

**SURREY COUNTY COUNCIL
CABINET**



DATE: 27 FEBRUARY 2024

REPORT OF CABINET MEMBER: TIM OLIVER, LEADER OF THE COUNCIL

LEAD OFFICER: MICHAEL COUGHLIN, INTERIM EXECUTIVE DIRECTOR FOR CUSTOMERS AND COMMUNITIES

SUBJECT: SECURING A COUNTY DEAL FOR SURREY

ORGANISATION STRATEGY PRIORITY AREA: GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/ TACKLING HEALTH INEQUALITIES/ ENABLING A GREENER FUTURE/ EMPOWERING COMMUNITIES

Purpose of the report:

In the 2023 Autumn Statement, government set out their intention to expand level 2 non-mayoral county deals to single county areas that do not have a neighbouring or island unitary with which to form a combined authority. Seven local authorities, including Surrey County Council, are considered eligible.

This report sets out the expected timeline for securing a level 2 deal, the stakeholder engagement that has taken place to date as well as planned future engagement, and a summary of the initial 'Draft Framework Agreement' proposed by the Department for Levelling Up, Housing and Communities (DLUHC).

The report asks Cabinet to consider, discuss and approve this initial offer, submitting any queries for officers to feed into further discussions with government. Cabinet is asked to endorse officers progressing discussions to finalise and agree a draft agreement with DLUHC, ahead of the creation of a final County Deal, as and when secondary legislation is made conferring the devolved functions on the Council, which would be subject to a report to and the approval of full Council.

Recommendations:

It is recommended that Cabinet:

1. Note the County Deal Draft Framework Agreement proposed by DLUHC as summarised in the Annex 1 of the report,
2. Endorse officers progressing discussions and negotiations with Government to agree a draft agreement with DLUHC based on this offer,
3. Approve the proposals to continue to engage stakeholders as part of agreeing a Draft Agreement and ahead of securing a final County Deal with government,
4. Delegate authority to the Executive Director for Customers, Digital and Transformation, in consultation with the Leader and Interim Chief Executive, to finalise the Draft Agreement with DLUHC

5. Approve the proposal to bring a full report on the County Deal, including details of the secondary legislation required to devolve and confer functions to the Council, to a full Council meeting, at the earliest opportunity.

Reasons for recommendations:

The government's Levelling Up white paper and subsequent Levelling Up and Regeneration Act present an opportunity for the council to pursue a County 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 set out in the Organisation Strategy 2023 - 2028 (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. In February 2022 the government published its Levelling Up White Paper which set out its approach to tackling inequality across the country. It outlined the future landscape for devolution in the UK with a commitment to bring devolution in the form of county deals 'to every part of England that wants one by 2030'. It also included the government's devolution framework which details the functions and powers available for devolution to local authorities.
2. In 2022, two reports on a County Deal for Surrey were presented to Cabinet updating on developments following the release of the White Paper. In the 2023 Autumn Statement, government set out its intention to expand level 2 county deals to single county areas that do not have a neighbouring or island unitary to form a combined authority with.
3. Surrey was named as one of these areas in the Chancellor's Autumn Statement speech. In response, Surrey County Council released a joint public statement with District and Borough Councils confirming Surrey's ambition to progress a level 2 county deal with government and sent a letter of intent to the Secretary of State.
4. An initial discussion between DLUHC officials and Surrey County Council senior officers in January 2024, set out the powers expected to be included in a level 2 deal, the requirements for securing a deal with government, and an indicative sequence of events necessary to secure a County Deal for Surrey.

Powers and Functions included in a Level 2 County Deal:

5. The Devolution Framework set out in the Levelling Up White Paper acts as a mechanism to support the government in offering a devolution deal to every part of England that wants one. The White Paper established upper tier councils (e.g. Surrey County Council) as being the core vehicle to deliver devolution to a county area and as such government has worked at this level of local government to negotiate and develop deals within the context of the framework.
6. The initial framework included three levels of devolution, with a fourth level being added as part of the 2023 Autumn Budget. The levels are based upon the leadership and governance models that areas agree to, with the top levels being made available to areas pursuing a directly elected leader or mayor model. It was agreed by Cabinet in 2022 that the Leader and Cabinet model remained the most appropriate mechanism for local

decision making and therefore a level 2 deal, which does not require any changes to council governance, is being pursued.

7. As DLUHC is looking to agree a single deal with all seven county councils in this wave of devolution it is anticipated that (with the exception of the potential to include a Lead Climate Change Authority function on which discussions are continuing) this single deal will include only the powers detailed as available for level 2 in the devolution framework, as follows:

- **Adult Education Budget (AEB):** Devolving the Adult Education Budget (AEB) to Surrey County Council will allow skills programmes and delivery to meet local economic and resident needs, helping to grow a sustainable economy so everyone can benefit. It is understood that the government's current position is that it will fully devolve the AEB to Surrey County Council from the academic year 2026/27 subject to readiness conditions and Parliamentary approval of the required secondary legislation conferring the appropriate functions. As such any decisions regarding this power will be subject to the approval of full Council.
- **Provide input into the Local Skills Improvement Plan (LSIP):** LSIPs set out the current and future skills needs of the area and how local provision needs to change to help people develop the skills they need to get good jobs and increase their prospects. Working with the designated Employer Representative Body (ERB), and utilising and sharing the local labour market intelligence and analysis, Surrey County Council will be able to formally support and provide input into the LSIP for the area.
- **Strategic Oversight of the UK Shared Prosperity Fund (UKSPF):** The UKSPF replaced European Structural and Investment Funds. In two-tier authorities, lower tier authorities such as district and borough councils received the core UKSPF funding allocated to the area. Surrey received £11m of core funding, split evenly among the 11 district and boroughs within the county, in 2022 to cover the funding period between 2022 and 2025. Subject to funding, policy and delivery considerations at the next government Spending review, the County Council would be granted strategic oversight of the next round of UKSPF coming into Surrey.
- **Integration of Local Enterprise Partnership (LEP) Functions:** The Levelling Up White Paper announced the government's intention to support the integration of Local Enterprise Partnership (LEP) functions and roles into local democratic institutions. In August 2023, government confirmed its previous 'minded to' decision to withdraw central government support (core funding) for LEPs from April 2024 and transfer their functions to local and combined authorities.
- As such, work began in 2023 to engage with key stakeholders including Enterprise M3 and Coast 2 Capital LEPs, Surrey district and borough councils, the One Surrey Growth Board, and neighbouring local authorities to begin preparations for devolving LEP functions to the upper-tier authority. A report on the planned integration of these functions into the County Council is presented elsewhere on this agenda.
- **Land Assembly and Homes England Compulsory Purchase Powers:** Subject to the consent of the Secretary of State, this function would enable Surrey County Council and Homes England to work collaboratively to reduce the barriers to affordable housing delivery, regeneration and wider housing growth. Parliamentary

approval of the required secondary legislation conferring the appropriate functions would be required. As such, any decisions regarding this power will be subject to the approval of full Council.

- **Bus Franchising Powers:** Surrey County Council has implemented an Enhanced Partnership to deliver high quality bus services as part of an integrated local transport system. As such, there are no plans to utilise the devolved Bus Franchising Powers at this time. However, if Surrey County Council decided that bus franchising was likely to deliver better outcomes for residents in the future, franchising powers could be conferred to the council under the Transport Act 2000 to Surrey County Council subject to demonstrable capability and intention.

8. It is understood that DLUHC, in coordination with DEFRA, is considering including a devolved function granting upper-tier authorities the mandate to develop Local Environment Improvement Plans (LEIP). Although the exact nature of this function is still under consideration, it is understood that it would support the county council in providing strategic leadership in planning, advising, convening and/or coordinating action on climate and the environment matters for the county. The local EIP's objective would be to support joined up delivery of these local objectives and delivery of the government's Environmental Improvement Plan (EIP), and its net zero and climate adaptation ambitions.

Indicative next steps for securing a County Deal for Surrey:

9. Following discussions between the Leaders of the seven County Councils, DLUHC and council officers, it is understood that DLUHC's intentions are to agree County Deal Framework Agreements with any of the seven county areas that wish to do so, as soon as possible.
10. Establishing a Framework Agreement with DLUHC would initiate a further round of discussions and next steps, which would include the preparation of the secondary legislation relating to the devolved Adult Education Budget and Land Assembly and Homes England Compulsory Purchase Powers functions. Subject to the timescales involved for these steps, may mean that the final County Deal for Surrey would not be enacted until after a General Election.
11. Conditional upon further information and clarity from government on the anticipated timescales, work will continue on the preliminary preparations and continued discussions with DLUHC to progress the Framework Agreement.

Stakeholder Engagement:

12. Since April 2022, the council has extensively engaged with key local partners in discussions about the opportunities presented by a County Deal for Surrey. Engagement with key local stakeholders was outlined as a priority for DLUHC in the lead up to agreeing a deal and as such continued engagement is planned in the lead up to agreeing a deal in April 2024.
13. District and Borough partners have been engaged throughout the process of scoping a level 2 deal for Surrey. Following a roadshow of discussions in 2022, District and Borough Leaders and Chief Executives have held multiple discussions between 2022 and 2024 on the county deal through the Surrey Delivery Board and later through the Leaders Forum and the Chief Executives group.

- 14. Surrey Members of Parliament (MPs) were engaged on the council’s intentions to pursue a level 2 deal by the Leader in 2023. Following this engagement, no objections were received by any of the MPs, and further engagement is planned in the lead up to agreeing a deal.
- 15. Stakeholders who will be impacted by, or who will be involved in the implementation of, specific functions expected to be devolved as part of a level 2 deal have also been engaged. These stakeholders include local businesses, LEPs, neighbouring local authorities, education & skills providers, and Homes England.
- 16. It is the council's intention that following the agreement of a deal with government key stakeholders will, where relevant, continue to be engaged as part of the implementation of devolved powers. Engagement during implementation will be shaped by the needs of the specific functions being devolved and the timelines expected for devolution to the county council.
- 17. It is also the council’s intention that residents of Surrey will be kept informed and in line with this a public statement and Frequently Asked Questions page was published on the council’s website following the Autumn Statement.

Consultation:

- 18. As no legislative or governance changes are required to secure a level 2 deal, there is no statutory requirement to conduct a public consultation prior to agreeing a county deal with government. Key stakeholders are being engaged through appropriate channels on the development and implementation of a deal as has been set out above.
- 19. Two powers within the deal, the devolution of the Adult Education Budget and the Homes England Compulsory Purchase Powers, require legislative change to be devolved. As such, following the agreement of a level 2 county deal, the process of devolving these powers to Surrey County Council will require Council consent to the legislative change and parliamentary approval. The extent of and approach to engagement on these matters will be developed following conclusion of a Framework Agreement.
- 20. The council’s Communities, Environment and Highways (CEH) Select Committee provided input and scrutiny of the council’s approach to developing proposals for a county deal twice in 2022.

Risk Management and Implications:

- 21. While specific impacts of a final county deal are not known at this stage and will be clearer when a final deal has been drafted, there may be some risks both for the council and for stakeholders. As such the programme management board that has been set up to oversee the development of a County Deal for Surrey have created a risk register to ensure oversight and appropriate mitigation of any risks that may accrue in relation to this programme.

Financial and Value for Money Implications:

22. It is understood that at the point of agreeing a County Deal for Surrey there will be no immediate additional funding as there is no capacity funding attached to a deal at this level. However, the powers and functions expected to be included in a level 2 county deal include the eventual devolution of specific funding streams to Surrey County Council. The exact details of these powers and functions, and the impact on council finances, will be developed during the implementation phase, following the expected agreement of a deal with government in April 2024. Detailed work to understand the finances of the LEPs and the impact on the county council has already begun.
23. In the January 2024 meeting with DLUHC, it was clear that a county deal would only be progressed with county councils with stable finances.
24. The development and agreement of a County Deal for Surrey is currently being 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:

25. Significant progress has been made in recent years to improve the Council's financial resilience and the financial management capabilities across the organisation. Whilst this has built a stronger financial base from which to deliver our services, the increased cost of living, global financial uncertainty, high inflation and government policy changes mean we continue to face challenges to our financial position. This requires an increased focus on financial management to protect service delivery, a continuation of the need to be forward looking in the medium term, as well as the delivery of the efficiencies to achieve a balanced budget position each year.
26. In addition to these immediate challenges, the medium-term financial outlook beyond 2023/24 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 the stable provision of services in the medium term.
27. The Section 151 Officer notes the powers and functions of the level 2 county deal, notes that detailed work is ongoing and supports the recommendations of this report.

Legal Implications – Monitoring Officer:

28. The template agreement provides a framework for the implementation of a devolution deal. The devolution deal is subject to ratification by the Council and Government and any statutory requirements for making secondary legislation implementing the deal. These requirements include Surrey CC consenting to the secondary legislation implementing aspects of the deal and parliament approving it. Once the legislation is made, the devolution agreement will be confirmed.
29. DLUHC have confirmed that there is no statutory requirement to issue a proposal for the deal and consult on it, however, as the report sets out, some of the functions to be

transferred will require regulations to be made to transfer these powers. The statutory process for the transfer of the powers will require Surrey CC to evidence how the powers will improve economic, social, and environmental well-being of residents and it is expected that some engagement and consultation will be needed to form part of this evidence.

30. The agreement requires that the Council maintains its current Leader and Cabinet model. The devolved functions will be the responsibility of the Leader and Cabinet as executive functions who will be scrutinised by the appropriate select committee following a review of select committee arrangements to incorporate the level 2 deal functions.

Equality and Diversity:

31. A County 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, and therefore depending on the details of the final deal, it has the potential to produce net positive impacts on equality, diversity and inclusion.

32. Where relevant, Equality Impact Assessments will be completed relating to individual powers and functions of the county deal.

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Annexes:

Annex 1: Summary of the proposed 'Draft Framework Agreement' submitted by DLUHC

Sources/Background papers:

April 2022 Cabinet Report – A Devolution Deal for Surrey

October 2022 Cabinet Report – A County Deal for Surrey

Joint Public Statement with D&Bs

SCC website – County Deal FAQs

2022 Levelling Up White Paper

The Levelling Up and Regeneration Act

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