

THURSDAY, 6 OCTOBER 2022

UPDATE: A COUNTY DEAL FOR SURREY

Purpose of report: To provide the Communities, Environment and Highways Select Committee with an update as requested following the Committee's previous meeting (14 June 2022) on a County Deal for Surrey. This report will address the topics raised during that session by providing further details and clarifications for the committee to review.

Summary:

1. The focus of this report is to provide details and analysis behind the key issues that are shaping the development of the council's County Deal proposals. Committee members raised several important questions at their previous meeting including on Local Enterprise Partnerships (LEPs), the UK Shared Prosperity Fund (UKSPF), the Community Infrastructure Levy (CIL), skills, and transport. This report is designed to address the topics raised by providing further information, which will support the committee in scrutinising the council's ongoing work to produce proposals for a County Deal for Surrey.

National context and timeline:

2. Since the Committee last met there have been several developments that are likely to impact on the direction, priority and timeframes for the government's levelling up policy agenda and devolution framework within it, and therefore the detail of the proposals being developed by the council.
3. The continuing conflict in Ukraine, consequent significant negative impacts on both energy costs and food supplies and resultant high rate of inflation, cost of living crisis and forecast economic recession represent an unprecedented set of circumstances impacting on the population and economy.
4. The Conservative Party Leadership contest to elect a new Prime Minister has also had a significant impact on the expected timeline for this work. The uncertainty created has meant progress has slowed in government to complete negotiations with the early nine pilot areas. Our intelligence had suggested that places like Cornwall and Norfolk would complete deals by September (ahead of the Party Conferences), but it is now widely accepted that the first County Deals will not be signed until the end of the year, although an agreement setting out the intention to develop an East Midlands Level 3 devolution deal was published on

30 August 2022. Public statements by the new Prime Minister during the leadership contest does not suggest there will be a radical change in the approach to devolution. The hope is now that a new Prime Minister is in place negotiations will continue, but this has had implications on the expected timelines that the council is working towards. Capacity is limited in the Department for Levelling Up, Housing, and Communities (DLUHC), so until the first deals are agreed they will not start negotiating with new areas.

5. On 1 August 2022, York and North Yorkshire agreed a devolution deal with government which will see a Combined Authority (CA) created (City of York Council and North Yorkshire Council) led by a Directly Elected Mayor (DEM). This was not listed as one of the nine county deal areas in the [Levelling Up white paper](#) (LUWP); however it is still significant as the terms of the deal make explicit reference to the Devolution Framework set out in the white paper and it is being described as the first “rural” mayoral combined authority. The York and North Yorkshire deal and the more recent East Midlands devolution statement improve our understanding of how the government is approaching these devolution deals and are a useful source of information to help inform our draft proposals. A briefing has been included in the annex to provide further details about what the York and North Yorkshire deal covered.
6. The council’s timeline for this work continues to be flexible given the uncertainty over when negotiations might start with government. The Leader of the Council has delivered presentations to each Surrey District and Borough Council to explain the background to a County Deal and made an open request for them to submit any suggestions for inclusion into the draft proposals. More detail will be provided about the “core” proposals likely to be included in any future negotiations as part of a report being prepared for Cabinet in October, these are subject to ongoing engagement with key stakeholders, including critically district and borough councils. They will also be shaped by any future County Deals agreed with the early nine pilot areas. A high-level summary has been included within this report and will be supplemented with a verbal update during the meeting as the deadline for Districts and Boroughs to respond is the 3 October 2022.

Economic growth and investment:
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7. The Devolution Framework in the government’s Levelling Up White Paper (LUWP) has a particular focus on the powers and functions that will support local areas to drive forward and support economic growth and investment more effectively. For example, for a county area there is the commitment to integrate LEP functions and place planning and delivery of future rounds of the UK Shared Prosperity Fund (UKSPF) with a County Council. The clear policy direction that government has set for local growth and investment through the Devolution Framework means that it is important that the council positions itself to take advantage of these powers and functions which government plans to devolve to other county authorities under Level 2 and Level 3 deals.

8. At the previous meeting, Committee members raised questions related to LEPs and UKSPF. These are areas that are likely to form an important basis for the council's County Deal proposals, therefore the following information has been collated for the Committee to provide a more detailed analysis and highlight how this is informing the work to develop draft proposals.

Local Enterprise Partnerships (LEPs)

9. The LUWP announced the government's intention to support the integration of LEP functions and roles into local democratic institutions to ensure a strong business voice at the heart of local decision making. [Further guidance on how integration should happen was sent to LEP Chairs on 31 March 2022](#), and devolution deals were positioned as the main mechanism to deliver this ambition.
10. The council has consistently highlighted the challenges that being served by two independent LEPs (EM3 and Coast2Capital) has on delivering effective economic growth functions in Surrey and has sought to engage both LEPs in developing a coherent approach across the county aligned to a single economic growth strategy/framework. Both the LUWP and LEP integration guidance letter signal a new direction and set out the steps the council will need to follow in order to take on LEP functions and roles, ensuring a strong business voice remains at the heart of decision making.
11. The details of the York and North Yorkshire deal are helpful in articulating the approach the government is likely to take with other areas. The deal confirms the integration of LEP functions into the Combined Authority, subject to government approval of an integration plan, and agreement from York and North Yorkshire LEP. The government will support the CA to take on all the functions and roles set out in section 10 of the guidance on LEP integration. These include:
 - Host strategic business voice either by preserving the LEP board or merging into an existing (or new) internal business board. The board must be meaningfully involved in decision making and openly recruited, which will be a prerequisite for the release of further core/transition funding.
 - Decide the direction and balance of activities regarding strategic economic planning and maintaining a local economic evidence base.
 - Deliver a number of functions on behalf of government departments, shaped by the local business voice where relevant. For example, Growth Hubs, international trade and investment activity, provision of local business intelligence, grant funding and levelling-up focused projects, and Careers Hubs.
12. There are still a number of unknowns at this stage, and it is likely to be quite a complex and lengthy process. For example, the York and North Yorkshire deal states, "integration planning will be undertaken with the government by autumn 2023". The council is committed to working extensively with key stakeholders, including EM3 and C2C, Surrey district and borough councils, the One Surrey Growth Board, and neighbouring local authorities that are represented by the LEPs (Hampshire and West Sussex). This will be crucial in developing a local solution for LEP integration across a Surrey-wide footprint.

UK Shared Prosperity Fund (UKSPF)

13. The LUWP sets out the government's plan to devolve planning and delivery of the UKSPF to a strategic level through County Deals. Currently UKSPF in two tier areas is divided up between the district and boroughs and is based on a three-year allocation. Surrey's allocation of core UKSPF over the next three years is £11 million (£1 million per district and borough- not including Surrey County Council's allocation under the Multiply programme).
14. The [UKSPF guidance](#) states that delivery responsibility for the Fund will align with devolution deals, but that control of funding would start from April 2025. The recent York & North Yorkshire deal includes control of UKSPF and reaffirms these points. The council will seek to include responsibility for UKSPF as part of a County Deal but may argue for a more flexible solution to the government's current position about timings, such as giving the council a role in directing any underspends in the county before April 2025.
15. The Committee raised questions about whether additional funding will be made available to areas as part of County Deals. The government has indicated that no new or additional funding will be made available to areas that agree a deal (unless under a Level 3 deal through an Investment Fund), however the council would take on a strategic role to direct existing funding locally, e.g. UKSPF and the Adult Education Budget. Provision is made for management costs to be covered in the event that the council has control of these funds. For example, the UKSPF guidance details that where the fund operates over a strategic geography, 4 per cent would be available for administrative costs to help manage the fund. The York and North Yorkshire deal also indicated opportunities for government match-funding to support implementation of specific elements of their devolution deal.

Skills:

16. The Committee highlighted skills development as an area of interest and requested further information about how a Level 2 might have an impact on tackling local skills challenges. It was confirmed that a county deal had the potential to give the council greater responsibilities to shape skills provision in the county based on local knowledge and direct support to priority areas.
17. A County Deal under Level 2 would give the council control of the Adult Education Budget (AEB), which would be consistent with other devolution deals. It is likely the council would need to meet "readiness conditions" and produce something such as an AEB Strategy before receiving full control of the funding. For example, West Yorkshire were required to produce this [strategy](#).
18. The council is already significantly involved in helping to tackle skills challenges in Surrey. For example, there is a Skills Summit planned for November and the council is developing a Surrey Skills Action Plan alongside local partners,

including the Surrey Skills Leadership Forum, which will help to inform work being led locally by the Surrey Chamber of Commerce in 2023 to produce a Surrey Local Skills Improvement Plan. Therefore, having control of the AEB would be an additional lever in this broader area of work, that will help drive forward improvements and create greater join-up at a strategic level.

Transport:

19. Committee members asked for clarifications about the transport functions available through the Devolution Framework. Under a Level 2 deal these powers and functions are relatively limited in scope, with only the “ability to introduce bus franchising” being referenced. Based on the approach taken in other recent devolution deals, an option the council could pursue is to include “the right” to introduce bus franchising. For example, the West Yorkshire devolution deal states, “the mayor has to decide whether they would like to take responsibility for bus services... [and] a decision on franchising will be subject to an assessment through a business case”. Therefore, this approach would give the council the option in the future over whether to exercise this power.
20. At the Committee’s last meeting, reference was also made to taxi and private hire vehicle licensing. This is not included in the Devolution Framework, but the LUWP states that government will “explore transferring control of taxi and private hire vehicle licensing to both combined authorities and upper-tier authorities”. This power is being explored as part of the council’s planning linked to draft Climate Change proposals.

Draft ‘core’ proposals:

21. The Devolution Framework set out in the Levelling Up White Paper acts as a mechanism to support government in offering a devolution deal to every part of England that wants one. The White Paper establishes upper tier councils (e.g. Surrey County Council) as being the core vehicle to deliver devolution to a county area and will work with them to negotiate and develop deals within the context of the framework.
22. The framework provides a guide from which to develop proposals but securing these powers as part of a County Deal for Surrey is not guaranteed and the exact detail of each power will be subject to the negotiations that take place with government. In addition, there may also be scope to consider powers not explicitly referenced within the framework during negotiations.
23. The following high-level summaries of draft proposals represent the “core” set that the council is considering negotiating with government on, and work is ongoing to consider further opportunities to include ahead of any future negotiations. This information will be supplemented with a verbal update during the committee meeting, as the deadline for Districts and Boroughs to respond is the 3 October 2022. More detail will be provided as part of a report being prepared for Cabinet in October.

A Single Surrey Growth and Investment Fund – Devolution of national funding pots linked to growth and investment to form a single Surrey fund that can be aligned with a Surrey-wide economic strategy.

A Surrey Growth and Enterprise Hub – This would bring together economic growth, business support, inward investment and careers functions currently delivered by different organisations (Surrey County Council (SCC), LEPs, Districts and Boroughs) into a single Surrey Growth and Enterprise Hub.

Devolved Skills Functions and Budget – Devolution of the Adult Education Budget & functions so that these can be tailored to reflect local priorities.

Lead Climate Change Authority – Mirroring our Lead Flood Authority responsibilities, this is proposing that we have the power to compel partners to cooperate. This would help to facilitate a more coordinated approach to tackling climate change, including sharing of data, working to county-wide strategies.

Surrey Infrastructure Investment Plan – Powers to create a non-statutory infrastructure investment plan that provides a framework for Local Plans, increasing the ability to take a strategic approach to the provision of infrastructure planning across the county.

Next steps:

24. As noted, a report is being prepared for Cabinet in October to provide more details about the “core” proposals likely to be included in any future negotiations. There would be an opportunity to scrutinise these more fully at the Committee’s December meeting if requested.

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Annexes

Annex 1 – York and North Yorkshire Devolution Deal

Sources/background papers

- [A Devolution Deal for Surrey CEH Committee Report](#) – 14 June 2022
- [Surrey County Council Cabinet Report](#) – 26 April 2022
- [Levelling Up White Paper](#)