

Report to: **Cabinet**
Date: **19 July 2016**
By: **Chief Executive**
Title of report: **Three Southern Counties (3SC) Devolution Update**
Purpose of report: **To provide an update on the progress of 3SC devolution activity and to confirm the next steps**

RECOMMENDATIONS:

Cabinet is recommended to note the report.

1. Background

1.1 A progress report on the 3SC devolution work was considered by Cabinet at its March 2016 meeting and this was followed by a Members' Devolution Briefing. This report provides an update on the activity that has taken place since this date and on the latest position prior to reporting to Cabinet in July 2016.

2. Position Update

2.1 A seminar was organised in April 2016 for the Leaders of the 3SC Borough, County and District Councils, the Chairman of the East Sussex Fire Authority, the Chairmen of the Local Enterprise Partnerships and the Chair of the South Downs National Park Authority to provide an update on the progress of the devolution proposals and to support the development of a shared understanding of the next steps. The event was successful in bringing together the key partners and in providing them with an opportunity to engage in the work and to share their views about the proposals. The seminar provided the momentum to develop further the discussions with Government and a follow up Leaders' meeting is scheduled for 11 July 2016. An oral update of the 11 July meeting will be provided at Cabinet.

2.2 Members and officers from across the partnership have continued to develop further the "asks" and "offers" set out in the 3SC Prospectus which was submitted to Government in September 2015. The initial meeting with Government to commence formal discussions took place in January 2016 with Baroness Williams, Parliamentary Under-Secretary of State for Communities and Local Government. This meeting has been followed by a series of thematic discussions with various Government departments to explore and develop how each of the elements of the Prospectus could form part of a 3SC devolution deal. A recent meeting with officials from the Treasury and the Department for Communities and Local Government confirmed the strengths of the 3SC proposals and Ministerial support for the direction of travel.

2.3 As the discussions progress and the devolution proposals are developed further, the link between the 3SC asks and offers (grouped broadly into six workstreams: fiscal and investment, housing and planning, infrastructure, public service transformation, skills and governance) is becoming stronger and the single, compelling narrative for 3SC devolution is becoming more persuasive. An overview of the 3SC devolution proposals is set out in Appendix 1.

2.4 Of the overarching 3SC narrative, a new development to note is the proposal, being explored as part of the infrastructure activity, to create a Sub-National Transport Body (SNTB) for the South East. An overview of SNTBs and the proposals for an SNTB for the South East is set out in Appendix 2.

2.5 Discussions with the Department for Transport (DfT) have confirmed the following:

- the 3SC will need to be part of an SNTB if it is to have the influence, as sought as part of the devolution proposals, over infrastructure in the area, in particular determining the priorities of Highways England and Network Rail; and
- the DfT is committed to the creation of a small number of SNTBs across the country and to ensuring that there are no gaps or “white space” not covered by an SNTB within the final map of SNTBs.

2.6 The 3SC Councils have been asked by the DfT to assist in developing the proposals for the SNTB. In addition to being able to influence the governance arrangements that will be put in place, engagement at this stage will ensure the 3SC are part of early stage discussions in relation to the footprint for the SNTB for the South East. There has been an initial suggestion that the areas currently working in partnership as the South East Seven (SE7) would form a strong basis for the geography of the SNTB, however, it is also understood that engagement with the Isle of Wight Council, Portsmouth City Council, Southampton City Council and, potentially, other areas may be requested by the DfT. These discussions are at an early stage and will be developed further over the coming months prior to a formal decision being required. Rupert Clubb, Director of Communities, Economy and Transport, is the officer leading this activity on behalf of the 3SC and SE7 Councils.

2.7 A Communications and Engagement Strategy has been agreed to support the development of the devolution deal to ensure partners, Members, residents and MPs are engaged and updated on progress.

2.8 Activity to consider the governance arrangements required to deliver a devolution deal continues to be planned and will be finalised when the detail of a deal is known.

2.9 The East Sussex Borough and District Councils and representatives from East Sussex Fire and Rescue Service and the South East Local Enterprise Partnership are engaging with and contributing to the development of the 3SC devolution deal.

2.10 The 3SC and Greater Brighton Economic Board are working together and collaborating, where appropriate, to progress the development of the respective deals.

3. Next Steps

3.1 Detailed discussions with Government and relevant partners will continue to deliver the best possible devolution deal for residents, businesses and communities and to determine the timescale for delivering the deal. A meeting with Rt Hon Greg Clark MP, Secretary of State for Communities and Local Government, took place on 7 July 2016 and an oral update will be provided to Cabinet.

3.2 Networks will be accessed to ensure the 3SC can learn any lessons from other areas that are further advanced in their devolution negotiations with Government.

3.3 Any decisions affecting East Sussex County Council will be taken through the established decision making processes.

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1. The 3SC (East and West Sussex and Surrey) are pursuing a devolution deal with Government to improve outcomes for local residents and businesses through economic growth, enhanced productivity and a transformation in public service delivery. The 3SC are taking advantage of the Government's commitment to devolving powers and resources to a local level, allowing Authorities to make collective decisions about key services affecting the whole area.
2. The economy of the 3SC has a combined GVA of £74 billion, bigger than Wales and Greater Manchester, making a significant contribution to the national exchequer. However, the area's future economic performance, and the quality of life of local residents, is at risk because of creaking infrastructure and the challenges that businesses face in recruiting and retaining staff.
3. The devolution proposition comprises 6 workstreams: infrastructure; housing and planning; skills; public service transformation; fiscal devolution; and governance.
4. The 3SC are seeking a devolution deal with Government to enable growth of the area's contribution to the national economy by:
 - Agreeing a long-term infrastructure strategy to improve capacity on the rail and road networks and develop the digital infrastructure;
 - Action to accelerate housebuilding and improve the range of housing available;
 - Greater engagement with business, education and others to ensure employers have access to the skills they need and address barriers to employment for people with lower skills; and
 - Public service transformation to meet the needs of residents at less cost.
5. Government has an important part to play in enabling the area to maintain and grow its contribution to the national economy through a devolution deal. The 3SC seek:
 - The pooling of relevant national funding streams locally;
 - An ability for the area to share the financial benefits of growth including retaining a proportion of stamp duty at least for a limited time period;
 - Active Government support to enable the development of new relationships with key national agencies (including the Department for Work and Pensions, Skills Funding Agency, Homes and Communities Agency, Highways England and Network Rail);
 - Speedier release of public land and licensed exemptions from a number of regulations to enable the proposed delivery vehicles and hit squads to get real traction; and
 - Government involvement in the co-design of public services.
6. To ensure the governance arrangements are fit for purpose, the 3SC commits to:
 - Establishing a mechanism for collective binding decision making across the 3SC; and
 - Creating a clear point of accountability for the local delivery of the devolution deal.
7. The 3SC are confident that this deal will have delivered, in five years' time:
 - At least 34,000 new homes;
 - A firm programme for improving crucial transport corridors;
 - A reduction in hard to fill vacancies and skills gaps; and
 - A proven shift to preventative activity with a consequential reduction in costs.

An Overview of Sub-National Transport Bodies and Proposals for the South East

1. Background to Sub-National Transport Bodies

1.1 The Cities and Local Government Devolution Act makes provision for the establishment and constitution of Sub-National Transport Bodies (SNTBs) for any area in England (outside of Greater London).

1.2 An SNTB has the ability to prepare a Transport Strategy for an area. This Transport Strategy is defined as a document which contains the SNTB's proposals for the promotion and encouragement of safe, sustainable, integrated, efficient and economic transport facilities and services to and from the area of the SNTB.

1.3 The establishment of an SNTB must cover the whole area of at least two relevant authorities. The following bodies are considered a relevant authority for the purposes of the Act:

- A Combined Authority;
- An Independent Transport Authority;
- A County Council;
- A Unitary Authority; and
- The Council of the Isles of Scilly.

1.4 An SNTB, which is a body corporate, will only be established by the Secretary of State if it is considered that:

- Its establishment would facilitate the development and implementation of transport strategies for the area, and
- The objective of economic growth in the area would be furthered by the development and implementation of such strategies.

2. Proposals for a Sub-National Transport Body for the South East

2.1 At the 3SC challenge meeting in January 2016, Baroness Williams, Parliamentary Under Secretary of State at the Department for Communities and Local Government, was clear that the 3SC area was too small to establish its own SNTB. A subsequent meeting with Department for Transport (DfT) officials has confirmed this position.

2.2 The 26 Councils that comprise the 3SC area would be in a strong position in an SNTB as the Economic Plan that would be agreed as part of a devolution deal would become a requirement that the SNTB would assist in delivering.

2.3 It is likely that an SNTB for the South East will be established. Engagement by the Councils at this stage can influence the boundary and governance arrangements that will be put in place.

2.4 The boundary of an SNTB has to cover at least two relevant authorities as outlined in paragraph 1.3 above. The SNTB boundary needs to be large enough to allow the genuine strategic consideration and planning of transport infrastructure within it. Much of the strategic transport infrastructure in the South East may start in one Local Authority area and finish in another.

2.5 Discussions are taking place in relation to the geographic footprint of the SNTB for the South East in accordance with the requirement for scale and the need to have no gaps or “white spaces” not covered by an SNTB across the country. The feasibility of the suggestion to develop the SNTB based on the South East Seven boundary is being explored along with other options as this may be requested by the DfT.

2.6 The rationale for the proposed South East SNTB footprint is that:

- It would have an economic strength similar to Transport for London (TfL) and Transport for the North;
- It would have considerable influence over national and regional infrastructure providers endorsed by Central Government; and
- Significant elements of the infrastructure that 3SC requires to be enhanced to support future growth lies outside the immediate 3SC boundary and, therefore, requires significant joint working with neighbouring Authorities/bodies (ie. TfL, Berkshire, Kent, Hampshire). An indication of some of the strategic infrastructure that the area relies upon is shown in the map attached as Annex 1.

2.7 The definition of infrastructure should include the obvious vital strategic road and rail links but should also include digital connectivity, regional utilities and the South East’s Natural Capital. The broad remit for the SNTB would be to secure, from the appropriate bodies, the infrastructure to support the continued economic development of the area covered by the SNTB and to be the principle interface for infrastructure on regional (including TfL and adjacent SNTBs) and national infrastructure initiatives (High Speed Rail, airports etc). For the 3SC area, the infrastructure needs of the area would be identified by the 3SC Combined Authority.

2.8 The SNTB would be expected to work with the National Infrastructure Commission, the Local Enterprise Partnerships and Government bodies across this wider geography on strategic infrastructure provision including specification, procurement of delivery and identifying and securing funding streams. It would also ensure that the delivery of infrastructure is delivered in a timely manner in support of the 3SC growth agenda.

2.9 Local Transport/Infrastructure Authorities could, in the future, potentially specify, manage and oversee the tendering of bus and rail franchises serving the area if this was a shared ambition in connectivity across the south. This could include an integrated ticketing concession scheme supporting broader integrated transport objectives.

The Strategic Infrastructure In and Around the 3SC Area

