



Council Overview Board
1 March 2017

Devolution

Purpose of the report: Scrutiny of Policy Development and Review.

This report invites the Council Overview Board to note the current position on the Three Southern Counties (3SC) devolution proposals and progress on Surrey Joint Working (previously known as “double devolution”).

The Three Southern Counties (3SC)

1. The Three Southern Counties (3SC) is a partnership of 26 councils in Surrey, East Sussex and West Sussex, three Local Enterprise Partnerships, East Sussex Fire Authority and the South Downs National Park Authority. Together the 3SC has been developing proposals for devolution intended to deliver a financial return for the UK, as well as benefits for local residents and businesses – helping drive the economy forward, while also making the area a better place to live, work and visit.

3SC negotiation update

2. The 3SC submitted its [Prospectus](#) (Annex C) to Government in September 2015. As described in the Prospectus, the 3SC programme comprises seven workstreams. A number of the workstreams seek to address key issues affecting the 3SC area.
3. Each workstream has a Chief Executive Sponsor and Leader or Local Enterprise Partnership (LEP) champion. The table below provides details and also gives a brief description of the remit of each workstream.

Workstream	Leader/LEP Champion	Chief Executive Sponsor
Fiscal & Investment To develop an Investment and Affordability Strategy that describes the investment needed, the benefits derived, the size of the funding gap and then identifies ways of financing this and mechanisms that would help meet associated costs.	Cllr Tony Dignum, Chichester District Council	John Jory, Reigate and Banstead Borough Council
Governance To create a governance model for the 3SC that all partners and Government can sign up to, including consideration of Combined Authority and Mayoral Combined Authority models. This will enable the agreement of a deal and devolution of powers.	Cllr Peter Lamb, Crawley Borough Council, supported by Leaders on a Task Group	Louise Round, Tandridge District Council
Housing and Planning To develop a plan to: <ul style="list-style-type: none"> • Bring pace and certainty to the delivery of the housing planned for in Local Plans. • Reduce the significant risks associated 	Cllr Gary Wall, Mid Sussex District Council	Kathryn Hall, Mid Sussex District Council

<p>with the delivery of the infrastructure needed and work towards addressing the overall deficit.</p> <ul style="list-style-type: none"> • Improve the prospects for those struggling to access affordable housing in the area in the context of ensuring our economy has the skills it needs. This will include providing more flexibility for stock and non-stock owning authorities to manage the supply of tenure mixes. 		
<p>Infrastructure and Digital To produce a strategy that provides a clear framework for future infrastructure investment in 3SC area and beyond until 2050. The strategy will identify existing capacity problems and open up new opportunities setting out what infrastructure is needed and where and when it will be required.</p>	Tim Wates, Chair, Coast to Capital Local Enterprise Partnership	Rupert Clubb, Director Communities, Economy and Transport, East Sussex County Council
<p>Public Service Transformation Using a whole systems approach, the Public Service Transformation workstream will develop a programme of work around transforming public services to achieve improved outcomes for residents and savings for the organisations involved.</p>	Cllr David Hodge, Surrey County Council	David McNulty, Surrey County Council
<p>Skills To develop a 3SC Skills Strategy that will ensure providers are delivering the skills that local employers require to grow and prosper and that local residents need in order to thrive, to maximise the opportunities presented by the Government's reforms to apprenticeships and to work with Government to co-design future employment initiatives so that they support those most in need while also supporting economic growth.</p>	Cllr Keith Glazier, East Sussex District Council	Becky Shaw, East Sussex District Council
<p>Communications and Engagement To make the case for the area and support workstreams in their specific communications and engagement activity.</p>	Cllr Louise Goldsmith, West Sussex County Council, supported by Cllr Vivienne Michael, Mole Valley District Council	Nathan Elvery, West Sussex County Council

- The 3SC Leaders agreed that Councillor Louise Goldsmith (West Sussex County Council) should Chair a Leaders' Board during the negotiating phase with Councillors Andy Smith (Lewes District Council) and Moira Gibson (Surrey Heath Borough Council) as Vice Chairs.
- Following a range of positive meetings with Ministers and senior civil servants, Leaders agreed that 3SC should begin formal negotiations with Government in October 2016. Since then however, the Government has been revisiting its approach to devolution – not least given the focus on Brexit. We are awaiting further information. The Green Paper on the Modern Industrial Strategy was published on Monday 23 January and the Housing White Paper on Tuesday 7 February. Both will influence how the 3SC proposals will land.
- The latest position is set out in Councillor Goldsmith's note to 3SC Leaders of 4 January 2017 (see Annex A). Leaders have agreed the "strategic pause" proposed.
- A [3SC](#) website has also been established to hold key information about the work.

Surrey Joint Working ("double devolution")

- In parallel, Surrey County Council has been working with Surrey District and Borough Councils to consider the potential for devolving County Council functions and budgets to Boroughs and Districts and more collaborative ways of working.

9. The work is being undertaken by a sub-group of the Surrey Chief Executives Group, chaired by the Chief Executive of Epsom and Ewell Borough Council with representatives from Elmbridge, Mole Valley, Spelthorne, Surrey, Waverley and Woking as well as the County Council.
10. The paper at Annex B was presented to the Surrey Chief Executives' Group on 9 December 2016 providing an update on this work and next steps. Chief Executives agreed the recommendations in the paper and work to develop the programme continues.

Recommendation

11. That the Council Overview Board notes the current position and agrees to review progress later in the year.

Next steps

12. Repositioning the 3SC ambitions once Government thinking is clearer.
13. Surrey Chief Executives will continue to develop the detail of the Surrey Joint Working Programme.

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Sources/background papers:

Annex A Note from Councillor Louise Goldsmith to 3SC Leaders on next steps

Annex B Double Devolution Report

Annex C 3SC Prospectus

Annex A: 3 Southern Counties update from Cllr Louise Goldsmith – December 2016

1. This paper provides an update on progress made on the 3SC proposals since the last Leaders' Board on 19 September and seeks a steer from Leaders on next steps.

Progress to date

3SC negotiation update

2. As agreed at the last Board meeting, officers submitted the 3SC “asks and offers” to civil servants in October, seeking to open formal negotiations. Simon Ridley, the Director General at the Department for Communities and Local Government (DCLG), subsequently replied, welcoming the document.
3. Workstream negotiations are ongoing and there have been a number of meetings (for example, on governance on 19 October and digital and 5G connectivity on 28 November). Civil servants have noted the strength of the 3SC partnership and are impressed by the collaborative approach demonstrated by the 3SC, for example, the joint response on business rates retention. It may be helpful to identify future opportunities to respond collectively in this way (see below).

National policy developments

4. Following the Autumn Statement, more information is awaited on the Industrial Strategy and Housing White Paper. It is also yet to be clarified how the infrastructure funding will be allocated in future.
5. The ***Industrial Strategy*** will be core to the Government's future policy direction and place-based approach. We understand that a consultation document is likely to be published before Christmas and the 3SC may wish to consider making a collective response on this and the ***Housing White Paper*** which we understand will be published around the same time.
6. In addition, a ***devolution stocktake*** is underway in central government, reviewing the deals that have been done and the associated benefits, together with learning from those which have not been concluded. The outcome of this stocktake - which should clarify the Government's policy on devolution in England - will clearly be key in considering the way forward for the 3SC.

Workstream updates

7. In the meantime workstreams continue to develop their proposals, following the steer provided at the last Leaders' Board meeting. This includes the first meeting of the Leaders' ***Governance Sounding Board*** on 19 October and follow up work with the fiscal workstream to determine the impact of governance models on a likely fiscal offer. (At the County Council Network (CCN) conference the Secretary of State said that Mayoral Combined Authorities remain key to agreeing ambitious deals – securing direct accountability of the Mayor to the electorate. However, officials have advised that Ministers may be prepared to consider non-Mayoral models if they offer the same degree of clarity of responsibility for decision making.)
8. The ***fiscal workstream*** is also working on an economic impact assessment to model future population and property growth across the 3SC, and the impact on Council budgets and services. This will assess the affordability of local fiscal contributions for individual 3SC Councils.

9. The *infrastructure workstream* is engaging with the three LEPs to develop an economic plan for the 3SC area – this will be a short statement setting out a high level vision for sustainable economic growth.
10. The *skills workstream* is developing a draft framework strategy which will be shared soon with key stakeholders. This will include an engagement event for skills providers in early 2017. There are suggestions that there may be a Skills White paper in the spring that would shape next steps.
11. The *digital workstream* is further developing its approach following a meeting with civil servants and continuing to work closely with universities within the 3SC.

Sub National Transport Body (SNTB) for the South East

12. Influence over strategic transport investment decisions will be key to unlocking potential for the 3SC area. The best way to deliver this is through the creation of a SNTB for the South East – where the 3SC will have a strong voice.
13. Transport Authorities across the South East have agreed in principle to set up a shadow SNTB and provide funding for the work required to develop the proposal further. Transport Authorities have been taking papers through their relevant democratic processes in November and December to formally agree this approach.

Next Steps

14. Much progress has been made by the 3SC since it came together as a partnership in autumn 2015. Relationships are strong, work is underway to address the key issues which are holding back the 3SC area and the 3SC case has landed well with civil servants.
15. However, as set out above, the Government is reviewing its position on devolution whilst also developing its thinking on key issues– including the Industrial Strategy and the Housing White Paper. Positioning the 3SC ambitions to ensure they land well is harder against that backdrop but it is clear that we will need to be ready to take advantage of opportunities from emerging Government thinking including in terms of the specific implications for the ambitions of the 3SC that we have set out.
16. In these circumstances Leaders may wish to discuss next steps in their regular county meetings, including the right timing for the next Leaders' Board meeting.

It would be helpful to know either from individual Leaders or from groupings:

1. **If Leaders are content that we continue to develop our ideas on the major issues for the 3SC given that we need to be able to respond effectively to take advantage of any changes in Government policy– and if so:**
2. **When Leaders next wish to come together as the 3SC Leaders' Board**
 - a. **In the period between agreeing Council budgets in February and the start of purdah in March? OR**
 - b. **After May 2017 with discussions continuing on a county by county basis in the interim?**
3. **If at this stage Leaders wish to continue work on governance and associated fiscal issues with the aim of bringing forward a paper for discussion and decision at the next meeting?**

- 4. If Leaders agree the 3SC should continue to make collective responses to Government for example on the forthcoming Industrial Strategy consultation - where it will further strengthen the 3SC's case?**

Annex B: Surrey Joint Working (Double Devolution) - update and proposals 9th December 2016

1. Background

As part of the 3SC devolution discussion, the potential for further devolution to boroughs and districts was identified. Following agreement that this work would primarily be progressed on an individual county basis, the Surrey Chief Executives set up a sub group in early 2016 to develop proposals for Double Devolution in Surrey. This group is chaired by Frances Rutter with representatives from Elmbridge, Epsom & Ewell, Mole Valley, Spelthorne, Surrey, Waverley and Woking.

Engagement with all 12 authorities has identified a wider range of opportunities, beyond that of devolving services (and the associated financial risk) from the first to second tier of local government. This wider range of opportunities centres on improved joint working with scope to vary the number of authorities, activities and methods of delivery. Recognising this refocused approach, the sub group propose that this work on Double Devolution should now be rebranded as the Surrey Joint Working programme.

The initial focus of the Surrey Joint Working programme has been on environmental maintenance activities, as an area of significant joint interest and where funding is under increased pressure. The experience gained provides the basis for consideration of further joint working opportunities across a range of other services.

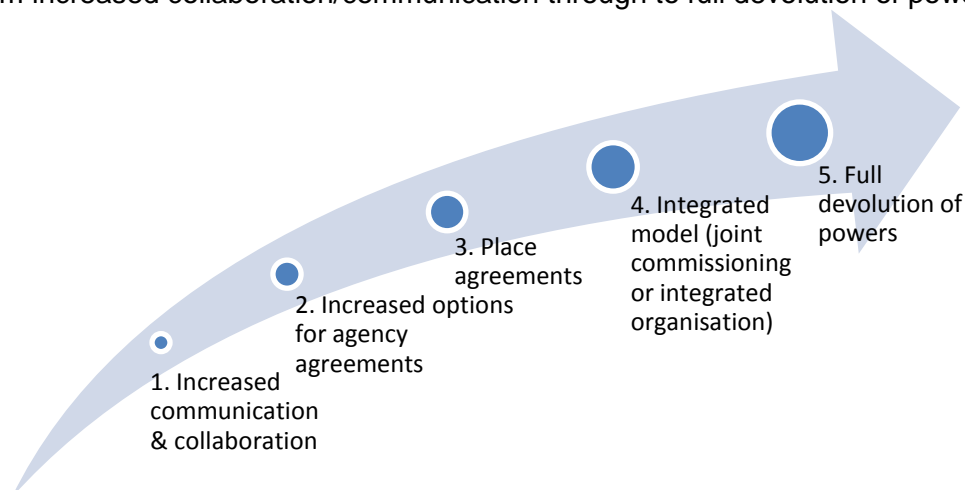
2. Aims

All 12 authorities within Surrey are facing considerable financial pressures. To face these challenges the authorities need to look for ways they can work better together to meet the aims of:

- Improving services for residents or at least, minimising adverse outcomes for residents arising from impact of budget cuts on both tiers
- Reducing costs *vertically*, between the county council and the districts and boroughs, and *horizontally*, across the districts and boroughs

3. Progress

The sub-group have engaged with representatives from all 12 Surrey authorities through a series of one to one meetings with environmental maintenance leads. These discussions identified a spectrum of joint working opportunities which range from increased collaboration/communication through to full devolution of powers.



1. **Increased communication & collaboration** – improved communication between county and district and borough authorities, for example earlier engagement and more influence on service and contract reviews.

2. **Increased options for agency agreements** – increasing scope of existing agency agreements e.g. grass cutting to include additional related activities.
3. **Place Agreement-** Devolution of non-capital activities from the county council to borough/ district councils focused on a specific locality e.g. Woking Town Centre Agreement.
4. **Integrated Model** – could take two forms:
 - **Joint Commissioning** – multiple authorities jointly procuring a contract to deliver a service/activity to provide economies of scale whilst maintaining local responsiveness.
 - **Integrated Organisation** - establishment of joint organisational arrangements to deliver a range of highways services.
5. **Full devolution of powers and responsibilities** – establishment of new Highways Authorities (HAs) across the county as legal entities

In considering which of these options to develop further, a high level cost benefit analysis was undertaken with each option being appraised against the following 'working together' principles:

- One place, one budget
- Value for money to the public purse
- Local choice and responsiveness
- Deliverability

Conversations also determined the level of interest in different options and identified initial activities or opportunities that could be worked on and developed. In addition, high level data analysis has been undertaken, indicating that with an estimated total spend of over £24m for environmental maintenance activities across Surrey, (highways horticulture, grounds maintenance, street cleansing, tree maintenance and gullies and ditches) there is potential for greater joint working and increased income and/or savings opportunities in this area of work.

From this initial engagement, the majority of local authorities showed:

- an ambition and support for a focus on delivering services in a placed based way
- a desire for earlier engagement and more influence with work delivered and savings options being considered by SCC.
- recognition of the current financial challenges and that a type of integrated model such as joint commissioning is likely to be the primary route for delivering the savings required.

To progress this work further, a workshop attended by representatives from all 12 authorities was held on the 6th October 2016. The workshop focused on the two options with the most interest - place agreements and integrated models. Scenarios, based on the Woking Town Centre agreement (a place example) and on a joint commissioning approach for greenscene activities (an integrated example) were considered to identify the strengths, weaknesses, opportunities and threats for each.

4. *Workshop outcomes*

The response at the workshop was overwhelmingly positive with all workshop groups agreeing that both options should be investigated further. There was a recognition of the different delivery models across Surrey and that, whilst 11 (or 12) different solutions were unlikely to be efficient or effective, a one size fits all approach was unlikely and so, at this stage, other options should not be ruled out.

There was a general consensus that “no change” is not an option as the current approach is no longer sustainable. It was also clear that different activities will suit different approaches, for example traffic management may benefit from increased communication rather than a more specifically integrated approach, whereas environmental maintenance activities may be more suited to a joint commissioning model as a way forward.

5. Proposed next steps

Given the above conclusions there is a clear need for a framework of options that allows for flexibility of approach appropriate to local place.

The sub group therefore recommend the following next steps:

A. Further development of the working together principles to produce a more robust framework for assessing options as set out below:

- **One place, one budget** – recognising and coordinating multiple budgets from multiple organisations based around a place, locality or service
- **Value for money to the public purse** – ensuring a lower net cost to the public purse resulting from joint working activity
- **Local choice and responsiveness** – providing a flexible approach by adjusting services based on local needs and with the appropriate level of decision making
- **Deliverability** - ensuring joint working arrangements (e.g. management) are achievable and sustainable

B. Development of specific propositions for:

- Joint commissioning for greenscene activities (highways horticulture & grounds maintenance)
- Joint commissioning for parking activities
- Place agreements for individual localities (based on Woking Town Centre Agreement model)
- Any alternative options identified by districts and boroughs either relating to alternative models for environmental maintenance and related activities or other service areas of joint or overlapping responsibility, for example community transport, social care etc. (options would need to meet the agreed aims and principles set out above)

Greenscene and parking activities are identified as joint commissioning options as for both activities current levels of funding are unlikely to be sustainable due to the current financial challenge and therefore represent an opportunity to mitigate impacts through early engagement.

C. Agreement of specific principles/parameters to apply for each proposition

e.g. agreeing at the outset the minimum level of benefit for each authority participating in a proposition (recognising each will have a different starting point in terms of total and unit costs and income)

D. Identification of which authorities are interested in specific propositions

E. Business cases development for these options – based on ‘coalitions of the willing’ taking account of challenges and opportunities of existing contract and delivery arrangements

F. Transition the existing sub group into a Surrey Joint Working Board

empowered to establish working groups to progress preferred joint working opportunities

G. Further investigation of governance options (e.g. Joint Committees) and how these might be enablers of joint working opportunities.

In undertaking the above the sub group will seek to clarify the likely alternatives to these joint working propositions (i.e. not taking up an option may imply reduced service levels) and would ensure that any agreed arrangements allow for others to join at a later date if desired. The propositions are not mutually exclusive therefore authorities may choose to progress multiple propositions to achieve the full benefits both in terms of meeting different demands but also to enable the savings generated from any joint commissioning propositions to offset any additional costs from other proposals. Authorities may also choose to take forward different propositions from those being taken forward by others where there is a sufficient level of interest to ensure deliverability.

6. Recommendations

It is asked that the Chief Executives Group agree to the following recommendations:

1. To support the Surrey Joint Working philosophy and approach
2. To consider and endorse the expanded joint working principles (5.A) and proposed next steps (A-G) as set out on page 3, for developing joint working propositions for environmental maintenance, parking, place agreements and alternative opportunities.
3. To agree that a further business case including details and specific principles/parameters of each proposition be developed and presented to the Chief Executives Group in Q1 2017.