



Committee report

Committee	FULL COUNCIL
Date	2 SEPTEMBER 2015
Title	HAMPSHIRE AND ISLE OF WIGHT DEVOLUTION DEAL
Report of	LEADER OF THE COUNCIL

EXECUTIVE SUMMARY

1. This report proposes that the Isle of Wight Council approves as the basis for negotiation with government the prospectus setting out proposals for a devolution deal between government and the fifteen local authorities and two Local Enterprise Partnerships in the Hampshire and Isle of Wight area.

BACKGROUND

2. At its July meeting council considered a motion to support the development of a proposal for the creation of a Combined Authority to include the fifteen local authorities across Hampshire and Isle of Wight. The proposal having arisen from a meeting of the Hampshire and Isle of Wight Local Government Association where the government's policy approach to devolve some of its responsibilities to local areas in the light of the devolution process in Scotland had been discussed. Council agreed, "to support the process of asking for, or offering to Government a Combined Authorityin order to deliver efficiencies, economies and better services for local people provided that there is sufficient funding across the Combined Authority for it to be effective in meeting the needs of the communities it must support".
3. Subsequent to the meeting a letter was sent to Rt Hon Greg Clark MP; Secretary of State for Communities and Local Government expressing the intent of the local authorities in the area to present proposals to government and to submit a formal statement of intent by the 31 July 2015. This statement of intent was circulated by the Leader to all Members by email on 31 July 2015 and is reproduced at appendix 1 to this report.
4. Officers from across all of the local authorities and the two local enterprise partnerships (LEPs - EM3 and Solent) in the area have worked closely together with officials from government throughout August to develop the statement of intent into a formal prospectus. This work has been overseen by a representative group of Council Leaders including the Isle of Wight to ensure the presentation of the prospectus to government by 4 September 2015.

5. The 4 September is a key date as it is the government's final date for the receipt of comments to advise its comprehensive spending review (CSR) and therefore the autumn statement when it will set out its spending priorities for much of the next term of parliament. The advice of government officials is therefore to make a proposal as part of this process so that its financial impact can be considered as part of the CSR. Ultimately for any devolution deal to be agreed it must be fiscally neutral to the public sector finances in the round.
6. At the time of drafting this report the prospectus is still being finalised and it will be circulated to members as soon as it is available in order to inform the debate at the council meeting. The headlines in the prospectus are summarised in the paragraphs that follow in order to provide a flavour of what it includes.
7. The overall vision of the prospectus is that devolution of powers will help to increase productivity across Hampshire and Isle of Wight. In so doing it will increase the overall prosperity of the area and therefore the quality of life of those that live there. There are four key strands to the work to be coordinated across the area in order to achieve this goal.

Significantly Increase Housing Delivery

8. This would be achieved through a more integrated approach to strategic planning and a joint investment fund, backed by government. Funds would be targeted to accelerate brownfield development; deliver low-cost starter homes and provide more affordable rural houses. A Hampshire and Isle of Wight Land Board would ensure the public and private sector work strategically together to unlock land assets and maximise benefits for the area. The aim is to bring about a step change in the scale and delivery of new homes.

Boost Skills and Enterprise

9. Achieved by improving connectivity and addressing skills shortages which hold back the area's growth sectors. The intent is to invest in career and enterprise services that inspire young people into work. With greater ability to leverage national funding, for example from the department for Business Innovation and Skills (BIS) and Innovate UK, there can be a consolidation and better targeting of business support services.
10. There would be more opportunities for university and private sector-based initiatives to drive forward growth and increase the performance of creative and knowledge-based industries. With growth hubs focused on high productivity sectors, such as the world-class marine and aerospace clusters, aided by university research centres, the area will be better able to retain its global competitiveness and increase gross value added (GVA) year on year. This means higher returns to the Exchequer and more secure high-value job opportunities for local residents.

Invest in infrastructure

11. This is to be achieved by securing greater influence over a share of national spending, including a longer term (ten year) commitment to infrastructure funding, to enable a more targeted approach more investment into growth areas and provide more efficient, integrated road, rail and ferry services. This will help make new housing viable and communities sustainable through better connectivity more secure energy and good access to jobs and services.
12. More innovative use of digital information, including smart ticketing, would improve travel for daily commuters and tourists. Securing government's support for more investment in the strategic transport links to Hampshire's International ports and nearby airports is considered to be a key priority and vital for UK business accessing global markets.

Transform public services

13. Through wider collaboration, developing a whole-place approach to public sector property and asset management. This would further improve service delivery and maximise efficiencies, for example through shared premises. Building on successful work, devolution should give greater flexibility to design new models of health and care, capable of withstanding budget and demographic pressures and able to deliver better health and wellbeing outcomes for the population. Innovative funding mechanisms would increase the area's self-sufficiency and help secure future public service delivery across Hampshire and Isle of Wight.
14. The governance of the devolution deal is a matter that will need to be subject to detailed technical analysis in accordance with relevant legislation. Therefore whilst this was originally envisaged as being through a combined authority this does not necessarily have to be the case and all options will need to be carefully assessed should the government wish to convert the prospectus into a binding agreement.

STRATEGIC CONTEXT

15. In its document, "A country that lives within its means: Spending Review 2015", published in July 2015 the government has identified its intention to, "look at transforming the approach to local government financing and further decentralising power, in order to maximise efficiency, local economic growth and the integration of public services".
16. The council has a priority, expressed in the Corporate Plan 2015 to 2017, of, "ensuring that all resources available to the Island are used in the most effective way in achieving the Island's priorities". One of the actions contained in this priority is to work with partners with a view to achieving, "better outcomes for the Island's community and which can mitigate the potentially damaging impacts of the significant challenges that the council faces".

CONSULTATION

17. The work to produce the devolution prospectus has been overseen by the leaders of the local authorities and chairmen of the two LEPs working together to produce the proposals for consideration by members.
18. Two informal workshops were held on the 6 and 19 August to brief members of the council on progress with developing the prospectus and allow an opportunity for to contribute to shaping its development.
19. Further informal consultation with key stakeholders is likely to be undertaken as part of the governance review and the government itself will need to undertake a consultation exercise as part of its process to approve the devolution deal.

FINANCIAL / BUDGET IMPLICATIONS

20. The direct financial implications to this council of a devolution deal will become clearer as the detail is negotiated with government once it has accepted the proposals made in the prospectus. The Leader and the Managing Director have been absolutely clear with all of the partner authorities involved with the development of the proposal that it must have a mechanism which sustains the delivery and provision of services in the Isle of Wight, secures the financial security and sustainability of an independent Isle of Wight and that without such a mechanism the council could not be part of a final agreement. One of the outcomes in the statement of intent is therefore to secure the financial future of the Isle of Wight. The partners developing the deal are working from a starting point that no authority should be financially worse off over the period of a devolution deal (if agreed).
21. The council's challenging budget position is considered elsewhere on the agenda; a devolution deal may help the council be sustainable in the medium term but it will still need to consider other alternatives to ensure that it can remain sustainable in the short term.

LEGAL IMPLICATIONS

22. The Localism Act 2011 contains powers for the Secretary of State to transfer certain powers between local authorities and to also transfer ministerial functions to them.
23. The Cities and Local Government Devolution Bill, and the draft Legislative Reform (Combined Authorities and Economic Prosperity Boards) (England) Order 2015 are currently being considered by parliament and when approved will make it easier for the devolution of powers from government to local authorities in England subject to the consent of the relevant local authorities and public bodies in respect of the proposed changes.

EQUALITY AND DIVERSITY

24. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The purpose of pursuing a devolution deal is to improve the overall quality of life for the communities within Hampshire and Isle of Wight and is therefore consistent with the council's duties under the Equality Act.

OPTIONS

25. The options for the council are:
- (a) Support the prospectus for a devolution deal for Hampshire and Isle of Wight as the basis for negotiation with government.
 - (b) Not support the prospectus for a devolution deal for Hampshire and Isle of Wight.
 - (c) Confirm that the final devolution deal must ensure the financial security of Isle of Wight and availability of public services to its communities.
 - (d) Note that at this stage the council is making no commitment beyond continued involvement in the development of a potential deal.

RISK MANAGEMENT

26. The potential for a devolution deal for Hampshire and Isle of Wight provides an opportunity to secure the sustainable delivery of public services on the Island in cooperation with other local authorities in Hampshire and the two LEPs serving the area. The risk in not supporting the devolution deal is that the council may not secure the benefits for Isle of Wight that could come from a deal.
27. There is a risk however that the timescales for the implementation of the devolution deal and the benefits to be secured may be too long to help the council manage its current financial challenges and continue to provide public services at the current levels. The council will therefore need to continue with the robust management of its finances and its approaches for government support until Isle of Wight is in receipt of the benefits of a devolution deal.
28. There is a risk that government considers the devolution agenda as its main vehicle for transforming public services and it may therefore be unwilling to help and support the council in meeting its budget challenges if the council is unable to support the approach for Hampshire and Isle of Wight devolution.

29. The prospectus for a devolution deal is the start of a negotiation with government about how the delivery of public services across Hampshire and Isle of Wight can be undertaken in a way which benefits the community as a whole. As these negotiations develop there is a risk that the devolution deal does not provide the benefits as envisaged by some or all of the 'partners' in the deal and that some partners choose not to be involved with the deal; in fact government itself may also choose not to pursue the deal if it does not provide the outcomes it requires.

EVALUATION

30. The development of the prospectus for a devolution deal for Hampshire and Isle of Wight has come a very long way in a very short period of time and sets out some clear aspirations for the area. It is understood that government is comfortable with the direction taken by the 'partners' and keen to enter detailed negotiations with them subject to the content of the final document. There is therefore a long way still to go to achieving any final agreement to the devolution deal.
31. A devolution deal would still be subject to the agreement of all of the partners to the final deal and the completion of a statutory governance review setting out the most appropriate method for organising the delivery of the services. This review would need to consider the potential role of an elected mayor alongside other models. It is possible that the devolution deal could proceed with only some of the partners but the government would still need to be persuaded that its benefits would be of sufficient impact to warrant the changes a deal would require.
32. Given the large number of partners to the proposed deal it is quite likely some elements of the deal may be unpalatable to a small number of partners whilst very helpful to others. The principle of acting collectively must however underpin the whole process so that in overall terms the whole area benefits and ultimately all of the partners in the deal can share in its success. There will inevitably be some matters that are completely unacceptable to some local authorities and there will need to be complete openness and transparency amongst the partners about these issues so that the negotiations can proceed effectively.
33. Isle of Wight will, for example, want some confirmation through the negotiations about how the assurances about its financial security as set out in the statement of intent will be secured in the devolution deal. Other partners to the negotiations will have different 'red lines' that they would not wish to see crossed. No change to the current local government structure in Hampshire and Isle of Wight is a 'red line' agreed between all of the partners and the prospectus is being put together on that basis.
34. If a devolution deal is agreed then some decisions which are currently the responsibility of a local authority or a LEP will be made by the partners acting collectively rather than by an individual body. In the same way some decisions currently taken by government or government departments will no longer be taken at this level. Hampshire and Isle of Wight will collectively be

responsible for taking these decisions and the Isle of Wight Council will be one part of that decision making body. It would be unreasonable to expect government to hand control of some of its functions to a collective Hampshire and Isle of Wight without the partners doing the same. All of the local authority partners and the LEPs will be key delivery agents for Hampshire and Isle of Wight and will also continue to have responsibility for delivering a wide range of services that fall outside of the devolution deal.

35. Once the negotiations on the devolution deal have been completed then a further decision of the Full Council will be required to accept the deal negotiated between the government and Hampshire and Isle of Wight. At this stage the Council, if it accepts the recommendations in this report, is making no commitment beyond continued involvement in the development of the potential deal and receipt of any potential benefits that may come from a deal. Should such benefits not be forthcoming then the Council will not be committed as things currently stand to being part of any eventual deal

RECOMMENDATION

36. To adopt options (a) and (c):-
- (a) Support the prospectus for a devolution deal for Hampshire and Isle of Wight as the basis for negotiation with government.
 - (c) Confirm that the final devolution deal must ensure the financial security of Isle of Wight and availability of public services to its communities.
 - (d) Note that at this stage the council is making no commitment beyond continued involvement in the development of a potential deal.

APPENDICES ATTACHED

37. [Appendix 1](#) - Hampshire and Isle of Wight Devolution – Statement of Intent

BACKGROUND PAPERS

38. None.

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