority in writing (including by email) save in the case of a Constituent Authority it may not terminate the appointment of the Interim Mayor, and in the case of the Solent Local Enterprise Partnership, a termination shall only be effective where appointee is no longer the Chair of the Solent Local Enterprise Partnership.

15. If a Member of the Mayoral Combined Authority ceases to be a member of the Constituent Authority, Non-Constituent Authority, or the Solent Local Enterprise Partnership (or where the participation of a given Member is terminated in accordance with paragraph 9), the Member will automatically cease to be a member of the Mayoral Combined Authority, and the Constituent Authority, or Solent Local Enterprise Partnership (as the case may be) will appoint a replacement as soon as practicable, in accordance with the requirements of paragraph 5. In the case of a Non-Constituent Authority, the Non-Constituent Authority may (but shall not be required to) appoint a replacement and shall notify the Monitoring Officer of the Mayoral Combined Authority of its intention to do so.

16. The Mayor will allocate portfolios of functions to Constituent Members, which they shall have a special responsibility for overseeing, but shall not enjoy any decision-making power over unless a delegation is made in accordance with paragraph 18. Appointments will be the first business transacted at the Annual Meeting of the Mayoral Combined Authority and the appointments will be for the forthcoming municipal year.

### **Remuneration of Members**

17. No additional remuneration shall be payable by the Mayoral Combined Authority to its Members other than allowances for travel and subsistence. A Constituent Authority may, pay a special responsibility allowance to any Constituent Authority Member in respect of those duties and responsibilities undertaken in role as Member of the Mayoral Combined Authority. The cost of any such special responsibility allowance will be met by the relevant Constituent Authority.

### **Co-Opted Members**

18. The Mayoral Combined Authority may, upon a unanimous decision of the Constituent Members and the Mayor/Interim Mayor, co-opt additional members onto the Mayoral Combined Authority where it is likely to be beneficial to do so for the carrying out of its functions, on such terms as they determine.

### **Quorum**

19. The quorum for meetings of the Mayoral Combined Authority shall be three (3) (being Constituent Members or Mayor/Interim Mayor).

### **Voting**

20. The Constituent Members and the Mayor/Interim Mayor of the Mayoral Combined Authority will have one unweighted vote: the Mayor/Interim Mayor will have no second or casting vote. It is intended that decisions will be made by consensus. Where this is not possible, matters will be put to a vote and will require a majority vote of the Constituent Members and Mayor/Interim Mayor present and voting, apart from:

- Any decision requiring unanimity (described at paragraph 23 below)
- The specific exceptions described at paragraph 24

21. Non-Constituent Authority Members will not have voting rights. The Solent LEP Member may vote on matters relating the following functions:

**Functions – Strategic Planning**

**Functions – Economic Development, Employment and Skills, and Regeneration**

**Functions –Transport**

excepting any matters within those categories of functions expressly reserved to the Mayor/Interim Mayor and Constituent Members at paragraphs 23 and 24.

22. On the requisition of any one Member, made before a vote is taken, the voting on any matter shall be recorded so as to show how each Member voted and there shall also be recorded any member abstaining from voting. Where any member abstains from voting then they shall be deemed to have consented to the decision of the majority such that:

- in any decision which requires unanimity and where the abstaining member represents a Constituent Authority directly affected by the decision the matter may pass notwithstanding that the abstaining Member does not form part of the majority provided that all other directly affected Constituent Authorities (through their appointed member) vote in favour or abstain; and
- in any decision requiring unanimous support, the abstention of a Member will not prevent the matter passing provided all other Members vote in support or abstain (if all Members abstain the matter shall not pass).

23. The following matters require unanimity of support from Constituent Members and Mayor/Interim Mayor present:

- The co-option of additional voting or non-voting Members (including Co-opted Members) onto the Mayoral Combined Authority
- Amendments to the Constitution, including the making of any scheme of delegation
- Adoption of the Spatial Strategy/Plan
- Adoption of an annual budget and medium term financial plan, including the determination of any contributions from the Constituent Authorities and the distribution of pooled Business Rates
- Approval of borrowing limits, the treasury management strategy and the investment strategy
- Establishment of and membership in companies and/or other structures (including legal partnerships)

- Setting of any transport levy
- The adoption of key plans and strategies as determined by the Mayoral Combined Authority in its standing orders
- Approval to receive new powers and responsibilities from central Government
- Determination of questions relating to Members allowances

The Solent LEP Member may not vote on these matters.

24. The Mayoral Combined Authority may not adopt any plan or strategy prepared by the Mayor/Interim Mayor (including the Transport Plan) unless the Mayor has first consulted the Constituent Members. The Constituent Members may reject a plan or strategy prepared by the Mayor/Interim Mayor where a majority of the Constituent Members resolves to do so. The Solent LEP Member shall not vote on these matters.

### **Executive arrangements**

25. Executive arrangements (within the meaning of the Local Government Act 2000) shall not apply to the Mayoral Combined Authority. However, the discharge of the functions of the Mayoral Combined Authority will be subject to the scrutiny arrangements set out in paras 26 to 30 below.

### **Committees and Sub-Committees**

#### Scrutiny arrangements

26. The requirement to ensure accountability and transparency will be fulfilled by the Mayoral Combined Authority by establishing a joint Overview and Scrutiny Committee of at least three (3) members drawn from the Constituent Authorities (which reflects the political balance of the Constituent Authorities) to exercise scrutiny functions over the Mayoral Combined Authority in accordance with the provisions of Section 104 and Schedule 5A of the 2009 Act.

27. The membership of the Overview and Scrutiny Committee must not include a Mayoral Combined Authority Member or a member of the executive of a Constituent Authority.

28. The Overview and Scrutiny Committee will have the power to:

- Require Mayoral Combined Authority members and officers to attend meetings and answer questions
- Invite others to attend the meetings
- Review or scrutinise decisions or other actions taken by the Mayoral Combined Authority
- Make (and publish) reports or recommendations to the Mayoral Combined Authority
- Require that a decision that has not been implemented be reconsidered by the members of the Mayoral Combined Authority



29 The Overview and Scrutiny Committee may appoint sub-committees to deal with matters within its remit and will have the power to co-opt additional non-voting representatives for specific scrutiny tasks where it would be beneficial to the functions carried out by the committee to do so.

30. Where the Overview and Scrutiny Committee makes a report it may also publish it and require a response from the Mayoral Combined Authority. The notice published must give the Mayoral Combined Authority at least two months to consider the report.

### Audit Committee

31. The Mayoral Combined Authority will establish an Audit Committee of three (3) members drawn from the Constituent Authorities (not being the Constituent Authority Members, or Mayor, or Interim Mayor) and will be responsible for:

- Reviewing and scrutinising the Mayoral Combined Authority's financial affairs
- Reviewing and assessing the Mayoral Combined Authority's risk management control and corporate governance arrangements
- Reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the Mayoral Combined Authority's functions
- Making reports and recommendations to the Mayoral Combined Authority in relation to reviews conducted under the above

32. The members of the Audit Committee will reflect the political balance of the Constituent Local Authorities, and must not include a Mayoral Combined Authority Member or a member of the Executive of a constituent authority. The expectation will be that the members chosen will have the skills and experience described in the CIPFA guidance on Audit Committees.

### Sub-Committees

33. The Mayoral Combined Authority may establish sub-committees to focus on specific Mayoral Combined Authority work areas.

### **Functions - Overall Purpose**

34. The purpose of the Mayoral Combined Authority (*Purpose*) is the exercise of statutory functions in relation to economic development, regeneration, and transport in the Mayoral Combined Authority Area in an improved manner leading to an enhancement of the economic conditions and performance of the Mayoral Combined Authority Area: that is the creation of more skilled and better paid jobs, more inward investment, a reformation of public services and a positive effect upon the factors which may contribute to the welfare bill of the Mayoral Combined Authority Area. The related interventions will have differential spatial impacts across the Mayoral Combined Authority area, but should aid delivery of key growth projects in the emerging and future local plans of Constituent Authorities.

35. The primary focus of the Mayoral Combined Authority is to take responsibility for a programme of investment in transport and economic infrastructure and will influence and align with Government investment in order to achieve the Purpose. In pursuit of this, the

Mayoral Combined Authority will have the following powers, described thematically, by function. These powers will be exercised concurrently by the Mayoral Combined Authority and the Constituent Authorities, and the Mayoral Combined Authority will and the Constituent Authorities seek to cooperate with each other and the Non-Constituent Authorities.

### **Functions - General Powers and Duties of the Mayoral Combined Authority**

36. The Mayoral Combined Authority shall have the following general powers and duties (together with any which the secretary of state considers necessary) to be exercised in furtherance of its specific functions:

- The power to do anything the Mayoral Combined Authority considers appropriate:
  - for the purposes of carrying out (or connected to) any of its functions
  - purposes incidental to and/or indirectly incidental to carrying out its functions; or,
  - for a commercial purpose  
(section 113A of the 2009 Act)
- Designation as a *Specified Body* pursuant to section 33(3)(k) of the Value Added Tax Act 1994
- The power to instigate and defend legal proceedings (section 222, Local Government Act 1972)
- The power to research and the collect information in relation to the exercise of any of its functions (subsection 1(a) and (b) of section 88, Local Government Act 1985)
- the duty to appoint a Head of Paid Service, a Monitoring Officer and an Officer with responsibility for the administration of the Mayoral Combined Authority's financial affairs (sections 4 and 5, Local Government and Housing Act 1989, and section 151, Local Government Act 1972)
- the power to raise money by borrowing (section 1, Local Government Act 2003)
- the power to appoint staff and to enter into agreements with other public bodies for the secondment of staff (section 113, Local Government Act 1972)
- the duty (without prejudice to any other obligation) to exercise its functions with due regard to the need to prevent crime and disorder, the misuse of drugs and alcohol or re-offending in its area (section 17, Crime and Disorder Act 1998)
- The function of a local authority to take such steps as it considers appropriate for improving the health of the people in its area (section 2B, National Health Service Act 2006)

### **Functions - Strategic Planning**

37. The Mayoral Combined Authority will have powers adopt a non-statutory spatial development strategy for the Mayoral Combined Authority Area - which may be considered by the Constituent Authorities in their local planning frameworks - to enabling the Mayoral Combined Authority to act as the forum for local authorities to exercise the Duty to Cooperate, in respect of strategic planning matters.

## Functions – Economic Development, Employment and Skills, and Regeneration

38. The Mayoral Combined Authority will be focused on the Purpose, and the powers of the Constituent Authorities and the Solent Local Enterprise Partnership relevant to the Purpose will be exercised concurrently, not ceded to the Mayoral Combined Authority, unless the Constituent Members, Mayor/Interim Mayor, and Solent LEP Member unanimously agree that the exercise of those responsibilities by the Mayoral Combined Authority alone would promote the achievement of the purposes. The responsibilities include:

- an investment plan in relation to economic development, employment and skills, and/or regeneration
- an inward investment strategy
- a strategy and activity plan for place-based marketing
- economic assessments and research to provide an evidence base for future economic strategy
- a long-term strategy for promoting investment in housing and regeneration
- acting as accountable body for interventions, projects and programmes for whole Mayoral Combined Authority Area interventions
- a strategic plan for skills delivery across the Mayoral Combined Authority Area
- acting as a focus for the One Public Estate programme and developing proposals for public sector locational hubs in city, town and district centres allowing local, regional and national public sector bodies to take advantage of modern integrated working to reduce costs, improve productivity and offer better services to the communities of the Mayoral Combined Authority
- identification and realisation of funding opportunities

39. The Mayoral Combined Authority shall have the following functions in relation to the above responsibilities, and *economic development, employment and skills, and regeneration* in general:

- Such functions of the constituent councils as are exercisable by them for the purpose of economic development and regeneration in reliance on the general power of competence (section 1, Localism Act 2011, (and any other specific power))
- the power to acquire land by agreement or compulsorily for the purpose of any of its functions and to dispose of such land (sections 120 and 121, Local Government Act 1972 (and any other specific power))
- The duty of a local authority to prepare an assessment of economic conditions in its area (section 69, 2009 Act)
- The power of a local authority to arrange for the publication within their area of information relating to the functions of the authority, etc (section 142(2), Local Government Act 1972)

- The power of a local authority to encourage persons to visit their area, etc (section 144, Local Government Act 1972)
- The duty to secure that enough suitable education and training is provided to meet the reasonable needs of 16-19 year olds, 19-25 year olds who are subject to learning difficulty assessment and persons who are subject to youth detention. The duty to co-operate with local authorities exercising these duties (section 15ZA, 15ZB, 15ZC, 18A, 18A(1)(b), 514A, and 560A, Education Act 1996)
- The duty to cause a review to be conducted of quality for the time being, and the likely future quality within the relevant period, of air within the authority's area and associated duties, duty to designate air quality management areas (section 82, Environment Act 1995)
- The power to designate air quality management areas, and duties in relation to any designated area (sections 83 and 84, Environment Act 1995)

**Functions - Transport**

40. The Mayoral Combined Authority will have the following responsibilities and functions:

- Developing and keeping under review a single, Local Transport Plan (or its equivalent) for the Mayoral Combined Authority Area, which will include high level policy for major investments (e.g. freight, cycle, rail, highway maintenance, new transport infrastructure, traffic management), and set the long-term strategic transport vision and outcomes for the Mayoral Combined Authority Area, having regard to the Strategic Economic Plan as it is from time to time adopted by the Solent Enterprise Partnership, and prepared with the engagement with and coordination of key stakeholders (such as contiguous local authorities), (section 108, Transport Act 2000)
- Taking responsibility for a devolved and consolidated multi-year local transport budget for the area of the Combined Authority, including all relevant devolved highways funding, and acting as accountable body for transport schemes, such as devolved major transport schemes (and their functions)
- Setting the transport levy for the Mayoral Combined Authority Area (section 74, Local Government Finance Act 1988)
- The duty to prepare a report on the levels of local road transport and a forecast of the growth in those levels in relation to the Mayoral Combined Authority Area (section 2, Road Traffic Reduction Act 1997)
- Powers for the franchising of bus services in the Mayoral Combined Authority Area (it is anticipated that this will be enabled through the *Bus Services Bill*, the main features of the relevant powers are anticipated to include:
  - Control over all ticketing arrangements for franchised services- including fares, ticket types, branding and marketing
  - Affording flexibility to operators to set some or all aspects of ticketing arrangements commercially

- Affording the right to cross-boundary operators to participate in the ticketing scheme)
- Responsibility for the management and maintenance of a *Key Route Network* of local authority roads within the Mayoral Combined Authority Area, (and the Mayoral Combined Authority shall be empowered with such appropriate functions in relation to the management and maintenance of highways as are necessary to do so, including:
  - The duty of a local traffic authority to manage their road network with a view to securing the expeditious movement of traffic on its own roads, and facilitating the same on the roads of other authorities (sections 16 and 17, Traffic Management Act 2004)
  - The duty of a local authority to prepare and carry out a programme of measures to promote road safety, including road safety studies, accident prevention schemes and the provision of information and advice (section 39, Road Traffic Act 1988)
  - Power to promote a local charging scheme (section 164, Transport Act 2000)

#### **Functions – Public Service Reform**

41. The Mayoral Combined Authority will act as a forum to coordinate the development and delivery of a public service reform plan alongside wider partners in the public, private and voluntary sectors in the relation to the whole of the Mayoral Combined Authority Area.

42. The Mayoral Combined Authority will act as the key decision making forum and accountable body for the plan referred to in paragraph 43 and any related external funding provision.

#### **Functions - Housing**

43. The Mayoral Combined Authority will develop a general and site-specific delivery plan for housing, and will identify opportunities for working with the Constituent Authorities, the Solent Local Enterprise Partnership, and government agencies such as the Homes and Communities Agency, to support the delivery of housing (including the regeneration of existing housing stock of the two cities, and the Isle of Wight) whether acting as enabler, funder, or lead delivery body.

44. The Mayoral Combined Authority will have the following function (together with anything else that the secretary of state considers necessary):

- The duty of local housing authorities to consider conditions in their area and the needs of the district with respect to the provision of further housing accommodation (section 8(1), Housing Act 1985)

(the delivery of housing development, acquisition of land, and the building of dwellings under section 9, Housing Act 1985, will remain an exclusive function of the Constituent Authorities).

### **Funding - Transfer of Property, Rights and Liabilities**

#### Funding

45. The Mayoral Combined Authority will be funded by way of a *Single Pot* capital grant, of £30million per annum, being a mix of capital (75%) and revenue (25%) and will have the power to borrow in relation to its functions. It would, in addition, retain 100% of any business rates received by the Constituent Authorities (including any uplift in business rates growth), to be re-invested in both further growth opportunities and in sustaining public services. Accrued business rates will be pooled between the Constituent Authorities, and decisions on their distribution will be made in accordance with the voting arrangements described above (that is, a unanimous vote of the Constituent Members and Mayor/Interim Mayor).

46. As is described at paragraph 41, above, the Mayoral Combined Authority as a levying body under section 74 of the Local Government Finance Act 1988 shall have the power to issue a levy to its Constituent Authorities in respect of the expenses and liabilities of the Mayoral Combined Authority which are reasonably attributable to the exercise of its functions relating to transport. (The core principle in determining the levy shall be that the total contribution from each Constituent Authority for funding transport services for the year shall not exceed the equivalent cost for the year as it would have been calculated under previous arrangements).

47. Any unmet costs in relation to the administration of the Mayoral Combined Authority that are reasonably attributable to the exercise of its functions (and any start-up costs) shall be met (actually, or in kind) by the Constituent Authorities on a proportionate and equitable basis, based on population.

#### Transfer of Property, Right and Liabilities, and appointment of statutory officers

48. A transfer scheme of property, rights and liabilities existing at the transfer date and relevant to the transport functions of the Mayoral Combined Authority shall be prepared and agreed as soon as reasonably practicable including rights and liabilities in relation to contracts of employment.

49. The Mayoral Combined Authority shall appoint any statutory or proper officer posts, and in particular:

- Head of Paid Service
- S151 Officer
- Monitoring Officer

It is anticipated that these positions will be undertaken by officers already serving in one or more of the Constituent Authorities whether serving as appointees to those statutory roles or not.

**Delegations**

50. The Mayoral Combined Authority may make arrangements for the exercise of any of the Mayoral Combined Authority's Functions by Committees, Sub-Committees, Officers, joint committees or other local authorities pursuant to section 101 of the Local Government Act 1972. Where the Mayoral Combined Authority elects to make such arrangements the detail of the functions to be discharged and any conditions on such discharge shall be recorded in a scheme of delegation within the constitution of the Mayoral Combined Authority.

51. The Mayoral Combined Authority will review the scheme of delegation at least annually as part of any review of its Constitution.

52. The Mayoral Combined Authority may establish such committee or sub-committees as it considers appropriate and may delegate powers and functions accordingly.