SURREY COUNTY COUNCIL

CABINET

DATE: **25 OCTOBER 2022**

MEMBER:

REPORT OF CABINET TIM OLIVER, LEADER OF THE COUNCIL

LEAD OFFICER: MICHAEL COUGHLIN. EXECUTIVE DIRECTOR FOR

PARTNERSHIPS, PROSPERITY AND GROWTH

SUBJECT: A COUNTY DEAL FOR SURREY

ORGANISATION STRATEGY PRIORITY

AREA:

GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/TACKLING HEALTH INEQUALITY/ENABLING A

GREENER FUTURE/EMPOWERING COMMUNITIES

Purpose of the Report:

A report was submitted to Cabinet in April 2022 which provided an overview of the Council's plans to develop a set of proposals based on the Devolution Framework in the Levelling Up White Paper.

This report provides an update on the progress made since April. It outlines how partners and key stakeholders have been actively engaged in the development stage of the County Deal and goes into further detail about the core set of proposals being recommended for inclusion in the County Deal for Surrey. In addition, it outlines the intentions to take these proposals forward for negotiation with Government subject to when the council is formally asked to begin discussions with government.

Recommendations:

It is recommended that Cabinet:

- 1. Note the leading role the council has taken to engage with partners and key stakeholders to develop initial draft proposals for negotiation with Government on a County Deal for Surrey.
- 2. Approve the initial draft core set of proposals for negotiation with Government for inclusion in a County Deal for Surrey, that have been developed in line with Level 2 of the Government's Levelling Up Devolution Framework.
- Endorse the approach to begin preparations for the integration of Surrey-wide LEP functions into a County Deal, subject to the outcome of negotiations with Government
- 4. Endorse the approach to begin exploring appropriate governance arrangements for each of the "core" proposals in collaboration with the relevant Surrey's strategic partnership boards and other relevant key stakeholders.
- 5. Approve the approach to negotiations with Government, noting that the initial draft proposals are likely to be subject to change during negotiations and that any final County Deal for Surrey deal will be brought to Cabinet and Full Council for approval.

Reason for Recommendations:

The Government's Levelling Up White Paper presents a rare opportunity for the council to pursue a devolution deal for Surrey that will bring new powers, freedoms and flexibilities, better enabling the council to deliver for residents against the 2030 Community Vision, the council's four strategic priorities (Growing a sustainable economy; Tackling health inequality; Enabling a greener future; and Empowering communities), and work towards the overarching ambition of No One Left Behind.

Background

- 1. On 2nd February 2022 the Government published its Levelling Up White Paper which laid out an agenda for tackling inequality across the country. It outlined the future landscape for devolution in the UK and provided a blueprint for improving opportunity and outcomes in education, the economy, infrastructure, transport, and health by 2030. The White Paper also set out a commitment to bring devolution in the form of County Deals 'to every part of England that wants one by 2030'.
- 2. In April 2022, Cabinet was presented with a paper that outlined the key implications of, and opportunities within, the Government's Levelling Up White Paper for Surrey, particularly in relation to the devolution framework and a County Deal for Surrey. Within this, it set out the initial ideas being explored and developed in partnership with stakeholders that would form proposals within a County Deal.
- 3. More recently the government have announced two Level 3 devolution deals to establish the York and North Yorkshire Combined Authority and East Midlands

 County Combined Authority. Both deals align closely with the wording set out in the Devolution Framework and have provided a useful basis from which to compare with the proposals being considered for Surrey's County Deal.
- 4. Despite securing these devolution deals, progress has slowed in government due to a number of factors, including the ongoing challenges with the cost-of-living crisis, the Conservative Party Leadership contest to elect a new Prime Minister and then the death of Queen Elizabeth II. Capacity within the Department for Levelling Up, Housing and Communities is limited, so until the first set of early County Deals are agreed they are unlikely to start negotiating with new areas.
- 5. Once negotiations begin, there is a chance that the "core" proposals set out in this report will evolve and new proposals could emerge as part of discussions. The intention before any final County Deal is agreed is for the details of the deal to be brought back to Cabinet to endorse and for wider members to have appropriate opportunities to comment, scrutinise, and approve.

Stakeholder and Partner Engagement:

- 6. Since April, the council has engaged with a range of key local partners in discussions about the opportunities a devolution deal would offer the county and to request their support in developing ideas for inclusion in a County Deal for Surrey.
- 7. The Leader of the Council attended sessions with each of the eleven Surrey District and Borough Councils during the summer to highlight potential areas of focus that were being developed and to invite the District and Borough Councils to contribute to the development of proposals for inclusion in a County Deal for Surrey. In addition,

District and Borough Leaders and Chief Executives have held discussions through Surrey Delivery Board meetings in April and July 2022 where they had further opportunities to comment on the approach being taken.

- 8. In May 2022, a joint workshop of the One Surrey Growth Board and Surrey Business Leaders Forum was held to discuss the main opportunities and challenges facing the business community in Surrey. This insight has been used to shape a number of the proposals being considered related to economic growth, investment, and skills.
- 9. The council's Communities, Environment and Highways (CEH) Select Committee have provided input and scrutiny of the council's approach to developing proposals for a County Deal. In July the committee received information about the context behind the County Deal work, potential key areas of focus for a deal, and details about the collaborative approach being undertaken to develop proposals. The CEH Committee held a follow-up session in early October which addressed a number of the important questions that committee members had raised at their first meeting, including on Local Enterprise Partnerships (LEPs), the UK Shared Prosperity Fund (UKSPF), the Community Infrastructure Levy (CIL), skills, and transport.
- 10. Moving forward, the council recognises the importance of continuing to engage stakeholders and partners where possible on the development and eventual implementation of the County Deal. As such, further opportunities for engagement through groups such as the Surrey Forum and Surrey Delivery Board will be explored and reference to this is made in the Governance and Partnerships section of this report.

Summary of Proposals:

- 11. 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.
- 12. The framework includes three levels of devolution available to local areas that wish to pursue a devolution deal. The levels are based upon the leadership and governance models that areas agree to, with the top level being made available to areas pursuing a directly elected leader or mayor model. For reference the framework has been included in the annex of this report.
- 13. 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.
- 14. An Officer Task Group with representation from across the council has developed the draft proposals, providing advice and guidance on the ways in which devolved Level 2 powers could help Surrey to be more effective in tackling key challenges. The following draft proposals represent the "core" set that the council will seek to

negotiate with government on, and work is ongoing to consider further opportunities to include ahead of any future negotiations.

15. A Single Surrey Growth and Investment Fund

- a. The Levelling Up White Paper set out a government intention to address the 'complexity in the funding landscape' and to streamline the process by which local areas submit bids for government funds. The Devolution Framework also sets out the option for 'UK Shared Prosperity Fund planning and delivery [to be done] at a strategic level' and was included in both the York and North Yorkshire CA and East Midlands MCCA deals. Currently the Surrey-wide allocation of core UKSPF over the next three years is £11 million, and this does not include the council's allocation of £4.7 million under the Multiply programme to invest in adult numeracy programmes.
- b. The council's proposal builds on this and makes the case for a Single Surrey Growth and Investment Fund. This would go beyond just overseeing delivery of UKSPF, but also seek to align other national funding pots linked to growth and investment and devolve them to the county-level, such as, Growth Hub Funds (see Surrey Enterprise proposal below), Innovate UK funds, and any future national funding streams. This would need to be aligned with responsibility and accountability to produce a county-wide growth and investment framework, and details of this requirement will be discussed as part of negotiations with government.
- c. As an upper-tier authority, Surrey County Council is well placed to provide strategic direction based on local knowledge and partnership working with local stakeholders, including Surrey's District and Borough councils. This power will create more alignment and consistency across the county, so the funds are more effectively and efficiently delivered and aligned to support common ambitions.

16. A Surrey Growth and Enterprise Hub

- a. The Devolution Framework 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. This clear policy direction means that it is important that the council positions itself to take advantage of these powers and functions which will be devolved to other county authorities.
- b. The proposal to create a Surrey Growth and Enterprise Hub is based on the government's intention to integrate 'LEP functions (including hosting the strategic business voice)' as part of County Deals. In addition, under Level 1 powers there is the 'opportunity to pool services at a strategic level' (see LEP integration section of report for further details).
- c. The Hub would provide a single delivery arrangement which brings together economic growth functions delivered by different organisations across the county. This would create an attractive package of measures to support business growth and attract inward investment in Surrey. The Growth and Enterprise Hub would also provide the mechanism through which the Single Surrey Investment and Growth Fund would be delivered.

d. The hub would support a more coherent approach across the county aligned to a single economic growth strategy and help to avoid duplication and wasted resources, while simplifying access to support for business. It would provide a catalyst to unleash Surrey's true potential and ensure that private sector growth delivers opportunities to the parts of Surrey that need it the most to support levelling up within the county.

17. Devolved Skills Functions and Budget

- a. The Devolution Framework creates the opportunity for county councils to take on a greater role in tackling local skills challenges and shaping the skills provision around local priorities. Primarily this would be through the 'devolution of Adult Education functions and the core Adult Education Budget', as well as a role in 'providing input into Local Skills Improvement Plans (LSIPs)'
- b. A County Deal would give the council control of the Adult Education Budget (AEB), which would be worth around £15 million per year. It is likely the council would need to meet government "readiness conditions" and produce something such as an AEB Strategy, before receiving full control of the funding. This would give the council responsibility for allocations to providers and the outcomes achieved. A greater proportion of the AEB could therefore be directed into courses that support local skills needs of employers, delivering improved employment outcomes, productivity and economic growth.
- c. As part of negotiations, the council will seek additional functions and flexibilities from government related to post-16 funding and local Apprenticeship Levy contributions. This would be to pilot new approaches in directing a proportion of this national funding into local priorities (for example to support green skills development). These are not explicitly referenced in the devolution framework, however, would be important in supporting the council to be more targeted and focused on employer needs in the short, medium and long term.
- d. 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.

18. Lead Climate Change Authority

a. Delivering on national net zero ambitions is a key priority for the government, and within the Net Zero strategy there is a recognition that local government has an essential role to play. This is why the Devolution Framework grants places 'the opportunity to adopt innovative local proposals to deliver action on climate change and the UK's Net Zero targets'.

- b. Cooperation and co-design between sectors and organisations are essential for ensuring targets are achieved, but also to maximise co-benefits and funding to get maximum value for money and best use of limited resources. Currently there is no requirement on any one organisation to coordinate this response at the local level, and often, as is the case for climate change and net zero, no mandatory requirement to take action, but a reliance on local partners to step up and deliver the local response voluntarily. Whilst this approach has not stopped the development of significant action locally on climate change, it has led to a number of issues and challenges.
- c. This proposal would seek to name the council as Lead Climate Change Authority in Surrey and would place oversight for key agreed strategic environmental issues such as climate change and nature recovery at the county-level with the mandate to assess risks and opportunities and develop appropriate actions. The statutory basis for this proposal is routed in the role of the Lead Local Flood Authority that the council currently fulfils.
- d. Underpinning the responsibility of being a Lead Climate Change Authority would be the ability to manage and link national Net Zero and environmental funding streams that come into Surrey and co-design initiatives allowing for greater scale of delivery and investment. Additional benefits would include reducing administration requirements ensuring more money is used for achieving outcomes, improved speed of delivery, and greater penetration and engagement at the local level with partners, residents and businesses compared to central government.

19. Surrey Infrastructure Investment Plan

- a. Local decisions on where new housing should take place are particularly difficult in a county where 70% of the land area is Green Belt and flooding and national environmental designations place considerable constraints on the scope for growth. This has led to allocations for development on some sites that need substantial infrastructure investment to make them sustainable, which may ultimately not prove to be forthcoming or requires potentially diverting limited funds from other infrastructure priorities.
- b. To help address this, Surrey local authorities and other economic and environmental stakeholders have been working together over the past couple of years to develop "Surrey's 2050 Place Ambition". This is a shared vision and set of strategic objectives and spatial priorities to facilitate 'good growth'. However, the Place Ambition is a non-statutory document that relies on a willingness to collaborate and, although it represents the collective view of Surrey authorities, it does not go beyond what is in existing and emerging Local Plans.
- c. There is a need for a more proactive infrastructure first approach, and this proposal represents the natural progression of the Place Ambition. It would provide the mandate for the council to lead the development of a Surrey wide Infrastructure Investment Plan. The council would work with districts and boroughs in Surrey, other local infrastructure providers, national agencies and bodies such as Transport for the South East and Surrey Nature Partnership to develop a countywide infrastructure plan. This would identify short, medium, and long-term local and strategic infrastructure priorities to support the

delivery of sustainable development and tackle barriers to economic prosperity.

LEP Integration:

- 20. The council has consistently highlighted the challenges that being served by two independent LEPs (Enterprise M3 and Coast 2 Capital) 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.
- 21. The Levelling Up White Paper and Devolution Framework set out the government's intention to integrate 'LEP functions (including hosting the strategic business voice)' as part of County Deals. On 31 March 2022, a joint letter was issued to LEP Chairs by the Parliamentary Under Secretaries of State for the Departments of Levelling Up, Housing and Communities and for Business, Energy and Industrial Strategy outlining further guidance for LEP integration.
- 22. The LEP integration letter outlines that where devolution deals are set to be negotiated, the integration of LEP functions, roles and boundaries will be considered as part of those negotiations. LEPs are asked to support local leaders, where requested, in embedding a private sector perspective into that conversation. Once a future devolution deal is agreed and implemented, or where an institution progresses to at least Level 2 of the devolution framework, LEP functions and roles will then be integrated. Democratically accountable local leaders will lead the integration of LEP functions and roles into their respective institutions, working jointly with LEPs and, where necessary, other local stakeholders.
- 23. Where a devolution deal geography cuts across a current LEP geography (as would be the case with the LEPs that sit across the Surrey footprint) government has indicated that they will engage with local partners and consider the best outcome for local businesses on a case-by-case basis guided by local preferences.
- 24. The government has acknowledged that the principles it has set out may need to vary considerably in different local contexts, and sees this as largely depending on the status and outcome of local devolution negotiations. The expectation is however that individual LEPs will follow one of three "integration pathways" namely:
 - I. Integrating LEPs into Combined Authorities or institutions with devolved powers for the purpose of hosting a county deal;
 - II. Maintaining LEPs until a devolution deal is agreed;
 - III. Finding a local solution where one or more Combined Authority or institution with devolved powers for the purpose of hosting a county deal covers only part of the LEP area, leaving part(s) of the LEP area outstanding.
- 25. At present, the Surrey is on Pathway II. However, as the county is split across two LEP boundaries (Enterprise M3 and Coast 2 Capital), when a future devolution deal is agreed, Surrey will likely move onto integration pathway III. The other factors to consider will be the devolution status of neighbouring local authorities, Hampshire County Council (who share Enterprise M3 with Surrey), and West Sussex County Council and Brighton and Hove Council (who share Coast 2 Capital with Surrey).

- 26. Both the Levelling Up White Paper 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. The details of the York and North Yorkshire deal are helpful in further 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.
- 27. 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:
 - a. 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.
 - b. Decide the direction and balance of activities regarding strategic economic planning and maintaining a local economic evidence base.
 - c. 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.
- 28. 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". For Surrey under the pathway III scenario, a local solution will need to be sought to agree how two partial LEP geographies are integrated over a Surrey-wide footprint, and set out what this would mean for neighbouring local authorities. This also has implications for the county if a neighbouring local authority were to secure a devolution deal ahead of Surrey.
- 29. The council is committed to working extensively with key stakeholders, including Enterprise M3 and Coast 2 Capital, Surrey district and borough councils, the One Surrey Growth Board, and neighbouring local authorities that are represented by the LEPs (Hampshire, West Sussex, and Brighton and Hove). This will be crucial in developing a local solution for LEP integration across a Surrey-wide footprint.
- 30. In order to establish the best course of action for all partners concerned and develop plans for LEP integration under pathway III, this report asks Cabinet to approve the plan for council officers to begin conversations with these partners. This work will help to inform future negotiations with government about a preferred local solution to LEP Integration and the expectation would be that following agreement of a County Deal, the council would produce a LEP Integration Plan alongside partners for approval by government.

County Deal governance and partnership arrangements:

- 31. Under a Level 2 County Deal the council is unlikely to be required to make significant changes to existing governance arrangements, as most powers and functions will be devolved to the upper-tier authority and can be incorporated into existing structures. Government has indicated that for devolved powers that relate to lower-tier functions, a joint-committee (or similar statutory arrangement) between participating authorities may need to be established to exercise these powers.
- 32. The importance of partnership working and collaboration between local stakeholders is a key focus within each of the "core" proposals. Several strategic partnership boards already exist within the county and are well placed to support the oversight and delivery of powers devolved to the county-level. These boards include, the Surrey Forum, the Surrey Delivery Board, the One Surrey Growth Board, Business Leadership Forum, Surrey Skills Leadership Forum, the Greener Futures Board, and the Health and Wellbeing Board. In addition, there are internal council Select Committees that will play an important role in scrutinising decisions made.
- 33. Depending on the nature of the powers and functions devolved through a County Deal there are a number of options the council could explore for governance arrangements. This report asks cabinet to endorse the approach to begin exploring appropriate governance arrangements for each of the "core" proposals in collaboration with the relevant strategic partnership board and other key stakeholders.
- 34. There is also scope to explore opportunities for 'double devolution' whereby certain functions could be devolved to Local town and parish councils in order to achieve greater engagement with the local community and bring essential local links with community groups and the Voluntary, Community, and Faith Sector into the design and delivery of services. Options to pursue this within Surrey will be explored directly with the Surrey Association of Local Councils and the VCFS.

Consultation:

- 35. The Leader of the Council delivered a series of presentations to each Surrey district and borough and requested they submit suggestions and ideas for inclusion into the development of draft proposals by October. No submissions have been made at this stage, but until negotiations begin with government, district and boroughs can still input into the process.
- 36. As noted within the report, the Communities, Environment, and Highways Select Committee have received papers at their previous two meetings about the council's approach to developing proposals.

Risk Management and Implications:

37. While specific impacts of a final devolution deal are not known at this stage and will be subject to the outcome of negotiations with government, there could be some implications for district and borough partners. Active engagement with districts and borough partners through the Surrey Forum, Surrey Delivery Board and Surrey Chief Executives group will be maintained during the development of devolution proposals.

Financial and Value for Money Implications:

- 38. No direct financial implications are known at this stage, but the recent devolution deals agreed have included some additional funding opportunities based on local priorities. There may also be opportunities through devolution to deliver future efficiencies. These opportunities will be explored in the development of a draft devolution proposal.
- 39. Future development of proposals and opportunities are currently planned to be managed within existing staff budgets, through existing networks, forums and boards. There is currently no planned direct expenditure linked to these proposals.

Section 151 Officer Commentary:

- 40. Although significant progress has been made to improve the Council's financial position, the financial environment remains challenging. The UK is experiencing the highest levels of inflation for decades, putting significant pressure on the cost of delivering our services. Coupled with continued increasing demand and fixed Government funding this requires an increased focus on financial management to ensure we can continue to deliver services within available funding. In addition to these immediate challenges, the medium term financial outlook beyond 2022/23 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term.
- 41. The next steps outlined in the paper to develop proposals for a devolution deal for Surrey in response to the Levelling Up white paper include continuing to explore opportunities to realise efficiencies through this work and any emerging impacts on our budget and funding

Legal Implications – Monitoring Officer:

42. The proposed arrangements for County Deals set out in the levelling up White paper are set out in the body of the report. There are no further specific legal implications at this time and further support will be provided as a proposal is developed.

Equalities and Diversity:

- 43. A devolution deal for Surrey is one mechanism to help deliver the council's ambition of No One Left Behind. It will accelerate and enable work to tackle inequalities within the county, therefore depending on the details of the final devolution deal, it has the potential to produce net positive impacts on equality, diversity and inclusion.
- 44. Where relevant, Equality Impact Assessments will be completed for individual proposals of the devolution deal.

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Annexes:

Annex A: The Devolution Framework

Sources/background papers:

Levelling Up White Paper

Level 3 – A single institution or County Council with a directly elected mayor (DEM), across a FEA or whole county area

Level 2 - A single institution or County Council without a DEM, across a FEA or whole county area

Level 1 - Local authorities working together across a FEA or whole county area e.g. through a joint committee

Function	Detail	LI	L2	L3
Strategic role in delivering services	Host for Government functions best delivered at a strategic level involving more than one local authority e.g. Local Nature Recovery Strategies	/	1	1
	Opportunity to pool services at a strategic level	1	1	1
	Opportunity to adopt innovative local proposals to deliver action on climate change and the UK's Net Zero targets	1	1	1
Supporting local businesses	LEP functions including hosting strategic business voice		1	1
Local control of sustainable transport	Control of appropriate local transport functions e.g. local transport plans*		1	1
	Defined key route network*			1
	Priority for new rail partnerships with Great British Railways – influencing local rail offer, e.g. services and stations			1
	Ability to introduce bus franchising		1	1
	Consolidation of existing core local transport funding for local road maintenance and smaller upgrades into a multi-year integrated settlement			1
Investment spending	UKSPF planning and delivery at a strategic level		1	1
	Long-term investment fund, with an agreed annual allocation			1
Giving adults the skills for the labour market	Devolution of Adult Education functions and the core Adult Education Budget		1	1
	Providing input into Local Skills Improvement Plans		1	1
	Role in designing and delivering future contracted employment programmes			1
Local control of infrastructure decisions	Ability to establish Mayoral Development Corporations (with consent of host local planning authority)		. 4	1
	Devolution of locally-led brownfield funding			1
	Strategic partnerships with Homes England across the Affordable Housing Programme and brownfield funding			1
	Homes England compulsory purchase powers (held concurrently)		1	1
Keeping the public safe and healthy	Mayoral control of Police and Crime Commissioner (PCC) functions where boundaries align [^]			1
	Clear defined role in local resilience*		1	1
	Where desired offer MCAs a duty for improving the public's health (concurrently with local authorities)			1
Financing local initiatives for residents and business	Ability to introduce mayoral precepting on council tax*			1
	Ability to introduce supplement on business rates (increases subject to ballot)			1

^{*} refers to functions which are only applicable to combined authorities

[^] refers to functions which are are currently only applicable to mayoral combined authorities