

Public Document Pack  
**Special Cabinet**

Wednesday, 20th July, 2016  
To immediately follow full Council

**PLEASE NOTE TIME OF MEETING**

Council Chamber - Civic Centre

This meeting is open to the public

**Members**

Councillor Simon Letts, Leader of the Council  
Councillor Mark Chaloner, Cabinet Member for  
Finance

Councillor Satvir Kaur, Cabinet Member for  
Communities, Culture and Leisure

Councillor Jacqui Rayment, Cabinet Member for  
Environment and Transport

Councillor Dave Shields, Cabinet Member for Health  
and Adult Social Care

Councillor Warwick Payne, Cabinet Member for  
Housing and Sustainability

Councillor Christopher Hammond, Cabinet Member  
for Transformation

Councillor Paul Lewzey, Cabinet Member for  
Children's Social Care

Councillor Dr Darren Paffey, Cabinet Member for  
Education and Skills

(QUORUM – 3)

**Contacts**

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## **BACKGROUND AND RELEVANT INFORMATION**

### **The Role of the Executive**

The Cabinet and individual Cabinet Members make executive decisions relating to services provided by the Council, except for those matters which are reserved for decision by the full Council and planning and licensing matters which are dealt with by specialist regulatory panels.

### **The Forward Plan**

The Forward Plan is published on a monthly basis and provides details of all the key executive decisions to be made in the four month period following its publication. The Forward Plan is available on request or on the Southampton City Council website, [www.southampton.gov.uk](http://www.southampton.gov.uk)

### **Implementation of Decisions**

Any Executive Decision may be “called-in” as part of the Council’s Overview and Scrutiny function for review and scrutiny. The relevant Overview and Scrutiny Panel may ask the Executive to reconsider a decision, but does not have the power to change the decision themselves.

**Mobile Telephones** – Please switch your mobile telephones to silent whilst in the meeting.

### **Use of Social Media**

The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair’s opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council’s Standing Orders the person can be ordered to stop their activity, or to leave the meeting.

By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and or/training purposes. The meeting may be recorded by the press or members of the public. Any person or organisation filming, recording or broadcasting any meeting of the Council is responsible for any claims or other liability resulting from them doing so. Details of the Council’s Guidance on the recording of meetings is available on the Council’s website.

### **Southampton City Council’s Priorities:**

- Jobs for local people
- Prevention and early intervention
- Protecting vulnerable people
- Affordable housing
- Services for all
- City pride
- A sustainable Council

### **Executive Functions**

The specific functions for which the Cabinet and individual Cabinet Members are responsible are contained in Part 3 of the Council’s Constitution. Copies of the Constitution are available on request or from the City Council website, [www.southampton.gov.uk](http://www.southampton.gov.uk)

### **Key Decisions**

A Key Decision is an Executive Decision that is likely to have a significant:

- financial impact (£500,000 or more)
- impact on two or more wards
- impact on an identifiable community

### **Procedure / Public Representations**

At the discretion of the Chair, members of the public may address the meeting on any report included on the agenda in which they have a relevant interest. Any member of the public wishing to address the meeting should advise the Democratic Support Officer (DSO) whose contact details are on the front sheet of the agenda.

**Fire Procedure** – In the event of a fire or other emergency, a continuous alarm will sound and you will be advised, by officers of the Council, of what action to take.

**Smoking policy** – The Council operates a no-smoking policy in all civic buildings.

**Access** – Access is available for disabled people. Please contact the Cabinet Administrator who will help to make any necessary arrangements.

### **Municipal Year Dates (Tuesdays)**

<b>2016</b>	<b>2017</b>
21 June	17 January
19 July	14 February <b>(Budget)</b>
16 August	21 February
20 September	21 March
18 October	18 April
15 November	
20 December	

## **CONDUCT OF MEETING**

### **TERMS OF REFERENCE**

The terms of reference of the Cabinet, and its Executive Members, are set out in Part 3 of the Council's Constitution.

### **RULES OF PROCEDURE**

The meeting is governed by the Executive Procedure Rules as set out in Part 4 of the Council's Constitution.

### **DISCLOSURE OF INTERESTS**

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Pecuniary Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

### **DISCLOSABLE PECUNIARY INTERESTS**

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

(i) Any employment, office, trade, profession or vocation carried on for profit or gain.

(ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

- a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
- b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

### **Other Interests**

A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

### **Principles of Decision Making**

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

### **BUSINESS TO BE DISCUSSED**

Only those items listed on the attached agenda may be considered at this meeting.

### **QUORUM**

The minimum number of appointed Members required to be in attendance to hold the meeting is 3.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the “rationality” or “taking leave of your senses” principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, ‘live now, pay later’ and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

# AGENDA

## 1 **APOLOGIES**

To receive any apologies.

## 2 **DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS**

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

## 3 **STATEMENT FROM THE LEADER**

## 4 **COMBINED AUTHORITY** □ (Pages 1 - 82)

To consider the report of the Leader of the Council seeking approval from the Executive as to the Solent Governance Review and its conclusions. If agreed, to approve in draft the Solent Combined Authority Governance Scheme for consultation, attached.

Tuesday, 12 July 2016

Service Director, Legal and Governance

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# Agenda Item 4

<b>DECISION-MAKERS:</b>	COUNCIL CABINET		
<b>SUBJECT:</b>	COMBINED AUTHORITY		
<b>DATE OF DECISION:</b>	20 <sup>TH</sup> JULY 2016		
<b>REPORT OF:</b>	LEADER OF THE COUNCIL		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Mark Heath	<b>Tel:</b> 023 8083 2371
	<b>E-mail:</b>	Mark.heath@southampton.gov.uk	

<b>STATEMENT OF CONFIDENTIALITY</b>	
None	
<b>BRIEF SUMMARY</b>	
To seek approval from the Executive as to the Solent Governance Review and its conclusions. If agreed, to approve in draft the Solent Combined Authority Governance Scheme for consultation.	
<b>RECOMMENDATIONS:</b>	
	<b>Council</b> is recommended to:
(i)	Note the report; and
(ii)	In the context that the formal decision-making needs to be undertaken by the Executive, consider and express whatever views Full Council has prior to the Executive's decision.
Having complied with paragraph 15 of the Council's Access to Information Procedure Rules, <b>Cabinet</b> is recommended to:	
(i)	Note the report;
(ii)	Endorse the findings of the Solent Governance Review and its conclusion that in principle a Mayoral Combined Authority is in the best interests of Southampton;
(iii)	Approve, in draft, the Solent Combined Authority Governance Scheme for consultation; and
(iv)	Delegate to the Chief Executive any actions necessary to fulfil the resolutions in this report.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	This report is submitted for consideration as a General Exception under paragraph 15 of the Access to Information Procedure Rules in Part 4 of the City Council's Constitution, notice having been given to the Chair of the relevant Scrutiny Panel and the public
2.	This report has been brought forward in this timeframe following discussions between the Leaders of Southampton, Portsmouth and Isle of Wight Councils to enable a decision to be made on the Governance Review and

	draft Governance Scheme and to enable the subsequent commencement of formal consultation with the public over the draft Governance Scheme.
3.	There are significant benefits for Southampton and the wider Solent area in being part of a Combined Authority with the Isle of Wight and Portsmouth. To create this Combined Authority we need to undertake a governance review and approve a Governance scheme. The recommendation enables the City Council to fulfil this requirement. We will then need to consult extensively on the scheme, in conjunction with the other participating councils, and report back to Cabinet with the results of this consultation.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
4.	To not undertake this process (and hence not propose a Combined Authority)
<b>DETAIL (Including consultation carried out)</b>	
<u>Background</u>	
5.	Council has previously discussed the possibility of a Combined Authority and on 16 <sup>th</sup> March 2016 Council resolved: (i) that following consideration of the updated position, approval be given in principle for the Leader to sign an agreement to be party to any Combined Authority; and (ii) that delegated authority be granted to the Leader, following consultation with the Chief Executive and Group Leaders, to undertake detailed negotiations with relevant government departments and public bodies in respect of a proposed devolution deal and to agree final terms subject to public consultation and ratification by Council.
6.	Last summer the expectation was that the devolution proposals would be based on a Hampshire & Isle of Wight geography. However as the work on these proposals progressed, and the Government insisted that it would be necessary to have a directly elected mayor, it became apparent that it would not be possible to secure an agreement on the governance arrangements that would be needed to have a combined authority covering 15 local authorities, 2 national parks and 2 local enterprise partnerships.
7.	As the Hampshire & Isle of Wight proposal was unravelling, HM Treasury invited representatives from authorities in the Solent area to explore whether it would be possible to agree a devolution deal for the Solent area. The hope was that a deal could be announced at the March Budget. A draft deal was agreed very quickly and this provided significant opportunities for authorities in the Solent area although as part of the deal the authorities had to agree to set up a Combined Authority with a Directly Elected Mayor. The draft deal included.
	<ul style="list-style-type: none"> <li>• £900m funding for the area over 30 years (£30m p.a.) to invest in economic growth and housing.</li> <li>• Keeping all business rates generated in the area (approximately £400m) and leaving the current system of government funding for local councils - meaning the area would have better control of its own financial future and piloting the new approach</li> <li>• Powers over strategic planning, such as future spatial plans</li> </ul>



	<ul style="list-style-type: none"> <li>• Increase productivity and create more jobs and better jobs by simplifying and strengthening support for business growth, innovation, and global trade and investment</li> <li>• Control of the budget for adult education and training in the area, enabling a focus on the skills businesses want people to have, therefore people get jobs and businesses prosper</li> <li>• Development of a new programme to help the hardest to help claimants back into work and provide them with support</li> <li>• Delivering 52,000 homes in the area by 2026</li> <li>• Control of a dedicated transport budget, franchised bus services and key network of local authority roads</li> <li>• Innovative and integrated approaches to public service reform, including health</li> </ul>
8.	<p>The expectation was that the deal would be announced by the Chancellor of the Exchequer at the Budget in March. Initially the deal was agreed by representatives from Hampshire County Council, the three unitary authorities and the five district councils in the Solent area. Unfortunately before the deal was announced Hampshire County Council (HCC) changed their mind and stated that they were no longer prepared to sign up to the deal. The Government asked the Solent authorities to work with HCC in the hope that a deal could be agreed with all partners allowing a deal announcement to be made. Despite the best efforts of the City Council and partner authorities it has not proved possible to persuade HCC to sign up to the deal and the creation of a Solent Combined Authority. Without HCC's agreement to be part of the Solent Combined Authority it is not possible for the Solent district councils to be part of the formation of a Solent Combined Authority. The District Councils outside of the Solent area were also seeking to create a Combined Authority (the Heart of Hampshire Combined Authority) and negotiate a devolution deal. HCC were actively involved in these discussions from the outset but are currently not supporting the proposition.</p>
9.	<p>In this situation, encouraged by central government, the three unitary authorities within the Solent area (Portsmouth, Southampton and the Isle of Wight) are looking to create a Solent Mayoral Combined Authority to deliver on the draft devolution deal. The first stage in creating a combined authority is to undertake a Governance Review and approve a Scheme for the combined authority. The Scheme has to be approved by the Council's Executive.</p>
<b>Combined Authorities</b>	
10.	<p>A combined authority is a legal structure that may be established, via an Order issued by the Secretary of State, at the request of two or more local authorities. The combined authority's executive consists either of one representative of each member authority; or one representative of each member authority plus a directly-elected Mayor (hence a 'Mayoral combined authority').</p>
11.	<p>The legislation on combined authorities can be found in sections 103-113 of the Local Democracy, Economic Development and Construction Act 2009, which has been substantially amended by the Cities and Local Government Devolution Act 2016. The powers set up a combined authority extends to</p>

	England only (but not to London).
12.	There are multiple routes to establishing a combined authority
13.	Under the original procedure from the 2009 Act, a local authority or authorities may carry out a 'governance review', which must publish a 'scheme' recommending the creation of a combined authority. Publication of the scheme requires the consent of the local authority areas included in the scheme. The Secretary of State may then agree to create a combined authority by Order under the 2009 Act.
14.	Alternatively, via the 2016 Act, the Secretary of State may decide to establish a combined authority, if the councils in the relevant area consent. The Secretary of State must hold a public consultation, unless one has already been carried out locally and a 'scheme' has been published. The Secretary of State must be satisfied that the establishment of a combined authority is likely to "improve the exercise of statutory functions" in the area in question.
15.	An existing combined authority may be changed into a mayoral combined authority via a further Order from the Secretary of State. All the member authorities must consent to this. However, the 2016 Act provides that any authorities that do not consent must be removed from the combined authority when the elected mayor is established
<b>Functions</b>	
16.	The 2009 Act originally provided that a combined authority could only undertake functions related to economic development, regeneration, or transport, or other functions that its member authorities agreed to transfer upwards to it. The 2016 Act removes these limitations, and permits the Secretary of State to transfer statutory functions or the functions of public bodies to combined authorities. This is to be done via an Order for each individual combined authority. The powers of the Secretary of State in this regard are wide, though the 2016 Act includes a number of qualifications with regard to the transfer of health service functions.
17.	As well as statutory functions, the devolution deals agreed so far provide for the transfer of a number of Government-funded programmes to combined authorities. Where such programmes are not statutory, they will not be covered by the combined authority's Order, and can be transferred as soon as the Government and the relevant combined authority can agree on terms. In Greater Manchester, which was the first area to agree a devolution deal, many programmes have already been transferred.
18.	The actual scope of the functions and powers that the combined authority could undertake will depend on the specific powers granted to that authority under the establishing Order made by the Secretary of State. This may include the following: <ul style="list-style-type: none"> <li>• Transport functions delegated by the Secretary of State that the Secretary of State considers can be appropriately exercised by the combined authority (excluding the power to make legislative instruments and the power to fix fees or charges).</li> <li>• Transport functions of a local authority in relation to an area comprised in the combined authority area, which the Secretary of State considers can appropriately be exercised by the combined authority. The orders that are made transferring transport functions</li> </ul>

to the combined authority may be made subject to conditions.

- Functions that are transferred from an integrated transport area of Passenger Transport Executives (local government bodies with responsibility for public transport within large urban areas).
- Local authority functions for the area. However, before an order can be made the consent of the constituent councils, and where the combined authority already exists additionally the combined authority, is required.
- Public authority functions for the area. The Secretary of State may, by order, transfer functions from other public authorities to a combined authority in relation to the combined authority area. Any order that transfers functions from a public authority to a combined authority may also require the transfer of property, rights and liabilities associated with that function. If the result of the order and transfer of functions means the public authority will no longer have any functions, the order will provide for the abolition of the public authority. Any order that is made in relation to public authority functions may include provisions concerning the exercise of that function, including:
  - making the exercise subject to conditions or limitations. For example, such a condition might be used to specify that a transfer of health powers would not change responsibilities in relation to the NHS Constitution or mandate;
  - jointly working in connection with the function (such as a provision requiring the function to be exercised by a joint committee); and
  - any public authority function for the area that is transferred under an order may be transferred on the basis of being undertaken separately, with the combined authority taking over the function of the relevant public authority; concurrently, with the combined authority and public authority each exercising the function simultaneously; jointly, with the combined authority and public authority working together to exercise the function; or jointly and solely, with the combined authority and public authority working together to exercise the function while the public authority also continues to exercise the function alone.
- Police and Crime Commissioner functions where a mayor is in place. The Secretary of State may make an order providing for the transfer of functions from a Police and Crime Commissioner to the mayor of a combined authority. The 2009 Act contains provisions in connection with an order which transfers those functions. In this case, the Constabulary boundary is not co-terminus with the proposed Combined Authority boundary.
- For mayoral combined authorities, issuing precepts. The function may only be exercised by the mayor on behalf of the combined authority.
- Health service functions. An order transferring health service functions to a combined authority must:
  - not transfer any of the Secretary of State's core duties

	<p>in relation to the health service;</p> <ul style="list-style-type: none"> <li>○ not transfer health service regulatory functions vested in national bodies; and</li> <li>○ make provision about the standards and duties to be placed on the combined authority, having regard to the national service standards and the national information and accountability obligations.</li> </ul>
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**Mayoral Combined Authorities(MCA)**

19.	The 2016 Act permits a combined authority to have a directly-elected mayor. This can be done by either a new or an already existing combined authority.
20.	Of the five existing combined authorities, four (Greater Manchester, Sheffield, North-East and Liverpool) have agreed to establish a directly-elected Mayor as part of their deal. The new combined authorities proposed for Tees Valley and West Midlands will also do so, making a total of six mayoral combined authorities. The draft 'North Midlands' deal also includes provision for an elected mayor. The Mayors will be elected using the Supplementary Vote system, used for local authority Mayors and the Mayor of London. The Government currently anticipates all seven MCA "mayoralities" holding their first elections in 2017.
21.	The principles behind an MCA are that the Mayor will chair the Combined Authority and be a member of the combined authority. The Mayor will be able to allocate 'Cabinet' portfolios to each of the combined authority members. The 'Cabinet' will be made up of representatives from the member local authorities. There may be non-constituent (ie non-voting) members. They may receive expenses but may not be paid. The Mayor will have no control over who these representatives are; thus an incoming Mayor would only be able to reshuffle a 'cabinet', not change its personnel without their consent.
22.	The Mayor must appoint a deputy mayor, who must act if the Mayor becomes incapacitated. Where a Mayor is also a Police and Crime Commissioner they may appoint a 'deputy PCC mayor', separate from the deputy mayor. This person will be able to take on most of the mayor's PCC functions. So far, only Greater Manchester (plus the draft 'North Midlands' agreement) has agreed to the elected mayor becoming the PCC..
23.	The Order setting up the combined authority may confer functions solely on the Mayor or on the combined authority. Subject to any limitations in the Order, the Mayor may delegate functions to Cabinet members, committees, or officers of the combined authorities. Regulations may also be made permitting agreements with other authorities to exercise functions jointly, under section 101 of the Local Government Act 1972.
24.	Each devolution deal provides some outline details of scenarios when the combined authority membership may overrule the Mayor. For instance, in each deal, the combined authority membership may reject the Mayor's budget on a two-thirds majority. In some deals, the Mayor's 'strategies' may also be amended on a two-thirds majority. These provisions can be anticipated in the Orders setting up the mayoral combined authorities.

**Financial Powers**

25.	Mayoral Combined Authorities have a number of powers to raise small quantities of additional funding:
	<ul style="list-style-type: none"> <li data-bbox="320 293 1430 412">• Mayors will be able to raise a precept on constituent authorities' council tax bills, providing that the Order establishing them allows them to do so.</li> <li data-bbox="320 412 1430 573">• Combined authorities (with or without Mayors) may raise a levy on their members, for any of their functions. This constitutes a shift of funding between tiers rather than a means to introduce 'new money' into the system</li> <li data-bbox="320 573 1430 667">• A number of devolution deals include permitting local retention of 100% of business rate growth above an 'agreed baseline'</li> <li data-bbox="320 667 1430 792">• Mayors will have the power to raise an additional 2p in the pound on business rates, subject to the agreement of the Local Enterprise Partnership.</li> <li data-bbox="320 792 1430 918">• Combined authorities will have the power to borrow money under the local government prudential borrowing regime, though the authority's Order must specify for what purposes the money may be borrowed</li> <li data-bbox="320 918 1430 1003">• Many of the devolution deals provide combined authorities with an investment fund (£30 million per annum in most cases).</li> </ul>
26.	The powers and functions that are to be transferred to combined authorities are likely to come with existing funding streams, but this is not a statutory requirement. Future levels of funding for these activities will be dependent on Government decision-making.
<b>Overview &amp; Scrutiny</b>	
27.	The 2016 Act requires each combined authority to set up at least one overview and scrutiny committee. The committee must publish a plan indicating how it will exercise its powers, and it will have the power to suspend decisions of the combined authority whilst it reviews them. It will be able to require members and officers of the authority to attend and answer questions. A majority of members of an overview and scrutiny committee must come from member authorities. Its members cannot hold executive positions in those authorities. The chair of the committee must come from a different political party from the Mayor (or the combined authority's majority party, if there is no Mayor).
28.	The 2009 Act did not require combined authorities to establish overview and scrutiny committees. Of the existing combined authorities Sheffield, West Yorkshire, Liverpool and the North-East are required to do so by their Order, but there is no such requirement in Greater Manchester's Order. The Greater Manchester Combined Authority has established a 'scrutiny pool', made up of three backbench members from each of the constituent local authorities.
29.	There is no requirement in either Act for the overview and scrutiny committee to reflect political proportionality across the combined authority area – though combined authorities have done this so far. Brandon Lewis, then Minister for Local Government, stated during the debate on the 2014 Orders that "Good governance practice will mean that such committees will be politically balanced, enabling appropriate representation of councils' minority parties".
<b>The Governance Review</b>	
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30.	The first stage in the process of creating a new Combined Authority is for the relevant authorities to carry out a Governance Review. The purpose of the review is to determine whether the existing governance arrangements for economic development, regeneration and transport in the area are effective, or whether the area would benefit from changes, including the establishment of a new Combined Authority. In undertaking such a review, councils look at economic development and regeneration landscape in the round, including the activities of other arrangements. However, the review is required to focus on the governance arrangements for local authority functions that might be addressed in the formation of a new sub-regional body and not the functions and performance of those other bodies.	
31.	The relevant legislation require that the authorities, in undertaking such a review must address the issue of the effectiveness and efficiency of arrangements to promote economic development and regeneration in particular within the area to be covered by the review and, therefore, to be covered by the Combined Authority. This is because a review has to be carried out before the governance scheme (covered later in this report) can be considered, and the review will need to have shown before a governance review can be considered, that the creation of (in this case a Combined Authority) would be likely to improve:	
	a.	The exercise of statutory functions relating to economic development, regeneration and transport in the area;
	b.	The effectiveness and efficiency of transport in the area; and
	c.	The economic conditions in the area.
32.	The outcome of a governance review should, therefore, be:	
	a.	An assessment of the effectiveness and efficiency of existing governance arrangements for economic development, regeneration and transport across the area;
	b.	An analysis of the options available for making changes to these governance arrangements, such as leaving governance unchanged, strengthening or restructuring existing governance arrangements, establishing an Economic Prosperity Board and establishing a Combined Authority; and
	c.	A view as to which option is likely to be most beneficial.
33.	Stakeholders are considered to be an important source of evidence of how will the existing arrangements in the area are functioning and whether there is scope for improvements to be made. As part of the governance review, local authorities are required to identify who their relevant stakeholders are and engage with them to seek their views. This includes representatives of the business community, service providers and other delivery partners, relevant regulatory bodies and relevant public bodies, including Government advisors on the natural and built environment and rural champions. Engagement with stakeholders is part of the governance review process and the engagement exercise is addressed later in this report (paragraphs 39-42).	
34.	A copy of the Governance Review document as sent out to stakeholders is appended at Appendix 1. The document analyses the existing governance arrangements, considers the options available and concludes that a Mayoral	

	<p>Combined Authority is the preferred option with the biggest potential to:</p> <ul style="list-style-type: none"> <li>• Enable devolution of central government functions to the sub region to ensure decision making happens closer to local people;</li> <li>• Optimise economic growth on a sub-regional level and create further efficiencies through Public Service Reform;</li> <li>• Provide the legal identity and statutory basis to be the accountable body for key decisions and functions;</li> <li>• Enhance the transparency and democratic accountability of sub-regional arrangements;</li> <li>• Integrate and streamline growth, transport and reform functions into one single body, removing potential duplication and confused accountabilities;</li> <li>• Enable effective engagement with businesses and other key partners;</li> <li>• Is recognised by central Government as a robust mechanism that allows sub-regions to speak with one voice;</li> <li>• Can be established in a way that meets local circumstances;</li> <li>• Provide the opportunity to pool existing sub regional officer capacity and make the best use of resources; and</li> <li>• Improve the exercise of statutory functions in the sub-region and so meets the requirements of the legislation.</li> </ul> <p>Having taken account of the outcome of the stakeholder engagement, it is for the three councils to decide whether or not they accept this as a conclusion. This is matter for the Executive to determine.</p>
35.	A list of the stakeholders to whom the document was sent, is set out in Appendix 2.
36.	The results of that stakeholder engagement exercise will not be known until the day before the meeting so will be made available as soon as possible and reported to the meeting.
<b>Governance Scheme</b>	
37.	The second stage in the process of creating a new Combined Authority is the preparation and publication of a Governance Scheme for the new body. The scheme will be the basis for the creation of the new body and will contain information on the area it will cover, its membership, voting and any executive arrangements, its funding and the way in which it will be funded.

	These details will be included in the statutory order that is needed to create the new body.
38.	The draft Governance Scheme (set out in Appendix 3) contains the following key elements:
	<ul style="list-style-type: none"> <li>• A directly elected Mayor with a term of office of 4 years</li> <li>• A cabinet of one member from each local authority</li> <li>• An overview and scrutiny function</li> <li>• Voting to be by simple majority save on certain key matters where the Mayor will require 2/3 majority to support his / her policies</li> <li>• Arrangements for an interim Mayor for the period between the establishment of the CA and the first Mayoral elections with suitable constraints upon his/her exercise of Mayoral powers during the interim period</li> <li>• Non constituent membership will be offered to the Solent LEP, Fareham BC, East Hants BC, Eastleigh BC, Gosport BC, Hampshire CC, Havant BC, New Forrest DC, Test Valley BC, and Winchester CC</li> </ul>
39.	Subject to the approval by the Executive, the draft Governance Scheme will now be subject to a period of public consultation.
<b>Next Steps</b>	
40.	Subject to the approval by the Executive of the Governance Review, and the adoption of the Governance Scheme for public consultation, following this and the Secretary of State being satisfied that the public consultation fulfils the necessary criteria under the legislation, the Government will draft the orders creating the Combined Authority.
41.	The Orders will then be passed through to each of the councils who will need to formally agree them.
42.	Orders (regulations) are then laid in Parliament as secondary legislation. Timing of how long these orders take to pass is, of course, dependent upon their content, Parliamentary timetable and other factors.
<b>Stakeholder Engagement</b>	
43.	Stakeholders are an important source of evidence of how will the existing arrangements in the area are functioning and whether there is scope for improvements to be made. As part of the governance review, the three local authorities have identified their relevant stakeholders, including representatives of the business community, service providers and other delivery partners, relevant regulatory bodies and public bodies. A full list of stakeholders for Southampton City Council is included in Appendix 2.
44.	In some cases, stakeholders span more than one local authority area; in these cases, a lead authority has been identified to contact that stakeholder to reduce duplication. So, for example Portsmouth City Council has contacted Solent NHS Trust, Hampshire Police Authority and Hampshire Fire and Rescue, amongst others, whilst Southampton has contacted the Hampshire Chamber of Commerce, Hampshire County Council and the LEPs. Appendix 2 includes those stakeholders contacted by Portsmouth City Council on behalf of Southampton City Council.



45.	Engagement with these stakeholders commenced on 1 <sup>st</sup> July 2016. Each stakeholder was sent a letter outlining the current proposals and asking for their views, as well as a two-page summary and the full governance review document. A number of feedback mechanisms were made available for stakeholders to provide their views: via email to 'yourcityyoursay@southampton.gov.uk', by contacting the Leader of the Council, Chief Executive or Head of Economic Development and Skills. Stakeholders were asked to provide feedback by 5 p.m. on 14 <sup>th</sup> July 2016.
46.	Mechanisms are in place to collate and analyse all the feedback received, and officers from each authority are working together to identify common questions, themes and issues and respond accordingly. Feedback will then be analysed and a verbal update provided to Cabinet and Council. Officers from each authority are also working together to develop proposals for the next stage of public consultation.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

47.	There are no Capital implications of undertaking the recommendations in this report. The revenue implications of undertaking the governance review and consulting on the Scheme will be met from within existing budgets as directed by the Chief Financial Officer (Service Director, Strategic Finance and Commercialisation).
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### **Property/Other**

48.	None at this stage.
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## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

49.	The legislation on combined authorities can be found in sections 103-113 of the Local Democracy, Economic Development and Construction Act 2009, which has been substantially amended by the Cities and Local Government Devolution Act 2016. The power to set up a combined authority extends to England only (but not to London).
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### **Other Legal Implications:**

50	None.
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## **POLICY FRAMEWORK IMPLICATIONS**

51.	None.
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<b>KEY DECISION?</b>	<b>Yes/No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	ALL
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	Copy of the Governance Review document as sent out to stakeholders

2.	List of the stakeholders to whom the document was sent	
3.	Draft Governance Scheme	
<b>Documents In Members' Rooms</b>		
1.	None	
<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?		Yes
<b>Privacy Impact Assessment</b>		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?		No
Other Background Documents Equality Impact Assessment available for inspection from the Head of Economic Development and Skills		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None	n/a
2.	None	n/a

# The Solent Deal

Greater powers for South Hampshire & the Isle of Wight

## Strategic Governance Review

# 1. INTRODUCTION

- 1.1 The following report is a formal review of strategic governance arrangements. The review has been commissioned to ensure that sufficiently robust governance arrangements are in place to support the devolution of powers and responsibilities from central government to the Solent Mayoral Combined Authority. It has been prepared on behalf of the local authorities for Portsmouth, Southampton and the Isle of Wight, and the Solent Local Enterprise Partnership (LEP). In particular, it examines the case for the Solent Mayoral Combined Authority, and the impact that such a body would have on the effectiveness and efficiency of arrangements to promote economic development and regeneration, and of transport within the area.
- 1.2 Devolution signals the transfer of significant responsibilities relating to economic growth and public service reform. It is based on a shared commitment to bring decision making closer to local communities and to ensure that local powers are in place which will help double the size of the economy and support efficient, sustainable and effective public services.
- 1.3 A clear feature of any devolution agreement is to review governance arrangements to support the accountable, decisive and cooperative exercise of new powers, functions, and responsibilities. In common with other devolution agreements, a Mayoral Combined Authority (MCA) is suggested as the most effective governance arrangement to achieve this goal, subject to the outcome of a formal governance review.
- 1.4 An MCA would involve bringing together the three Councils and the Local Enterprise Partnership into a formal body which supports cooperative decision making on a shared programme relating to economic growth, regeneration, transport and public service reform. The MCA would operate on the principle that powers are not taken away from constituent councils but that decisions are made collectively about prescribed issues that cross local authority boundaries and relate to common themes and challenges that the three local authorities face. It would not replace the existing councils or act as a parent body. It is not Local Government Reorganisation but a mechanism to allow the three councils to cooperate where they wish to do so. A key principle throughout this review is subsidiarity – the practice of taking decisions at the lowest and/or most practical level of geography.
- 1.5 Subject to parliamentary approval, the MCA would be chaired by a directly-elected Mayor who would be able to exercise a number of functions, powers and

responsibilities transferred from central government to the sub-region covered by the three local Councils.

- 1.6 Specific provisions would be in place to allow the Mayor to exercise their powers with reasonable autonomy but also to ensure they fully consider the views of the constituent councils and the LEP.
- 1.7 This governance review is in line with statutory processes within the Local Democracy, Economic Development and Construction Act 2009 as amended by the Cities and Devolution Act 2016.
- 1.8 This document is published in draft form and will be finalised following the completion of a statutory consultation exercise on the Governance Scheme scheduled to take place in the summer and early autumn of 2016.
- 1.9 The purpose of the review is to determine:
  - Whether the areas covered by the Local Authorities of Portsmouth, Southampton and the Isle of Wight constitutes a functional economic area and suitable footprint to coordinate public service reform; and
  - Whether the existing governance arrangements for economic development, regeneration, transport and public service reform are effective or would benefit from changes, including establishing an MCA, particularly in the context of significant devolution.
- 1.10 The report is divided into the following four sections:
  - i. **The case for a Solent Mayoral Combined Authority:** An outline of how the Portsmouth, Southampton and Isle of Wight geography, shared priorities and current devolution agenda lends itself to strengthened governance arrangements.
  - ii. **Current governance arrangements:** An exploration and critical appraisal of existing sub-regional governance arrangements.
  - iii. **Future arrangements:** An appraisal of five potential governance options with a justification for an MCA as the preferred option.
  - iv. **Proposed role and function of a Mayoral Combined Authority:** Information on how the proposed governance arrangements would operate.
- 1.11 In addition, the annex of this report provides a draft governance scheme for the Solent MCA on which work is ongoing.

## **Approach**

- 1.12 The Leaders of Portsmouth, Southampton and Isle of Wight local authorities agreed to commence a formal governance review. A governance group was formed with officers from the three Local Authorities and the Local Enterprise Partnership has provided some input. The group has met regularly to scope potential options and design the process for the review. The group has worked closely with Government officials to ensure the process meets the new statutory requirements of the Cities and Devolution Act 2016 and related legislation. The Council Leaders and the LEP are minded to pursue a Combined Authority to formalise, strengthen and democratise cooperation where there is a consensus to take a joint approach on growth and reform. Clearly governance arrangements will be a factor in any potential devolution agreement but Council Leaders feel that a formal governance review should not wait for any deal to be finalised.
- 1.13 Under the terms of the most recent legislation, the statutory process for a governance review has four main steps:
- i. Production of a document reviewing existing governance arrangements (this document) and analysing the alternative options. For subsequent steps to follow, this must lead to the conclusion following engagement with key stakeholders that these current arrangements can be improved upon by adopting one of the alternative options. This document will be considered by the Councils and the Solent LEP board;
  - ii. Consulting on the proposed governance arrangements to secure engagement across a broad range of stakeholders.
  - iii. The Secretary of State will consider the governance review and scheme. If the Minister is content that adequate consultation has taken place and considers that establishing a MCA is likely to improve the exercise of statutory functions in the area a draft parliamentary order will be developed
  - iv. The constituent councils will need to give their formal consent to any draft order prior to it being laid before Parliament.

## **Engagement and Public Consultation**

- 1.14 It is a legal requirement that a public consultation be undertaken to support the review of governance arrangements and to gain views on additional central government functions that are to be conferred on local bodies. Given the significance of the devolution agreement and the subsequent change to governance arrangements, a two stage approach to consultation has been proposed.

- 1.15 Phase one: Engagement with key stakeholders on the provisional findings of the Governance Review. This includes the proposed changes to governance arrangements required to support devolution from central government. Stakeholders will have the opportunity to respond if they wish to do so. A number of organisations will be contacted directly to invite them make a response.
- 1.16 Phase two: Full public consultation and engagement will take place over the summer / early autumn to gain views on the detailed proposals for the Governance arrangements for the Solent MCA.

### **Options for consideration**

- 1.17 The governance group have considered a range of options that could be appropriate based on experience elsewhere and the objectives of the sub-region. Five options were identified which include:
- i. **Status quo**: This would involve continuing existing arrangements. Current approaches are based on a partnership model that has supported collaboration to date. The challenge will be whether these partnerships are sufficient to drive greater cooperation and reform.
  - ii. **Joint Committee**: This involves creating a board that would incorporate the three Councils and the Solent LEP. Under Section 101 of the Local Government Act 1972, it would have clear terms of reference and be a public meeting. It would have a statutory basis, but would not be able to hold funds, to make many decisions without individual authorisation by constituent members, be able to directly employ staff, be sufficient to receive significant powers from central government and would represent only a minor improvement on current arrangements.
  - iii. **Economic Prosperity Board (EPB)**: This is a formal, legally constituted body that enables greater cooperation on economic growth. An EPB has no borrowing powers and cannot impose levies. It is supported by legislation and could hold powers and funding on behalf of constituent councils and central government. It would not be able to take on informal powers to coordinate transport or wider public service reform
  - iv. **Integrated Transport Authority (ITA)**: An Integrated Transport Authority is a separate legal body responsible for the strategic coordination of transport including strategic highways and public transport. It would be led by a board consisting of the Leaders of the three constituent councils and could also include the Solent LEP. At present these bodies have been within metropolitan areas.
  - v. **Mayoral Combined Authority (MCA)**: This provides a legal body that can enable Local Authorities and the Solent LEP to make joint decisions on a

shared programme of economic growth and public service reform. As it has a legal personality it is able to hold budgets, employ staff, and enter into contracts. The MCA would be chaired by a directly elected Mayor and appears to be the preferred governance mechanism for significant devolution agreements. The role of the Mayor is seen as necessary by central government to provide visible leadership over devolved functions.

### **Criteria for options appraisal**

1.18 The following seven criteria have been identified to guide the evaluation of the five governance options:

- i. **Enables wider strategic objectives and devolution priorities:** The governance proposals would support the delivery of the economic and reform ambitions and associated devolved powers outlined in section 2 of this document.
- ii. **Efficient and effective decision making:** Arrangements would enable decisive, informed and joined-up decision making rather than create additional bureaucracy.
- iii. **Democratic accountability:** The proposal would be supported by a clear democratic mandate and effective oversight and scrutiny arrangements.
- iv. **Local flexibility and subsidiarity:** The proposal would not threaten the sovereignty of individual constituent members but would enable cooperation on matters that are best governed across administrative boundaries.
- v. **Positive business engagement:** The proposals would ensure that positive relationships with businesses are maintained and enhanced.
- vi. **Cost:** The proposal would not add significant cost to constituent members and could potentially enable efficiency savings.
- vii. **Broad support from stakeholders:** This would involve clear support from the constituent councils, LEP and significant support from our partners, neighbouring councils, the private sector and the wider public. This criterion will be assessed following the completion of a formal engagement exercise.



## 2. THE CASE FOR A SOLENT MAYORAL COMBINED AUTHORITY

### Solent in context

- 2.1 With a population of more than 580,000 and more than 30,000 businesses, the Solent Mayoral Combined Authority area is an internationally-recognised economic hub anchored around the Isle of Wight, the two cities of Portsmouth and Southampton, and the Solent waterway. The economic and communications inter-dependencies between the cities and the Isle of Wight are critical to our continued success.



- 2.2 The economy of the Solent MCA area has a significance that extends beyond the locality, making an important contribution to the national economy. With about 95% of the total volume of UK import and export trade arriving by sea, the maritime services sector is vital to the UK. The Solent has an important role to play in this regard. At just 20 nautical miles from the international shipping lanes in the English Channel, the Ports in the area of the Solent MCA (Portsmouth and Southampton) provide a sheltered haven with unique double tides that allow the world's largest ships easy access. The mass market of mainland Europe is less than 100 nautical miles from the Port of Southampton, which lies in close proximity to the UK's motorway network and has direct links to the national rail network. The Port of Southampton is

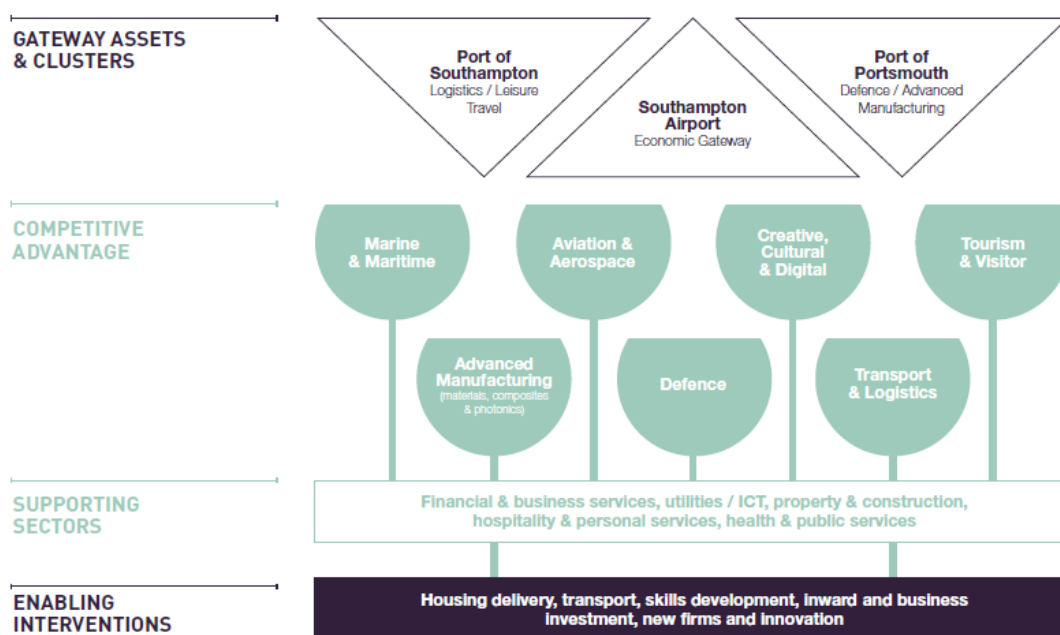
one of the largest, busiest and most diverse ports in the UK, providing a wide range of passenger, freight and cargo functions. It provides, directly and indirectly, 15,000 jobs, contributing over £1.2bn of output per annum. It is a hub for the country's thriving motor industry, exporting 1,000,000 vehicles per annum, more than any other port in the UK. It is also the country's busiest cruise port, home to the UK P&O, Cunard and Carnival cruise fleets, the latter being the largest cruise operator in the world.

- 2.3 Portsmouth international Port is the UK's premier ferry port for the Western Channel and the second busiest Cross Channel ferry port overall. In 2013 the Port's turnover was £15.78 million and the trading surplus was £7.36million. 2 million passengers, 637,000 cars and 220,000 freight units came through the Port in 2013. The Port consists of nine commercial berths; five of them roll on-roll off (Ro-Ro) serving France, Spain and the Channel Islands. Two large conventional berths serve deep-sea world-wide refrigerated cargo and short-sea container vessels and two berths serving dedicated Isle of Wight car ferries. The Old Camber Dock also forms part of the Port and is regularly used as a fishing dock and leisure marina. The Port's income largely derives from three areas of operation, the Continental Ferry Port operating Ro-Ro berths 1 to 5, MMD (Shipping Services) Limited (operating from Albert Johnson and Flathouse Quays) and other activities. Other small private berths and marinas exist within the Harbour.
- 2.4 Whilst not located within the proposed Solent MCA area it should also be noted that Southampton International Airport is adjacent to the city of Southampton and is home to eight airlines and serves up to 49 short haul UK and European destinations for business and leisure travellers. The Airport forms an economic gateway for the Solent and there is a recognized interrelationship between this key gateway and the Port of Southampton and it also sits at the heart of a significant growth hub, across the wider area at sites including; the former Ford site, and the city of Southampton.
- 2.5 Similarly, Portsmouth Naval Base is at the heart of the sub-regional defence cluster providing, directly and indirectly, 20,000 jobs across the sub-region and contributing over £1.6bn GVA of output. Currently, the Naval Base supports the Royal Navy surface fleet, delivering maritime services functions including: integrated ship support; complex software engineering and advanced manufacturing solutions; equipment management; training; and estates and logistics services. This cluster encompasses: the Naval Base; associated naval establishments; the defence industrial base and linked firms, including BAE, Babcock, Lockheed Martin, Northrop Grumman, Qinetiq, Serco Denholm Ltd, Airbus, Thales and Vector Aerospace.
- 2.6 The Isle of Wight covers an area of 147 square miles, with a coastline that runs for 57 miles. The Island is connected to the mainland primarily by the ports of Southampton and Portsmouth. The Island influences and is influenced by the wider sub-regional, regional, national and international context. It is also widely regarded as a leading location for advanced materials, is a world class composites hub supporting the marine, maritime and aerospace industry and home to leading edge companies such as GKN, BAE Systems, Gurit and MHI Vestas. The Solent MCA area is showcase for the leisure marine sector hosting the world-renowned Cowes Week, which is the longest running sailing regatta in the world having started in 1826 (and which does shape the Island's

economy and profile), the Southampton International Boat Show, ACWS and the home of the Land Rover Ben Ainslie’s Racing America’s Cup Race.

- 2.7 Our maritime and marine research base is also amongst the best in the world. We have a robust knowledge infrastructure with strengths in key economic sectors, internationally-renowned companies, world-class universities (2 in Southampton, 1 in Portsmouth) and a network of high quality Further Education (FE) colleges.
- 2.8 The Solent therefore is a significant sub-regional gateway economy with strengths across a range of industries in the private sector.

**Figure 1.1 – Key sectors and specialisations**



2.9 As a consequence of these economic assets, the three Solent “ports” and their respective cities and the Isle of Wight contain important clustered sectors and concentrations of economic activity and smart specialisation, most notably in the marine and maritime sector, and also in defence, logistics, and advanced manufacturing (including advanced materials and photonics), aerospace, and digital (creative and cyber security) and tourism/visitor economy are some of the principal industries which benefit from the unique economic environment in the proposed Solent combined authority area. All of these industries are also supported by a wider supply chain that also serves local population based demand - see (Figure 1.1).

2.10 Nevertheless, in an era of global competition, and significant change domestically economic assets are only ever relative and require continued investment and support in order to maintain their international attractiveness. There is a shared desire through the Solent MCA to ensure that the area does build on the collective strengths and also tackle the barriers to growth. The drivers of productivity and growth for all are well

understood: a dynamic, open enterprising economy supported by long-term public and private investment in infrastructure, skills and science built around the following pillars:

- encouraging long-term investment in economic capital, including infrastructure, skills and knowledge; and
- promoting a dynamic economy that encourages innovation and helps resources flow to their most productive use. Moving forward we face new challenges around stimulating the economy.

Following the decision to leave the EU on 23<sup>rd</sup> June 2016, it is important to note that the Solent MCA area provides an ongoing and vital future gateway to trade in Europe

### **Public Services**

2.11 Public Services across the area operate on a number of different footprints but increasingly cooperation on service reform initiatives is taking place at a sub-regional level. Paragraphs 2.29-2.34 develop this further.

### **Strong Foundations**

2.12 The mutual interests and interdependencies of the sub-region are well understood and it has long been acknowledged that economic growth can be maximised by working together. This long-standing cooperation has been represented in the past by the Economic Alliance which subsequently became the Enterprise Commission and is continued in the present day by the LEP. Increasingly this cooperation has deepened into areas of public service reform. The following shared priorities have emerged from these arrangements.

### **Emerging agenda**

2.13 Looking forward there are a number of shared priorities that address the challenges and opportunities outlined above at both a spatial and thematic level.

2.14 Unlocking growth and improving productivity is a key challenge for the Solent MCA area, which has productivity levels in the cities and the Isle of Wight way below the UK average. This is best summarised as follows:

- (1) Transport has a vital role to play in the area by bringing businesses and people closer together and fostering the agglomeration that make our two cities of Portsmouth and Southampton work and also connecting the Isle of Wight to the mainland. Transport will connect people to jobs and products to markets and, it underpins the supply chains in key industries (such as marine and maritime, advanced manufacturing and aerospace) and the logistics networks in our area. Given the location of our global gateways it is also fundamental to the domestic and international trade that goes through the Port of Southampton. The connectivity, condition and capacity of our transport

network is therefore critical if we are to secure a step change in productivity in the Solent.

- (2) Linked to this, new and innovative ways of working will also be important to delivering our growth ambitions and here digital infrastructure is vital. With the roll out of superfast broadband in the area, the super connected cities programme and the development of an Island superfast broadband network, it is improving, but there are still too many businesses hampered by slow connections, and households who cannot play their full part in the digital economy.
- (3) Availability of land assets remains important and timely public land release will improve investor confidence and create greater levels of business certainty. In particular the loss of land at strategic waterfront locations and lack of land for industrial development around key transport hubs is inhibiting growth in our world class marine and maritime sector, as well as other areas and we will want to ensure that this is addressed. Providing the right sites and meeting industry demand will be critical to enable the maritime sector to fully realise its potential.
- (4) Housing also has a vital role to play. The UK has not built enough homes to keep up with growing demand. In the Solent area the market does not function properly when viewed from the perspective of new supply, availability and affordability. There is a serious and chronic shortage of housing and steps are being taken to address this with delivery of new housing featuring very prominently in current plans. Notwithstanding this we all need to do much more as it is affecting productivity and restricting labour market flexibility, with many businesses simply unable to fill vacancies and many areas of the health and social sector reporting skills shortages as they struggle to recruit key workers.
- (5) Traditionally productivity growth in the Solent has gone hand in hand with rising human capital, as more people have become educated, and to a higher level. However, the Solent area suffers from several weaknesses in its skills base that has contributed to the widening of the productivity gap. We perform poorly on intermediate, professional and technical skills (particularly in science, technology, engineering and mathematics (STEM)). It is imperative that the Solent addresses these shortfalls if productivity is to improve and the work we are under taking through the Solent area review to re shape and simplify local provision to respond to businesses' call to improve skills training will be increasingly important as we move forward.
- (6) The Solent is home to three world class universities (located in the cities) and this represents an important competitive advantage, as technological change continues to increase demand for higher skilled roles in our area. The creation and application of new ideas is critical for our long-term productivity growth. The Solent benefits from strong links between universities and industry, but there is still more we can do in commercialising discoveries made in the research base and in ensuring the diffusion and adoption of these discoveries and we could perform better on SMEs introducing product or process innovations. There is also an ambition to secure a HE presence on the Isle of

Wight which will build upon the recent investment in the world class composites centre of excellence.

2.15 We will therefore be seeking through devolution to agree a deal that can tackle barriers to productivity by;

1. Supporting the development of a highly skilled workforce, with employers in the driving seat;
2. Supporting the three Solent universities in increasing their collaboration with industry and commercialising research;
3. Delivering new housing and employment growth by unlocking key sites;
4. Establishing a modern integrated transport system that is sustainable and has a secure future efficient and effective transport infrastructure is an essential component in the success and survival of economic clusters and the Solent must act now to strengthen its comparative advantages across its key sectors to realise economic value. This includes strengthening the cross Solent connectivity and island infrastructure; and
5. Delivering world-class digital infrastructure with reliable and high quality fixed and mobile broad band connections for residences and businesses.

2.16 The Solent devolution deal seeks to create a new combined authority to secure the devolution of responsibilities and powers in the following areas:

1. Business support and innovation;
2. Learning, Skills and Employment;
3. Housing and Planning;
4. Transport;
5. Fiscal responsibilities for the local area; and
6. Public Service Reform

2.17 For the Solent MCA that means that we will be able to invest in our economic infrastructure, develop the skills that our economy needs to succeed and ensure that ideas and knowledge are at the forefront of our approach, supporting our businesses to innovate, export and grow. This is critical if we are to build on our sectoral strengths in defence, logistics, and advanced manufacturing (including advanced materials and photonics), aerospace, and digital (creative and cyber security) and tourism/visitor economy and recognise our comparative advantage in marine and maritime.

## **Transportation and Infrastructure**

2.18 The three unitary councils are the highways authorities for their areas. Through the MCA they will:-

1. Take responsibility for a devolved and consolidated multi-year local transport budget for the area of the Combined Authority, including all relevant devolved highways funding;
2. Receive new powers for the franchising of bus services in the area of the Combined Authority, subject to necessary legislation and local consultation. This will be enabled through a specific Buses Bill which is on its passage through Parliament;
3. Take responsibility for the Key Route Network of local authority roads; the management and maintenance of which will be undertaken by the proposed Combined Authority on behalf of the Mayor. To support this all relevant local roads maintenance funding will be devolved as part of the Mayor's consolidated multi-year local transport budget;
4. In establishing the Solent Combined Authority a new, single policy and delivery body will be created covering the same area in order to determine, manage and deliver the Mayor's transport plans and the delivery of integrated public transport networks for the region.
5. The MCA will act as a focus for the One Public Estate programme and develop proposals for public sector locational hubs in city, town and district centres allowing local, regional and national public sector bodies to take advantage of modern integrated working to reduce costs, improve productivity and offer better services to our communities.
6. The MCA will identify opportunities to leverage additional funding, to supplement the government allocation, from a range of sources that may include private sector investment, prudential borrowing and a business rates supplement to create an Investment Fund to enable consistent long term planning and programming of major infrastructure projects.

2.19 Existing arrangements respond to local challenges but there is room for improvement;

1. Partnerships are working well but with the reduced resources within local authorities greater collaboration, joint decision making and pooled funding could improve responsiveness;
2. Communication generally works well but there still needs to be an improvement to ensure information is fed down to relevant colleagues/officers within local authorities;
3. A significant amount of work have been undertaken on transport and infrastructure studies in the regions by local authorities and the LEP. There needs to be significant improvements in cross organisation working in the region that builds on the solid work of existing structures and to reduce duplication;
4. We have grasped opportunities within the region to ensure transport and infrastructure improvements are delivered; however we have not always been successful in obtaining sufficient funding. We need to improve our joined up thinking within the region to provide more efficient transport and infrastructure improvements and solutions;
5. The Solent Transport Local Transport Authorities and the LEP need to continue to develop more synergies and joint working to enable further investment with organisations such as Highways England, Network Rail, Local Bus companies and utility companies.
6. The existing governance arrangements do not allow for enough effective shared expertise;
7. The existing governance arrangements can be short termist in some cases. A good example is whole life asset management. We are spending a significant amount of capital funding in the region but we cannot plan ahead due to funding uncertainties to maintain these new assets. We need to achieve greater certainty over long term funding and have the revenue support programmes in place to ensure they are maintained.

2.20 The Solent MCA area will commission a Strategic Transport Plan which will align with adjoining local authorities and the LEP's Strategic Economic Plan and Transport Investment Plan to connect people and places as well as support economic growth and jobs. The MCA could have an important role as the Local Transport Authority for the Solent MCA area.

2.21 The changes will improve the integration of policy on economic development with, planning and transport policies and the co-ordination and delivery of transport in the MCA area. The MCA will have:

1. A stronger focus on the role of transport in supporting economic development and regeneration, through effective collaboration between Mayor and Leaders and the LEP;



2. Strong interfaces with the LEP alongside the LEP private sector representatives, are central to ensuring that the LEP's growth priorities are fully reflected in the planning, commissioning and delivery of transport in the Solent.
3. Stronger focus on the whole of the Solent's transport network, including cross Solent links, roads, cycling and walking, to ensure effective connectivity to address the needs of our future economy, whilst connecting communities in greatest need with future opportunities;
4. Streamlining of decision-making facilitating more rapid and efficient decision-making;
5. Strong shared commitment to working together to deliver the best outcomes for the Solent.

2.22 The region does not have an effective fully integrated rail and rapid transport network that connects its main centres with quick frequent services, and that increases the number of people who can readily access the main centres. By delivering this, there will be a reduced impact on the environment, improved air quality, reduced carbon emissions and improved road safety. The resulting network will enable the efficient movement of goods to support businesses to connect to supply chains, key markets and strategic gateways.

2.23 The travel to work patterns indicate that there is a high level of inter-connectivity across the Solent area. It is precisely this level of interconnectivity that provides the evidence of employers in one area accessing labour pools in a connected area, and is the basis for the conclusion in respect of the existence of travel to work areas (TTWAs) across our area.

2.24 New powers for bus franchising will provide new opportunities through the MCA. The main features will include:

1. Full control over all ticketing arrangements for franchised services – including fares, ticket types, branding and marketing;
2. Some flexibility to operators to set some or all aspects of ticketing arrangements commercially;
3. Cross-boundary operators will have the right to participate in the ticketing scheme and could be compelled to do so.

2.25 The very nature of the Buses Bill and franchising activity will enable the creation of a more integrated network. The MCA would work in partnership with rail and ferry operators to secure their further involvement.

2.26 The Solent is well positioned to build on the existing smart multi-operator, multi-modal Solent Go scheme which has already secured the involvement of bus and ferry operators. This will be extended to other transport modes with the MCA having the ability to set the pricing of Solent Go products.

## **Housing**

2.27 The PUSH Spatial Position Statement, which covers the housing market areas in South Hampshire, would form the basis of further work by the 3 Unitary Councils.

2.28 Within the 3 Councils, the proposed approach for delivering housing for the devolution agreement is as follows:

- Principle – To build on the PUSH Spatial Position Statement, and the evidence and data that underpinned this, to ensure sustainable housing growth in the Devolution area. Fundamentally, we acknowledge the role of housing in supporting economic growth and the link to productivity.
- Joint Strategic Work – To work together in a professional group with senior officer representatives of the 3 unitary local planning authorities to inform an updated strategic evidence base and Spatial Plan to reflect the devolution geography.
- Local Plans – The strategic evidence base will be used by each local planning authority to deliver up to date Local Plans which will detail how each local planning authority will deliver the housing growth in their area.
- Delivery - The Councils will work together to develop a delivery plan which will be used to identify opportunities for working with the LEP, government agencies such as the HCA and central government to identify funding and delivery opportunities for housing on individual sites, to support the growth and regeneration of the two cities, and to manage development on the Isle of Wight.
- Governance – The Councils and the LEP will work collectively with each other and with surrounding Councils (exercising the statutory ‘duty to co-operate’) to ensure that overall housing needs in the Housing Market areas are met in the appropriate locations and with the necessary infrastructure to ensure this delivery.

## **Transforming Public Services:**

2.29 The public service providers have a strong tradition of collaborative working to grow the local economy and improve outcomes for people through initiatives such as the Partnership for Urban South Hampshire (PUSH), the Southampton – Portsmouth City

Deal, the one public estate programme in the cities and integrated local systems of care projects; Portsmouth Blueprint, Better Care Southampton and My Life a Full Life (Isle of Wight).

- 2.30 Nevertheless the financial pressures on the public sector continue to increase because; productivity levels remain low, the age of the population is increasing, people's dependency on the public sector remains high and the complexity of the care needs in the most vulnerable in our community is growing.
- 2.31 The area has a complex mix of public sector organisations providing the full range of services to the local community. These include 3 unitary local authorities, 3 clinical commissioning groups, 1 NHS Trust, 1 NHS integrated trust, 1 NHS foundation trust, 2 ambulance services, 2 fire and rescue services and a police service which covers the whole of Hampshire and Isle of Wight. There are also 33 town and parish councils on the Isle of Wight.
- 2.32 No single geographical boundary is ever going to ideally suit the range of services covered by local government, health, police, fire and rescue, but it is considered that the close collaboration and additional powers and resources afforded by a Combined Authority can significantly assist with the creation of more efficient and effective services for local people.
- 2.33 An innovative and collaborative way of working to tackle these issues as a package and not each in isolation is needed. This will come from decisions being taken as close as is practically possible to those most affected by them, but driven and informed by:
- A single evidence based approach to strategic planning and decision making.
  - Increased clarity and reduced ambiguity, duplication and time in decision making.
  - Improved targeting of resources to deliver agreed outcomes.
  - Collective approach to securing and using local growth and private sector funds to improve outcomes.
  - The sharing, pooling and integration of resources at scale to improve the overall effectiveness and efficiency of the services being provided.
  - The co-ordinated and timely use of all public sector land and buildings as the catalyst for change.
  - Recognition of the challenging geography and the need to connect and coordinate activity across the whole area.
- 2.34 The new models of working will be built on the pillars of best practice and pilot programmes of activity to prove their effectiveness and impact. They will seek to involve and empower the individual to take responsibility and be accountable for,

themselves, their family and their community; it will only offer public service interventions where there is demonstrable failure in the system.

## Fiscal

### 100% Business Rate Retention

2.35 The proposal to retain 100% Business Rates involves foregoing Revenue Support Grant and other Government Grants in exchange for the retention of 100% Business Rates. This will be achieved in a way that is fiscally neutral for Government. However, it will allow the MCA to retain 100% of any uplift in Business Rates growth in the future which can be re-invested in both further growth opportunities and sustaining public services.

2.36 The current and proposed system of Local Authority funding broadly comprises the following for each of the Authorities

CURRENT FUNDING PROFILE	Portsmouth		Southampton		IOW		TOTAL	
	£m	%	£m	%	£m	%	£m	%
Council Tax	65.0	39%	79.4	41%	72.7	53%	217.1	44%
Business Rates	39.6	24%	46.5	24%	17.1	12%	103.2	21%
Government Grants (Incl. "Top Up" & Public Health)	63.9	38%	65.7	34%	48.3	35%	177.9	36%
<b>Total Funding</b>	<b>168.5</b>	<b>100%</b>	<b>191.7</b>	<b>100%</b>	<b>138.0</b>	<b>100%</b>	<b>498.3</b>	<b>100%</b>

EQUIVALENT FUNDING PROFILE UNDER 100% BUSINESS RATE RETENTION	Portsmouth		Southampton		IOW		TOTAL	
	£m	%	£m	%	£m	%	£m	%
Council Tax	65.0	39%	79.4	41%	72.7	53%	217.1	44%
Business Rates	80.9	48%	94.9	50%	34.1	25%	209.9	42%
"Top Up" / "Tariff" (Note 1)	22.7	13%	17.3	9%	31.2	23%	71.2	14%
<b>Total Funding</b>	<b>168.5</b>	<b>100%</b>	<b>191.7</b>	<b>100%</b>	<b>138.0</b>	<b>100%</b>	<b>498.3</b>	<b>100%</b>

#### Note 1

It is expected that the new 100% Business Rate Retention Scheme will lead to the ending of all Government Grants but that a mechanism to continue the national redistribution of funding for areas of relatively higher need will continue through a mechanism of "Top Ups" and "Tariffs"

2.37 The 100% Business Rates retention proposal shifts the bias considerably, the tables above illustrate that whilst the overall funding level will remain the same at inception, the proportion of Local Authority funding from Business Rates will double from 21%

currently to 42%. Going forward, in monetary terms, for every 1% increase in Business Rates, the funding for Local Authorities will increase by £2.1m (compared to £1m at present). This will sharpen the incentive for the MCA to:

- directly contribute to growth through efficient investments; and
- indirectly create the conditions for growth

2.38 Under the 100% Business Rates proposal, sustaining high quality public services will be directly linked to economic growth and therefore economic affordability of the region. The move to 100% Business Rate retention will create better conditions for growth and greater opportunity for sustainable public services.

2.39 The proposal also involves the pooling of those Business Rates and the re-distribution via a local funding methodology and formula, removing the MCA from the national funding system.

2.40 The key attractions of the proposal are:

- Greater funding certainty and financial planning - freedom from the current nationally determined Local Government Funding system and its inherent uncertainties. Uncertainties such as the level of funding to be allocated, the methodology for allocating funding and its propensity to change over time coupled with the variable nature of medium term funding settlements, inevitably linked to the parliamentary cycle.
- Financial autonomy and accountability - the ability of the MCA to determine a local specific funding system providing the right incentives and tools to deliver and balance Economic Growth and Housing Growth as well as to better target funding towards locally determined need. It also has the potential to overcome current system constraints and imperfections where growth in one locality confers public service or infrastructure burdens in another without recompense. In addition for example, there will be the opportunity to "top slice" an element of growth funding to invest (or co-invest with other stakeholders) for schemes with reach and impact across each other's boundaries
- Removal of barriers to investment for jobs and growth with the right to retain 100% of the proceeds of growth over the long term. This will provide confidence to invest up front in any enabling infrastructure required to facilitate the generation of that future business rate growth
- Greater influence over future funding available arising from the ability to influence future business rate income through the confidence to invest for growth

2.41 The key risks associated with the proposal are:

- There is a serious downturn in the economy that depresses Business Rates for a prolonged period
- There are valuation appeals in the system for particular categories of business that, if successful, could have a knock on effect across similar businesses that result in a significant reduction in overall business rates for the MCA as a whole

- 2.42 The latter of these two key risks is the more likely but of lesser financial impact. Historically, property based taxes have been demonstrated to be relatively stable through economic cycles.
- 2.43 Similarly, whilst a generic reduction in business rates payable across a particular business category could be significant, its impact will be better managed across the combined pool of Business Rates for the three authorities
- 2.44 These risks are limited by the existence of a national "safety net" system that is available as compensating support in the event of a reduction in Business Rate income beyond a certain threshold.

#### Single Pot - £30m per annum

- 2.45 The three Authorities within the Solent MCA have interconnected and dependent economies centered on the marine and maritime sector. There are however significant barriers to growth including a chronic shortage in housing and a significant transport infrastructure deficit, which if left unaddressed will act as a drag on the region's growth potential and jeopardise its existing comparative advantage against global competitors.
- 2.46 The MCA proposal includes the award of an additional £30m per annum for 3 years (£900m in total) of which 75% is capital funding and 25% is revenue funding.
- 2.47 There is a known housing demand for the three Unitary Authorities of 24,000 over the period 2016/17 to 2025/26 and a funding gap for enabling infrastructure of £493m (of which £300m relates to Transport improvements). Additional Local Authority funding and co-invested with the funds of the Solent Local Enterprise Partnership will be vital to meet that need. Without the MCA deal and the additional £30m per annum, the Solent Economy will continue to be held back and not realise the output potential being achieved by its southern comparators. The chronic shortage of housing is affecting productivity and restricting labour market flexibility with many businesses unable to fill vacancies.
- 2.48 Equally, there is a significant Transport Infrastructure deficit across the region which is a barrier to productivity growth. The £30m per annum would, in part, be used to fund (or co-fund with partners) those schemes that would unlock the greatest return.
- 2.49 There is a spectrum of ways that the additional £30m per annum can be leveraged for both housing and economic growth. At one end of the spectrum, the £30m can be used as direct funding for economic growth and housing schemes and allocated on a broadly annual (or short term basis). At the other end of the spectrum, the MCA could use the whole £30m to finance up to £500m of borrowing to inject a significant capital investment into the area.
- 2.50 In terms of overall fiscal Governance, it is fully expected that more efficient investment decisions will be made and as a consequence the economic growth

potential of the region maximised. Decisions will be taken on a whole MCA basis following a robust and transparent criteria based prioritisation methodology. That methodology will follow established guidance and the principles of the Government's "Green Book" 5 Case Model ensuring that investments will be made which are deliverable and where the greatest Benefit/Cost ratio can be achieved, regardless of location rather than one which is constrained (or ring-fenced) by individual local authority boundaries.

- 2.51 This should maximize the economic growth potential for the MCA area as a whole and also maximise the business rate return distributed back to all of the constituent authorities.

### **Welfare**

- 2.52 The three Unitary Authorities each have a higher percentage of their working age population on out of work benefits than the South East, with Southampton at 8.5%, Portsmouth at 6.4% and Isle of Wight at 10.8% against 6.4% for the South East.
- 2.53 By contrast, the wider Hampshire population stands at 5.4%, a percentage point below the South East (figures at February 2016).
- 2.54 In line with national trends, those seeking Job Seekers Allowance (JSA) in the area have reduced. However, there is a significant challenge in supporting those in receipt of Employment Support Allowance (ESA) to gain and sustain employment, as this cohort has multiple barriers to address including mental and physical health issues, low skills levels, substance misuse, debt and poor housing which require locally integrated, aligned and delivered services.
- 2.55 In the three Unitary Authorities, this group amounts to some 24,000 people, who collectively make a significant demand on public service support and funding, around 93% of whom will have left the nationally commissioned Work Programme without gaining employment. Many of these people will present the highest cost to the local and national public purse in terms of health, social and welfare funds.
- 2.56 Locally devolved pilot programmes for this cohort through our City Deal programme have evidenced that at least 30% of this cohort sustain employment for more than six months (against 7% of current national programmes)

### **Delivering on this agenda**

- 2.57 The Councils and the Local Enterprise Partnership recognise that to deliver on this agenda will require strong, visible, and accountable governance. While current arrangements have worked well to date, the next section of this report argues that they are not sufficient to meet the opportunities outlined above.





### 3. CURRENT GOVERNANCE ARRANGEMENTS

Southampton Portsmouth and the Isle of Wight Councils have long displayed examples of collaboration and cooperation in order to provide the best services to their residents and businesses, shown most clearly in the examples below. The local authorities are committed to working together and with other partners to tackle issues in a targeted and coordinated way. There are a number of current projects and combined services that provide examples of collaboration between local authorities.

These include:

- Partnership for Urban South Hampshire (PUSH)
- Solent Transport
- Southampton and Portsmouth City Deal
- Flood Defence Partnership

In the field of economic development there are a very wide range of groups and boards. As an indication, the range of bodies involving the councils include:

- Solent LEP Board
- Solent LEP sub-groups including:
  - Employment & Skills Delivery Panel;
  - Innovation and Business support panel;
  - Land, Property & Infrastructure Delivery Panel;
  - Solent Land property and Infrastructure Board
  - Inward Investment Delivery Panel;
  - Marine & Maritime Steering Group.
- Local/Regional Business Networks and Trade Associations (Business South, Hampshire Chamber of Commerce, Isle of Wight Chamber of Commerce, Federation of Small Businesses, EEF, IOD, British Marine, Marine South East, Southern Enterprise Alliance). It should be noted that several of these organisations collaborate under the Hampshire & Isle of Wight Business Alliance (HIBA).

#### **Governance Bodies**

##### **Partnership for Urban South Hampshire (PUSH)**

PUSH is a statutory joint committee established under the Local Government Acts 1972 and 2000 and the Localism Act 2011. It is a statutory joint committee comprising the unitary authorities of Portsmouth, Southampton and the Isle of Wight, the district councils of Eastleigh, East Hampshire, Fareham, Gosport, Havant, New Forest, Test Valley and Winchester, and Hampshire County Council, . Various other bodies are able to participate

(but do not vote). PUSH was formed in 2003 and has expanded in recognition of the value of working collaboratively. More recently, the formation of the Solent Local Enterprise Partnership (Solent LEP) on the same boundaries as PUSH, has further enhanced PUSH's engagement with private sector businesses.

PUSH operates on the key principle of subsidiarity, being a strategic partnership dealing with sub-regional matters where it can add value to the efforts of individual councils. PUSH does not get involved in direct service delivery or the statutory roles of the partner authorities or those of its wider partners. PUSH's key role is in co-ordination and oversight of both policy development and delivery at a strategic level and the governance structure and arrangements reflect these guiding principles.

PUSH's key priorities are:

- Promoting economic success;
- Providing sustainable communities
- Reducing inequalities;
- Investing in infrastructure;
- Promoting a better quality of life.

The governance arrangements (the joint agreement) can be found at

<http://www.push.gov.uk/partnership/working-arrangements.htm>

### **Solent LEP**

The Solent LEP was formally launched in 2011 following recruitment of the Board. The Board is led by business representatives, working with colleagues from higher education and local authorities.

The vision of the LEP is:

*"... to create an environment that will bring about sustainable economic growth and private sector investment in the Solent. It will assist this globally-competitive area reach its full potential, enabling existing businesses to grow, become more profitable and to be greener; enabling the creation of new businesses and attracting new businesses to the region."*

The 6 objectives of the Solent LEP are:

- **Maximise the economic impact of our economic assets** in the area and sectors with the potential for growth. Promoting the area as the UK's leading growth hub for advanced manufacturing, marine and aerospace both at home and, more importantly, in the global marketplace. Developing the advanced engineering and manufacturing sector through a business-led approach and supporting the visitor economy.

- **Unlock critical employment** sites to enable the Solent businesses, particularly the marine, maritime and advanced manufacturing sectors of their economy, to expand.
- **Provide new housing** to support our growing workforce.
- Ensure people have the **right skills** to access employment and support our growing sectors.
- Provide **effective support to our small and medium-sized enterprises (SMEs)** to enable them to grow – including marine and maritime SMEs; and
- Unlock **innovation led growth** to engage more businesses in knowledge exchange and innovation, develop links to wider Higher Education Institutions (HEIs) and demonstrate the benefits of working with knowledge based partners.

Local authorities including Southampton Portsmouth and Isle of Wight Councils are represented on the LEP Board and have worked with the LEP on developing the Strategic Economic Plan and the delivery of projects funded under the Local Growth Deal and the European Structural and Investment Fund Strategy.

### **Employment and Skills Board**

The Employment and Skills Board, a sub-group of the LEP, provides a private sector-led focus for employment and skills provision for the Solent LEP area, and recommends prioritisation of Local Growth Deal skills capital and specific locally allocated funds. It does not, however, provide governance for DWP, SFA, EFA or EU funds more generally. Its membership is drawn from business communities. This membership includes representatives from Further Education, Higher Education and a number of key public sector organisations at elected member level.

It has sub groups to take forward priority areas identified as critical for the economic development of the Solent LEP area. The priority areas are:

- Further Education College sub -group
- Pre-16 group to consider vocational preparation for young people

The Employment and Skills Board also interfaces with the LEP Board and Panels overseeing capital investment, awards of grants to businesses and innovation. However, all decisions are ratified by the main LEP Board.

### **Solent Growth Forum**

The Solent Growth Forum is an advisory committee composed of the members of PUSH as well as the co-opted members listed below, with the following purposes:

- to review projects funded under the Solent Growth Deal

- to provide recommendations, expert advice, and guidance on any matter relating to Solent Strategic Economic Plan (SEP), the work of the Solent LEP Board, and the is various Delivery Panels;
- to advise on the policies and programmes outlined in the SEP;
- to review the delivery of the SEP;
- to receive updates on the delivery of the European Structural Investment Funds;
- to encourage optimal delivery of the strategic priorities across programmes, and the optimal delivery of strategic priorities;
- to provide a strategic review of the development and delivery of the multi-year SEP.

Co-opted members; representatives are included from the following:

- University/Higher Education sector
- College/Further Education sector
- Business Organisation Representative Organisations
- Trade Unions
- Voluntary and Community Sector
- Government Agencies (e.g. Highways Agency, Network Rail, Environment Agency, Skills Funding Agency)
- Department for Business, Innovation, and Skills
- National Health Service bodies, and the Clinical Commissioning Group

### **Strategic Transport**

Responsibility for transport functions across Southampton Portsmouth and Isle of Wight Councils is divided between a number of different bodies, locally and nationally. Nationally, Highways England is responsible for major/trunk roads and motorways including the M3, M27, M271, M275, A3, A3(M), A27, A31, A34, A36, A303. Network Rail are responsible for railway infrastructure with a number of Train Operating Companies with varying degrees of engagement at a strategic level.

Locally, there are a number of formal and informal mechanisms whereby transport is considered at a strategic level across Southampton Portsmouth and Isle of Wight local authority boundaries.

- Local Transport Plans for each Highway Authority
- Solent Transport
- Local Transport Body(LTB)

## **Solent Transport**

Originally Transport for South Hampshire (and then Transport for South Hampshire and the Isle of Wight), Solent Transport was set up in 2007, following earlier work carried out by the voluntary Solent Travel Partnership to plan transport improvements for the south Hampshire sub-region.

Like PUSH, Solent Transport is a statutory joint committee convened under the Local Government Acts 1972 and 2000 and the Localism Act 2011. The local authorities in the partnership are Hampshire County Council, Portsmouth and Southampton City Councils and the Isle of Wight Council.

Solent Transport works closely with the Solent LEP, Highways Agency, Network Rail, South Hampshire Bus Operators Association and other stakeholders to deliver transport improvements such as the link between Portsmouth and Southampton.

The full governance arrangements are set out in the legal agreement, a copy of which can be accessed here: <http://www3.hants.gov.uk/tfsh/tfsh-who-we-are.htm>

## **European Structural and Investment (ESI) Funds**

The Solent LEP has an ESIF Sub-Committee to advise the Managing Authorities (DCLG, DWP, etc), regarding the local allocation of EU funds in accordance with the local European Investment Strategy. Representatives include local authorities, voluntary sector agencies, trades unions and government departments. Responsibility for decisions ultimately rests with the Managing Authorities.

## 4. OPTIONS APPRAISAL

To ensure compliance with the relevant legislation (the Local Democracy, Economic Development and Construction Act 2009), the Governance Review must establish if a Combined Authority or Economic Prosperity Board would be likely to bring about an improvement in Portsmouth, Southampton and the Isle of Wight Councils regarding:

- The exercise of statutory functions relating to economic development, regeneration, and transport in the area;
- The effectiveness and efficiency of transport; and
- The economic conditions in the area.

The unitary councils have a responsibility for the economic, social and environmental well-being of their area, a duty to produce local transport plans and prepare local land use plans.

In terms of transport, the Department for Transport have noted that partners should address the following major issues when formulating governance arrangements:

- Political leadership for transport at the most senior level;
- Ability to take difficult decisions;
- A long term (ten year) investment programme, focusing on the top priorities for the functional economic area as a whole;
- A local investment budget combining local resource in addition to Departmental resource;
- Evident links to strategies and decision making processes on economic growth, housing and planning; and
- Efficient use of transport resource across the area (e.g. joint procurement, maintenance contracts, rationalisation of highway functions).

In line with other Governance Reviews, this Governance Review explores the following options:

- Option 1 - Leaving existing governance unchanged (the status quo);
- Option 2 - Establishing a Joint Committee;
- Option 3 - Establishing an Economic Prosperity Board; and
- Option 4 - Establishing a Mayoral Combined Authority.

For each option a number of hypotheses are set out. They are designed to stimulate and highlight issues on which stakeholders and councils will want to express their own views.

## Status quo

### **Background Information**

- From the Government guidance for LEPs on Growth Deals is clear that local authorities will require greater collaboration, commitment and strengthened governance arrangements to seize any devolution opportunities.
- Demonstrating commitment to the growth agenda and the clear expectation that Local Authorities will put economic development at the heart of all that they do and work collaboratively across the functional economic area is part of the Government's response to Lord Heseltine's review.
- There is no formal link between decision making in relation to economic development (including inward investment, employment, skills and housing), regeneration and transport for the area;
- The framework within which local authorities now operate has changed fundamentally since 2010, as have the funding mechanisms. The abolition of regional bodies and the regional planning framework has been replaced with Local Enterprise Partnerships and an emphasis on City Regions and government funding is increasingly devolved to these structures rather than to individual councils (Local Growth Funding, for example).

### **Hypotheses**

- Maintaining the status quo means existing fragmented decision making processes would continue and set Portsmouth, Southampton and the Isle of Wight Councils aside from those other parts of the country that are in the process of strengthening and aligning decision making.
- The statutory and non-statutory arrangements leave space for ambiguity and overlap between the roles and functions of various sub-regional bodies and are dependent on agreements by constituent authorities and partners. It is, therefore, more challenging for decisions to be aligned in a way that secures maximum economic and social benefit.
- Strengthening and clarifying these relationships would also increase transparency, accountability, democratic legitimacy and the certainty of local decision making.
- Whilst the current arrangements may have served Portsmouth, Southampton and the Isle of Wight Councils sufficiently well in the past, the changes in the national framework coupled with the current economic conditions suggest that the areas needs are unlikely to be met by its existing governance structures. The voluntary partnership between local authorities is no longer sufficient to underpin authorities' ambitions, and does not meet the expectations of government. It is in danger of selling the area short. This will not only impact on Hampshire/IOW, but significantly on the wider UK economy due to the trade and export potential of the Ports
- Portsmouth, Southampton and the Isle of Wight Councils would benefit from a single democratically and financially accountable model, a legal entity in its own right, to

provide the necessary certainty, stability and democratic accountability to allow for long-term strategic economic and social decisions to be made.

- No change would mean that Portsmouth, Southampton and the Isle of Wight are disadvantaged both economically and politically. The challenge however is to ensure any new arrangement also enhances democratically elected councillors' ability to influence the wider agenda, without undermining discretion on matters of more local significance.
- Overall, keeping the status quo would mean accessing new funding and powers that would contribute to economic growth would be more difficult. It is likely to deprive the area of a stronger voice both nationally and internationally and would continue the current fragmented, overlapping and democratically deficient governance arrangements.



## **Establishing a Joint Committee**

### **Background Information**

- In this model two or more local authorities agree that a certain function or range of activities will be carried out by those authorities jointly and therefore on a collaborative basis. Such arrangements can, if properly managed, result in a reduction in duplication, and in the case of more specialised services, (where each authority may have small numbers of staff seeking to cover a wide range of activities), the creation of a critical mass resulting in improvements in service.
- The joint committee has no separate legal identity and no corporate status and so cannot own property or enter into contracts in its own right. Therefore it is usual for any agreement referred to above to also address such issues (e.g. with one authority acting as a "lead" or for the responsibilities being shared between participating authorities, following agreed principles, dependent upon the nature of the issue arising).
- The Joint Committee model allows an area to demonstrate effective decision making and political oversight for the management of funding that is allocated to the LEP (this being the Solent Growth Forum).

### **Hypotheses**

- However, a Joint Committee model may not address the current fragmented and separate decision making processes in place; especially in relation to transport and its integration with economic regeneration.
- A Joint Committee does not have a statutory remit and is not a formal legal entity. Each constituent authority will have to authorise and delegate functions to the Joint Committee. Councils are also able to withdraw the delegation in the future leading to short termism and potential instability.
- Non-local authority members are able to be co-opted but cannot vote.
- Joint Committees cannot be accountable bodies for funding purposes, nor employ staff, due to their lack of legal status. Ultimate responsibility for finances remains with the constituent councils or a delegated lead local authority.
- A Joint Committee may represent only a minor improvement on current arrangements at best.

## **Establishing an Economic Prosperity Board**

### **Background Information**

- Economic Prosperity Boards(EPB) share many of the features of a Combined Authority in that they have legal personalities and would provide a strong basis for taking on devolved powers and funding relating to economic development and regeneration, for example Accountable Body status for government and EU funding.
- Economic Prosperity Boards cannot levy or borrow money.
- Economic Prosperity Boards do not include transport functions.

### **Hypotheses**

- Transport is an essential component to achieving growth.
- An EPB could lead to some efficiencies and improvements around economic development, housing, employment and skills, but it would miss out the opportunity for integration with transport: this would leave this model of governance with some inherent inefficiencies.
- An EPB would not address the issues around strategic transport at the pan-Portsmouth, Southampton and the Isle of Wight Councils footprint / level.
- There is a key role for transport to play within a wider integrated approach to economic development, regeneration, employment and skills and strategic housing and ensuring that these decisions are taken in full accordance with their transport implications, and equally, ensuring that transport fully supports wider policy objectives.

## **Creating a Mayoral Combined Authority**

- A Mayoral Combined Authority (MCA) is not a merger of existing Local Authorities and would take over some functions with a very specific remit.
- MCAs are corporate bodies with their own legal identity which are able to take on the functions and responsibilities of sustainable economic development and regeneration and in addition transport functions available to Integrated Transport Authorities. Like EPBs, they can act as the Accountable Body for government and EU funds.
- An MCA can be set up by two or more local authorities whether contiguous or not. They must cover an area's natural economic footprint and want to collaborate, on a voluntary basis, more closely together to improve economic outcomes.
- An MCA can have statutory powers and duties conferred on it that it can exercise in its own right.
- The legislation allows for considerable flexibility in establishing an MCA

## **Hypotheses**

- An MCA would be able to bring together strategic decision making powers into a single body, so improving the alignment, coordination and delivery of economic development and transport related initiatives.
- It would provide a visible, stable and streamlined body corporate to which Government would be more confident in devolving powers and funding.
- The maximum benefit would be gained by integrating and bringing together at a strategic level those functions across the area that enhance economic prosperity. These are likely to include economic development, transport, housing, strategic land use, employment and skills, and the ability to develop joint governance arrangements for health and wellbeing, community safety, police and crime and wider functions. The extent of the decision making powers that are given to the MCA is a crucial detail in the scheme that is developed. Full powers could be given for some functions (e.g. transport) whilst for other functions, the powers could be limited to co-ordination and recommendation (e.g. strategic land use).
- It is the enhancement of decisions and information at a strategic level and those decisions best taken across a functional economic area that are most frequently cited as the advantages of an MCA.
- It is anticipated that a rationalisation of the existing regional / sub-regional structures will take place following on from the governance review. Therefore, although it would be wrong at this stage to make any pre-determination as to any consequences should an MCA be created, it would seem logical (if not inevitable) that the constitution of bodies such as Solent Transport / the Partnership for Urban South Hampshire (PUSH) would be effected by the creation of an MCA.
- It would be able to own property and enter into contracts, levy funding and borrow

## **Summary of Preliminary Findings**

A summary of the information above is shown below:

**Status quo:** maintaining the status quo would not make sufficient improvements in the economic conditions of the area. The existing and fragmented decision making process would continue and without a formal link between economic development, regeneration and transport functions it is more challenging for decisions to be co-ordinated in a way that secure maximum economic and social benefit or provide for longer-term planning and clear accountability.

**Establishing a Joint Committee:** a Joint Committee would address some of the governance and accountability issues around economic development and regeneration but would not dramatically improve the effectiveness and efficiency of transport. Due to a lack of new powers the existing and fragmented decision making structures would remain.

**Establishing an Economic Prosperity Board:** an Economic Prosperity Board would address some of the governance and accountability issues around economic development and regeneration but, as above, would still leave the issues around transport outside the formal joint arrangements, limiting the scope for increased effectiveness and efficiency.

**Creating a Mayoral Combined Authority:** building on existing arrangements and supporting the Solent LEP, the creation of a Solent (Portsmouth, Southampton and the Isle of Wight Councils) Mayoral Combined Authority, with the alignment of accountability, governance and geographies for economic development, regeneration and transport would provide the area with the best possible chance of securing significant and lasting improvements in economic development, regeneration and transport. Acting across the administrative boundaries of the area in pursuit of common interests would enhance the area's economic growth potential. This model would further strengthen democratic and financial accountability and lead to improvements and efficiency in transport by replacing the existing and fragmented arrangements.

## Summary of benefits

Based on the analysis above, an MCA is the preferred option with the biggest potential to:

- Enable devolution of central government functions to the sub region to ensure decision making happens closer to local people;
- Optimise economic growth on a sub-regional level and create further efficiencies through Public Service Reform;
- Provide the legal identity and statutory basis to be the accountable body for key decisions and functions;
- Enhance the transparency and democratic accountability of sub-regional arrangements;
- Integrate and streamline growth, transport and reform functions into one single body, removing potential duplication and confused accountabilities;
- Enable effective engagement with businesses and other key partners;
- Is recognised by central Government as a robust mechanism that allows sub-regions to speak with one voice;
- Can be established in a way that meets local circumstances;
- Provide the opportunity to pool existing sub regional officer capacity and make the best use of resources; and
- Improve the exercise of statutory functions in the sub-region and so meets the requirements of the legislation.

The next section provides further detail on how an MCA for Solent would operate.

## 5. MAYORAL COMBINED AUTHORITY: PROPOSED POWERS AND COMMITTEE STRUCTURE

- 5.1 The Solent MCA would bring together strategic decision making powers relating to growth and service reform into a single accountable body. It would operate as a construct of the three councils and the LEP bringing sovereign bodies together on a voluntary basis to make joint decisions on agreed issues. The Mayor's role would be to provide visible leadership particularly in matters relating to devolved growth and transport functions.
- 5.2 The following sections outline the suggested approach to the functions, powers and committee structure required to ensure the MCA will achieve its objectives. A draft governance scheme is included in Annex One which following consultation and Parliamentary approval would need to be further developed into a Constitution.

### **Powers and functions**

- 5.3 The directly-elected Mayor will receive new powers over transport and the Mayor would be able to exercise these functions autonomously, though he/she and the MCA Cabinet will be required to be scrutinised and held to account by the Overview and Scrutiny Committee. The Mayor will also be required to consult the Cabinet on his/her strategies, which it may reject if a two thirds majority of the members agree to do so. The MCA Cabinet will also examine the Mayor's spending plans and will be able to amend his/her plans, again if the majority of the members agree to do so. A newly elected Mayor will receive the following powers from central Government:
- Responsibility for a devolved and multi-year transport settlement
  - Responsibility for franchised bus services
  - Expected to propose a Local Transport Plan for the sub-region
  - The Chair of a Land Commission to ensure that barriers to the appropriate development of land owned by the public and private sector are addressed
  - Granted power to place a supplement on business rates to fund infrastructure, with the agreement of the local business community through the local enterprise partnership, up to a cap.
- 5.4 On creation, the MCA will receive the following new powers from central Government with further powers to follow:
- Control over a Housing and Employment investment Fund including the recycling of increased land values from Government owned assets;
  - Responsibility for the commissioning of Adult Skills working closely with the LEP, employers and local providers;
  - Working with the LEP on a devolved approach to business support including strengthened joint working with UKTI;

- The creation of a statutory spatial plan;
- Discharging duties common to Integrated Transport Authorities including coordinating action to meet transport requirements, commissioning of subsidised bus services implementing and enforcing the statutory concessionary travel scheme, setting a transport levy for the sub-region if required, providing information to the public in relation to public transport;
- Greater flexibility over the use of EU funding through the granting of Intermediary Body Status;
- Coordinating the sub-regional approach to developing a “One Public Estate” that supports service transformation and growth;
- Overseeing a Public Service Transformation Fund that supports the integration of services with a particular focus on tackling worklessness and low paid employment;
- Powers to hold the Regional Schools Commissioner to account, to ensure local priorities are being addressed.

5.5 The constituent councils and the LEP need not cede responsibility for local functions to the MCA unless they believe pooling responsibility would demonstrably improve economic conditions and wider service reform. Potential local powers and functions that could sit with the MCA, be undertaken by the LEP or be undertaken jointly between the LEP and MCA include:

- the Investment Plan for the area;
- an inward investment strategy for the sub-region;
- the strategy and activity for place based marketing across the sub region;
- economic assessment and research to provide an evidence base for economic strategy;
- the long-term strategic vision for housing and regeneration investment to support economic growth;
- the accountable body for interventions, projects and programmes that correspond to priorities that cover the whole of the sub-region;
- strategic plan for skills delivery across the sub-region;
- enabling the MCA to act as the forum for local authorities to exercise the Duty to Cooperate, in respect of strategic planning matters;
- the key decision making forum and accountable body for public service reform programmes and external funding opportunities that enable reform and cover the Sub region;
- appointing staff required to administer the MCA and support the implementation of its decisions

5.6 It is likely that the Combined Authority would also benefit from the flexibility of holding the General Power of Competence, introduced by the Localism Act 2011 and

which gives the power to do anything an individual can do provided it is not prohibited by other legislation”.

### **Representation**

- 5.7 On the creation of the MCA, pending the election of a Mayor, an interim Mayor shall be created. They must be an elected person, shall be nominated by a full voting member of the MCA, and must be agreed (unanimously) by the full voting members of the MCA. The interim Mayor shall not have the same powers as the directly elected Mayor, in that any decision which would be exercisable by the directly elected Mayor may only be exercised by the Interim Mayor if they have the (unanimous) support of the constituent members of the MCA.
- 5.8 The Mayor will act as the Chair of the MCA. The Mayor will have a term of 4 years and is elected by the local government elected for the areas covered by the constituent councils.
- 5.9 Each constituent council will have one representative who will be the Leader of the Council, Deputy Leader, directly elected mayor or deputy mayor of the relevant Constituent Council. It is also proposed that the LEP would have a member as a non-constituent member. In total this represents 5 representatives including the Mayor, constituent councils and the LEP.
- 5.10 The constituent councils and the LEP will act as a Cabinet for the Mayor. The Mayor will allocate portfolios across his/her cabinet. The Mayor will also act as the public figurehead of the MCA and as the single point of contact with central Government, neighbouring councils and key partners.
- 5.11 Further associate Members or observers could be co-opted to the MCA but would not have any voting rights. In addition, the following will be invited to be non-constituent members:
  - Fareham BC
  - East Hants BC
  - Eastleigh BC
  - Gosport BC
  - Hampshire CC
  - Havant BC
  - New Forest DC
  - Test Valley BC
  - Winchester CC



## **Voting**

- 5.12 Proposals for decision by the MCA can be put forward by the Mayor or any Cabinet Member. All constituent Members including the Mayor have one vote. The LEP will have a vote on specific matters (such as infrastructure and on the Growth Board) but no vote in issues that result in overturning a Mayoral decision. Any questions that are decided by the MCA are set to be decided by a majority of the constituent members present and voting save where otherwise expressed.
- 5.13 Matters relating to the Mayor's responsibilities can be overturned by a two thirds majority of constituent councils. The Mayor can vote on MCA matters but the constituent councils and LEP do not require their support for decisions relating to their shared remit.
- 5.14 A number of reserved matters would require the unanimous support of the three constituent councils:
- The co-option of additional voting or non-voting members onto the MCA;
  - Amendments to the governance scheme and its successor Constitution;
  - Adoption of the Spatial Strategy;
  - Adoption of a medium term financial plan, including the determination of any contributions from the constituent councils;
  - Approval of borrowing limits, the treasury management strategy and the investment strategy;
  - Establishment of arms-length companies;
  - Setting of any transport levy;
  - The adoption of key plans and strategies as determined by the MCA in its standing orders; and
  - Approval to receive new powers and responsibilities from central Government.

## **Committee structure**

- 5.15 It is intended that the two main committees of the MCA will be the Growth Board and the Public Services Reform Board. The Growth Board would be formed from the existing Local Enterprise Partnership and continue to ensure private sector influence over strategic growth matters. The Public Services Reform Board would bring together key public agencies to drive the efficiency and effectiveness of local services.
- 5.16 Below these, committees could be established a number of panels that would lead on specific sub-regional priorities including transport, investment, skills, and complex dependency. Detailed terms of reference for each committee including membership arrangements will be developed subject to and following the consultation process.

## **Overview and scrutiny**

- 5.17 An overview and scrutiny committee will be established to hold the Mayor and the Combined Authority to account. This committee will have the power to:
- Invite the Mayor and members of the MCA to attend before it to answer questions;
  - Invite other persons, including members of the public to attend meetings of the committee;
  - Review or scrutinise decisions made or decisions that could be made in the future relating to the functions which are the responsibility of the MCA;
  - Make reports or recommendations to the MCA in relation to their functions; and
  - Review or scrutinise a decision made but not implemented including the power to recommend that the decision be reconsidered by the MCA.
- 5.18 In so far as possible, the committee would reflect the political proportionality of the constituent councils. Its members cannot hold executive positions in those authorities. The chair of the committee would come from a different political party from the combined authority's majority party / the Mayor. The committee will also have the power to co-opt non-voting members.

## **Officer capacity**

- 5.19 The MCA will need to have in place the relevant staffing resources, systems and procedures to deliver its functions. Statutory officers including the Head of Paid Service, Section 151 Officer and Monitoring Officer will be sourced from existing constituent bodies and ideally one will be appointed from each constituent council. Existing sub-regional officer capacity will be maximised to provide an opportunity to ensure the best use of resources. Technical and policy support will be pooled as required or be provided through a constituent council.
- 5.20 A consistent and professional secretariat function will be formed. The overriding principle will be that the total officer resource will build on the capacity already in place across the 3 councils, existing sub-regional bodies and the LEP and any additional costs would be offset by efficiencies and savings.

## **Draft Scheme for the establishment of a Solent Mayoral Combined Authority**

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### **Establishment of the Solent Mayoral Combined Authority**

1. A Mayoral Combined Authority will be established pursuant to section 103, 105 and 113D of the Local Democracy, Economic Development and Construction Act 2009. It shall come into existence in XXXXX

### **Area of the Authority**

2. The Mayoral Combined Authority's area shall be whole of the following constituent authority areas:

- Portsmouth
- Southampton
- Isle of Wight

Each of the above authorities will be the Mayoral Combined Authority's constituent members ("Constituent Authority" and "Constituent Authorities" will be construed accordingly).

### **Name of the Authority**

3. The name of the Mayoral Combined Authority will be the Solent Mayoral Combined Authority.

### **Membership of the Solent Mayoral Combined Authority**

4. The membership of the Mayoral Combined Authority shall be as follows:

- (1) Each Constituent Council must appoint one of its elected members to be a Member. The elected member appointed must be the leader, deputy leader, directly elected mayor or deputy mayor of the relevant Constituent Council (as appropriate).
- (2) The Mayoral Combined Authority shall consist of 4 members with one Mayor and one elected member from the following 3 constituent authorities, referred to as a "Constituent Member" namely Portsmouth, Southampton and Isle of Wight Councils.

A new, directly elected Mayor will act as chair of the Mayoral Combined Authority and will exercise powers and functions devolved from central government. Note that on the creation of the Mayoral Combined Authority, pending the election of a Mayor, an interim Mayor shall be created. They must be an elected person, shall be nominated

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by a full voting member of the Mayoral Combined Authority, and must be agreed (unanimously) by the full voting members of the Mayoral Combined Authority. The interim Mayor shall not have the same powers as the directly elected Mayor, in that any decision which would be exercisable by the directly elected Mayor may only be exercised by the Interim Mayor if they have the (unanimous) support of the Mayoral Combined Authority.

Non-constituent members will be appointed, with a representative from the LEP.

The term “Members” will refer to both Constituent Members and Non-constituent members.

5. Each Member will also appoint one additional representative to act as a Substitute Member for the Mayoral Combined Authority in the absence of the named member. Any Substitute Member will have the same decision-making authority and voting rights and the person whose place they are taking.

6. Each Member will act in the best interest of the Mayoral Combined Authority as whole, taking into account all relevant matters.

7. A Constituent Authority may at any time terminate the appointment of a member appointed by it to the Mayoral Combined Authority, by notifying the Monitoring Officer in writing save it may not terminate the appointment of the Mayor.

8. If a member or substitute member of the Mayoral Combined Authority ceases to be a member of the Constituent Authority which appointed them for whatever reason, the member will automatically cease to be a member of the Mayoral Combined Authority on the expiry or termination of their term of office with the Constituent Member and the Constituent Authority will appoint a replacement as soon as possible.

9. The Mayor will allocate portfolios to the remaining members of the Mayoral Combined Authority. Appointments will be the first business transacted at the Annual Meeting of the Mayoral Combined Authority and the appointments will be for the forthcoming municipal year.

10. No additional remuneration shall be payable by the Mayoral Combined Authority to its members other than allowances for travel and subsistence. A constituent council may, on the recommendation of its independent remuneration panel, pay a special responsibility allowance to any elected member appointed by it to the Mayoral Combined Authority in respect of duties and responsibilities undertaken as a member of the Mayoral Combined Authority.

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11. The Mayoral Combined Authority recognises the benefits which additional members may bring to the MCA in carrying out its functions. If there is a unanimous decision to do so, the Mayoral Combined Authority may co-opt additional members onto the Mayoral Combined Authority on such terms as determined by the Mayoral Combined Authority and detailed within the constitution of the Mayoral Combined Authority.

### Quorum

12. The quorum for meetings of the Mayoral Combined Authority shall be three (3).

### Voting

13. Save for any functions only exercisable by an elected Mayor, constituent members of the Mayoral Combined Authority will have one vote. The Chair will have a casting vote.

14. Non-constituent members will not have voting rights save for the Local Enterprise Partnership who will be able to vote on matters relating to economic development, infrastructure, transport and on the Growth Board but will not be permitted to vote where constituent councils seek to overturn a decision of the elected Mayor or on matters outlined in paragraph 16.

15. On the requisition of any one member, made before the vote is taken, the voting on any matter shall be recorded so as to show how each member voted and there shall also be recorded any member abstaining from voting. Where any member abstains from voting then they shall be deemed to have consented to the decision of the majority such that:

- a. in any decision which require unanimity and where the abstaining member represents a council directly affected by the decision the matter may pass notwithstanding that the abstaining member does not form part of the majority provided that all other directly affected councils (through their appointed member) vote in favour or abstain; and
- b. in any decision requiring unanimous support the abstention of a member will not prevent the matter passing provided all other members vote in support or abstain (if all members abstain the matter shall not pass).

16. It is intended that decisions will be made by consensus. When this is not possible, matters will be put to a vote and will require a majority vote of the members present and voting, apart from the following matters which require unanimity of constituent members present:

- The co-option of additional voting or non-voting members onto the Mayoral Combined Authority;

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- Amendments to the governance scheme and its successor Constitution;
- Adoption of the Spatial Strategy;
- Adoption of an annual budget and medium term financial plan, including the determination of any contributions from the constituent councils;
- Approval of borrowing limits, the treasury management strategy and the investment strategy;
- Establishment of companies and/or other structures;
- Setting of any transport levy;
- The adoption of key plans and strategies as determined by the Combined Authority in its standing orders;
- Approval to receive new powers and responsibilities from central Government;
- Consideration of Members Allowances.

**Note:** It is not intended that the Chair has a casting vote in the case of equality of voting. In such circumstances, if a simple majority cannot be achieved the motion before the Mayoral Combined Authority is defeated.

### **Executive arrangements**

17. Executive arrangements (within the meaning of the Local Government Act 2000) shall not apply to the Mayoral Combined Authority. The discharge of the functions of the Mayoral Combined Authority will be subject to scrutiny arrangements set out in paras 18 -22 below.

### **Scrutiny arrangements**

18. The requirement to ensure accountability and transparency will be fulfilled by the Mayoral Combined Authority by establishing a joint Overview and Scrutiny Committee which reflects the political balance of the constituent councils to exercise scrutiny functions over the Mayoral Combined Authority (including, where appropriate, over its boards, sub-boards) in accordance with the provisions of S.104 and Schedule 5A of the Local Democracy, Economic Development and Construction Act 2009.

19. Overview and Scrutiny membership must not include a Mayoral Combined Authority member or a member of the Executive of a constituent council.

20. The Overview and Scrutiny Committee will have the power to-

- Invite Mayoral Combined Authority members and officers to attend meetings and answer questions;
- Invite others to attend the meetings;

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- Review or scrutinise decisions or other actions taken by the mayoral Combined Authority;
- Make reports or recommendations to the Mayoral Combined Authority;
- Require that a decision that has not been implemented be reconsidered by the members of the Mayoral Combined Authority.

21. The joint Overview and Scrutiny Committee may appoint sub-committees to deal with matters within its remit and will have the power to co-opt additional representatives for specific scrutiny tasks.

22. Where the Overview and Scrutiny Committee makes a report it may also publish it and require a response from the Mayoral Combined Authority. The notice published must give the Mayoral Combined Authority two months to consider the report.

### **Audit Committee**

23. The Mayoral Combined Authority will establish an Audit Committee responsible for

- Reviewing and scrutinising the Mayoral Combined Authority's financial affairs;
- Reviewing and assessing the Mayoral Combined Authority's risk management control and corporate governance arrangements;
- Reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the Mayoral Combined Authority's functions;
- Making reports and recommendations to the Mayoral Combined Authority in relation to reviews conducted under the above.

### **Functions, Powers and Duties of the Mayoral Combined Authority**

24. The mayoral Combined Authority's ambition will be to create more skilled and better paid jobs, bring more investment into the area, reform public services and reduce the regions welfare bill. Unless otherwise stated, where the powers listed below are also vested in the Constituent members, they will be exercised by the Mayoral Combined Authority on a concurrent basis and no powers are intended to be ceded to the Mayoral Combined Authority by the Constituent members.

25. By virtue of Sections 99 and 102A of the Local Transport Act 2000, the Mayoral Combined Authority will have broad wellbeing powers, which can be exercised in conjunction with the general powers granted to it by Section 113A of the LDEDCA and section 164 of the Transport Act 2000.

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26. The Mayoral Combined Authority requests the Secretary of State to delegate to the Mayoral Combined Authority the General Power of Competence under Part 1 of the Localism Act 2011.

27. The Mayoral Combined Authority requests the Secretary of State to designate the Mayoral Combined Authority as a 'Specified Body' pursuant to Section 33(3) (k) of the Value Added Tax Act 1994.

### **Functions – Economic Development and Regeneration**

28. The Mayoral Combined Authority will have responsibility for a significant programme of investment in transport and economic infrastructure and will influence and align with government investment in order to boost economic growth. The related interventions will have differential spatial impacts across the Mayoral Combined Authority area, but should aid delivery of key growth projects in the emerging and future local plans of Constituent Authorities. Having regard to the duty to co-operate, effective alignment between decision-making on transport and decisions on other areas of policy, such as land use, economic development and wider regeneration, will be a key aim.

29. Unless otherwise stated, powers will be exercised by the Mayoral Combined Authority on a concurrent basis.

30. It is proposed that the Mayoral Combined Authority will be focused on strategic economic growth. The constituent councils and the LEP need not cede responsibility for local functions to the Mayoral Combined Authority unless they believe pooling responsibility would demonstrably improve economic conditions and wider service reform. Potential local powers and functions that could sit with the Mayoral Combined Authority, be undertaken by the LEP or be undertaken jointly between the LEP and Mayoral Combined Authority include:

- the Investment Plan for the area;
- an inward investment strategy for the sub-region;
- the strategy and activity for place based marketing across the sub region;
- economic assessment and research to provide an evidence base for economic strategy;
- the long-term strategic vision for housing and regeneration investment to support economic growth;
- the accountable body for interventions, projects and programmes that correspond to priorities that cover the whole of the sub-region;
- strategic plan for skills delivery across the sub-region;



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- the key decision making forum and accountable body for public service reform programmes and external funding opportunities that enable reform and cover the Sub region;
- Appointing staff required to administer the Mayoral Combined Authority and support the implementation of its decisions.

31. The powers and duties set out in Schedule 1 shall be held by the Mayoral Combined Authority in support of any functions.

### **Functions - Transport**

32. The Mayoral Combined Authority will fulfil directly or commission the role of Local Transport Authority for each of the three authorities.

33. The Mayoral Combined Authority will exercise any function of the Secretary of State delegated to the CA by the order of the Secretary of State pursuant to Section 86 LTA and Section 104( and 148 1) (1 LDEDCA. Such functions will be exercised subject to any condition imposed by the order.

34. The Mayoral Combined Authority's role in this will encompass:

- Setting the long-term strategic transport vision and outcomes for the sub-region;
- Agreeing the development and approval of a single, sub regional Local Transport Plan (or its equivalent), which will include high level policy responsibility for major investments (e.g. freight, cycle, rail, highway maintenance, new transport infrastructure, traffic management);
- Agreeing a long-term transport investment strategy as part of the Strategic Economic Plan to deliver the strategic economic vision and outcomes (which includes housing, employment and skills);
- Acting as accountable body for Transport Schemes, e.g. devolved major transport scheme funding;
- Setting the transport levy for the sub region if required.

35. The powers and duties set out in Schedule 2 shall be held by the Mayoral Combined Authority in support of any functions.

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### Functions – Public Service Reform

36. The Mayoral Combined Authority will also act as a forum to coordinate the development and delivery of a public service reform plan alongside wider partners in the public, private and voluntary sectors.

### Funding, Transfer of Property, Rights and Liabilities

#### Funding

37. The Mayoral Combined Authority as a levying body under Section 74 of the Local Government Finance Act 1988 shall have the power to issue a levy to its Constituent Authorities in respect of the expenses and liabilities of the Mayoral Combined Authority which are reasonably attributable to the exercise of its functions relating to transport.

38. The core principle in determining the Levy or the Differential Levy shall be that the total contribution from each Constituent Authority for funding transport services for the year does not exceed the equivalent cost for the year as it would have been calculated under previous arrangements.

39. The costs of administering the Mayoral Combined Authority, that are reasonably attributable to the exercise of its functions (and any start-up costs) relating to economic development, housing and regeneration, and public service reform shall be met by the Constituent Authorities on a proportionate and equitable basis. Equitable basis also means where possible the constituent councils will meet these costs in kind.

40. Any cost incurred by the Mayoral Combined Authority that is not in relation to the administration of the Mayoral Combined Authority or subject to the Levy and Differential Levy shall be met by the Constituent Authorities on a suitable apportionment basis.

41. The Mayoral Combined Authority will approve the annual budget for the purpose of expenditure.

#### Transfer of Property, Right and Liabilities

42. All property, rights and liabilities existing at the transfer date shall transfer to the Mayoral Combined Authority, including rights and liabilities in relation to contracts of employment, but these will be ring-fenced under the terms of a Mayoral Combined Authority agreement to the Constituent Authorities and the LEP

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### **Statutory Officers**

43. The Mayoral Combined Authority has a duty to appoint to the three statutory positions being:

- Head of Paid Service;
- S151 Officer;
- Monitoring Officer.

It is anticipated that these positions will be undertaken by officers already serving in one or more of the constituent councils.

### **Delegations**

44. The Mayoral Combined Authority may establish such committee or sub-committees as it considers appropriate and may delegate powers and functions accordingly.

45. As lawfully permitted, the Mayoral Combined Authority may make arrangements for the exercise of any of the Mayoral Combined Authority's Functions by Committees, Sub-Committees, Officers, joint committees or other local authorities pursuant to section 101 of the Local Government Act 1972. Where the Mayoral Combined Authority elects to make such arrangements the detail of the Functions to be discharged and any conditions on such discharge shall be recorded in the Scheme of Delegation within the Constitution.

46 The Mayoral Combined Authority will review the Scheme of Delegation at least annually as part of any review of its Constitution.

### **Powers and duties transferred to the Mayor**

47. Transport

(a) Functions of Central Government

The Mayor shall exercise any function of Central Government delegated to the Mayoral Combined Authority pursuant to any order made by the Secretary of State under Section 86, Local Transport Act 2008 and/or Section 104(1)(b), Local Democracy, Economic Development and Construction Act 2009 and/or Sections 15 to 19, Localism Act 2011.

(b) Section 108, Section 109 and Section 112, Local Transport Act 2000

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The duty to develop and keep under review policies relating to transport in its area and to carry out its functions to implement those policies.

(c) Section 2, Road Traffic Reduction Act 1997

The duty to prepare a report on the levels of local road transport and a forecast of the growth in those levels.

### **48. Powers and duties transferred to the Mayoral Combined Authority**

Economic Development and Regeneration

(a) Localism Act 2011

Such functions of the constituent councils as are exercisable for the purpose of economic development and regeneration in reliance on the general power of competence under Section 1, Localism Act 2011.

(b) Section 99 and Section 102A, Local Transport Act 2008

The power to promote well-being in the area of the Mayoral Combined Authority.

(c) Section 113A, Local Democracy, Economic Development and Construction Act 2009

The power to do anything the Mayoral Combined Authority considers appropriate: for the purposes of carrying out any of its functions; purposes incidental to and/or indirectly incidental to carrying out its functions; connected to any of its functions; for a commercial purpose.

(d) Section 69, Local Democracy, Economic Development and Construction Act 2009

The duty of a local authority to prepare an assessment of economic conditions in its area.

(e) Section 142(2), Local Government Act 1972

The power of a local authority to arrange for the publication within their area of information relating to the functions of the authority, etc.

(f) Section 144, Local Government Act 1972

The power of a local authority to encourage persons to visit their area, etc.

(g) Sections 15ZA, 15ZB, 15ZC, 17A, 18A, 514A and 560A, Education Act 1996 (as inserted by Part 2 of the Apprenticeships, Skills Children and Learning Act 2009)

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The duty to secure that enough suitable education and training is provided to meet the reasonable needs of 16-19 year olds, 19-25 year olds who are subject to learning difficulty assessment and persons who are subject to youth detention. The duty to co-operate with local authorities exercising these duties.

(h) Section 88(1)(a) and (b), Local Government Act 1985

Power to exercise the functions under the above provisions relating to the research and collection of information whether or not a scheme is made under Section 88.

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### Appendix 2

#### **Solent Combined Authority Governance Review. List of stakeholders contacted by Southampton City Council.**

- Allied Developments
- Associated British Ports
- Aster Group
- Basingstoke and Deane Borough Council (*on behalf of the three unitary authorities*)
- Business South
- City College Southampton
- East Hampshire District Council (*on behalf of the three unitary authorities*)
- Eastleigh Borough Council (*on behalf of the three unitary authorities*)
- EM3 LEP Chair (*on behalf of the three unitary authorities*)
- Fareham Borough Council (*on behalf of the three unitary authorities*)
- Federation of Small Businesses
- First Bus Hampshire and Dorset
- Fleet Town Council (*on behalf of the three unitary authorities*)
- Go South Coast
- Gosport Borough Council (*on behalf of the three unitary authorities*)
- Great Western Railway
- Hammerson
- Hampshire & Isle of Wight Community Rehabilitation Company
- Hampshire and Regional Property Group
- Hampshire Chamber of Commerce (*on behalf of the three unitary authorities*)
- Hampshire County Council (*on behalf of the three unitary authorities*)
- Hampshire Road Safety Partnership
- Hart District Council (*on behalf of the three unitary authorities*)
- Havant Borough Council (*on behalf of the three unitary authorities*)
- Highways England
- Hythe Ferry
- Itchen Sixth Form College

- Jobcentre Plus (*on behalf of the three unitary authorities*)
- Marina Developments Limited
- National Oceanography Centre
- New Forest District Council (*on behalf of the three unitary authorities*)
- Old Mutual Health
- Red Funnel
- Richard Taunton Sixth Form College
- Royal Pier Waterfront Southampton
- Rushmoor Borough Council (*on behalf of the three unitary authorities*)
- Skills Funding Agency
- Solent LEP (*on behalf of the three unitary authorities*)
- Solent University
- Southampton Airport
- Southampton Business Improvement District
- Southampton City Commissioning Group
- Southampton Football Club
- Southampton Primary Heads Conference
- Southampton Schools Forum
- Southampton Secondary Heads Forum
- Southampton Special Heads Conference
- Southampton University Hospital Trust
- Southampton Voluntary Services
- Southern Health
- Spectrum Housing
- Stonewater Housing
- Sustrans
- Test Valley Borough Council (*on behalf of the three unitary authorities*)
- University of Southampton
- Winchester City Council (*on behalf of the three unitary authorities*)

**Stakeholders contacted by Portsmouth City Council on behalf of the three unitary authorities**



- Affinity Sutton Group
- First Bus
- First Wessex Housing Association
- Hampshire Constabulary
- Hampshire Fire and Rescue Service
- Hampshire Probation Trust
- HCA Hospitals
- Radian Housing Association
- Solent National Health Service
- South Central Ambulance Service
- South West Trains
- Southern Housing
- Stagecoach
- Wessex Public Health

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# The Solent Deal

Greater powers for South Hampshire & the Isle of Wight

## SOLENT Governance Scheme (Draft for consultation)

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## Annex 1

### **Draft Scheme for the establishment of a Solent Mayoral Combined Authority**

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*This scheme is prepared and published by Portsmouth City Council, the Isle of Wight Council, and Southampton City Council under section 112 of Local Democracy Economic Development and Construction Act 2009, ("the 2009 Act") as amended by the Cities and Local Government Development Act 2016 ("the 2016 Act") . It is prepared to support an analysis of whether the creation of a combined authority under section 109 of the 2009 would improve the exercise of statutory functions in relation to the area.*

#### **Establishment of the Solent Mayoral Combined Authority**

1. A mayoral combined authority (Mayoral Combined Authority) will be established pursuant to section 103, 105 and 113D of the 2009 Act. It shall come into existence on

#### **Area of the Authority**

2. The area of the Mayoral Combined Authority shall be whole of the following constituent local authority areas:

- Portsmouth City Council
- Southampton City Council
- The Isle of Wight Council

Each of the above authorities will be the Solent Mayoral Combined Authority's constituent members, and "Constituent Authority" and "Constituent Authorities" will be construed accordingly.

#### **Name of the Authority**

3. The name of the Mayoral Combined Authority will be the Solent Mayoral Combined Authority.

#### **Non-Constituent Authorities and the Solent Local Enterprise Partnership**

3A. The Mayoral Combined Authority shall invite Members from the following local authorities:

- Hampshire County Council
- Fareham Borough Council
- East Hampshire Borough Council
- Eastleigh Borough Council
- Gosport Borough Council
- Havant Borough Council
- New Forest Borough Council

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- Test Valley Borough Council
- Winchester City Council

Together with the Solent Local Enterprise Partnership

### **Membership of the Solent Mayoral Combined Authority**

4. The membership of the Mayoral Combined Authority shall be as follows ("and Member and Members shall be construed accordingly"):

- (1) The Mayor of the Mayoral Combined Authority (or Interim Mayor appointed in accordance with sub-paragraph (4) below).
- (2) Each Constituent Authority shall appoint one of its elected members to be a member of the Mayoral Combined Authority. The elected member appointed must be the leader, deputy leader, directly elected mayor or deputy mayor of the relevant Constituent Authority (as appropriate).
- (3) Each Constituent Authority is to appoint another of its elected members (which shall be either the Leader, or directly elected mayor, or deputy leader, or deputy mayor (as the case may be)) to act as a member of the Mayoral Combined Authority in the absence of the member appointed under sub-paragraph (1) ("the substitute member").
- (4) An additional member appointed up until the time that a directly elected Mayor is appointed (and appointed for a period of up to two years only, unless reappointed) to be known as Interim Mayor, appointed by the Constituent Authorities together, deciding unanimously, provided that member is an elected member of a Constituent Authority, holding office at the date of application for the position of Interim Mayor and on the date of appointment.
- (5) A member appointed by each of the Non-Constituent Authorities, and the Solent LEP

### **Mayor and Interim Mayor**

5. Upon appointment and taking office, a directly elected Mayor (Mayor) will chair the Mayoral Combined Authority and will exercise the powers of the Mayoral Combined Authority (including those powers and functions developed to the Mayoral Combined Authority) in accordance with this scheme.

6. Up until the appointment and taking office of the Mayor the powers and functions of the Mayoral Combined Authority shall be exercisable by the Members acting unanimously.

7. Each Member shall when acting in their role as Member, promote the best interests and objectives of the Mayoral Combined Authority.

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8. A Constituent Authority may at any time terminate the appointment of a Member (including a Substitute Member), upon a notifying to the Monitoring Officer of the Mayoral Combined Authority in writing (including by email) save it may not terminate the appointment of the Mayor.

9. If a Member (including a Substitute Member) of the Mayoral Combined Authority ceases to be a member of the Constituent Authority, the Member will automatically cease to be a member of the Mayoral Combined Authority, and the Constituent Member and the Constituent Authority will appoint a replacement as soon as possible.

10. The Mayor will allocate portfolios of functions to Members. Appointments will be the first business transacted at the Annual Meeting of the Mayoral Combined Authority and the appointments will be for the forthcoming municipal year.

### **Remuneration of Members**

11. No additional remuneration shall be payable by the Mayoral Combined Authority to its members other than allowances for travel and subsistence. A Constituent Authority may, where its independent remuneration panel established under regulation 20 of the Local Authorities (Members' Allowances) (England) Regulations 2003 so resolves, pay a special responsibility allowance to any elected member appointed by it to the Mayoral Combined Authority in respect of those duties and responsibilities undertaken in role as Member of the Mayoral Combined Authority. The cost of any such Special Responsibility Allowance will be met by the relevant Constituent Authority.

### **Co-Opted Members**

12. The Mayoral Combined Authority recognises the benefits that additional members may bring to it in the in carrying out its functions. Where there is a unanimous decision to do so, the Mayoral Combined Authority may co-opt additional members onto the Mayoral Combined Authority on such terms as determined by the Mayoral Combined Authority and detailed within the constitution of the Mayoral Combined Authority.

### **Quorum**

13. The quorum for meetings of the Mayoral Combined Authority shall be three (3).

### **Voting**

14. Save for any functions and powers exercisable only by the Mayor, Constituent Members of the Mayoral Combined Authority will have one vote. The Chair will have a casting vote.

15. Members appointed by the Non-Constituent Authorities will not have voting rights save for the Member appointed by the Local Enterprise Partnership may vote on matters relating to economic development, regeneration, infrastructure, transport and on the Growth Board but will not be permitted to vote on the Constituent Authorities the matters described

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at paragraph 17 below, or on a given decision the Mayor votes the observe of all of the Constituent Authorities vote.

16. On the requisition of any one Member, made before a vote is taken, the voting on any matter shall be recorded so as to show how each Member voted and there shall also be recorded any member abstaining from voting. Where any member abstains from voting then they shall be deemed to have consented to the decision of the majority such that:

a. in any decision which requires unanimity and where the abstaining member represents a Constituent Authority directly affected by the decision the matter may pass notwithstanding that the abstaining Member does not form part of the majority provided that all other directly affected Constituent Authorities (through their appointed member) vote in favour or abstain; and

b. in any decision requiring unanimous support the abstention of a Member will not prevent the matter passing provided all other Members vote in support or abstain (if all Members abstain the matter shall not pass).

17. It is intended that decisions will be made by consensus. When this is not possible, matters will be put to a vote and will require a majority vote of the members present and voting, apart from the following matters which require unanimity of constituent members present:

- The co-option of additional voting or non-voting Members onto the Mayoral Combined Authority;
- Amendments to the governance scheme and its successor Constitution;
- Adoption of the Spatial Strategy;
- Adoption of an annual budget and medium term financial plan, including the determination of any contributions from the Constituent Authorities;
- Approval of borrowing limits, the treasury management strategy and the investment strategy;
- Establishment of companies and/or other structures;
- Setting of any transport levy;
- The adoption of key plans and strategies as determined by the Mayoral Combined Authority in its standing orders;
- Approval to receive new powers and responsibilities from central Government;
- Consideration of questions relating to Members allowances.

**Note:** It is not intended that the Chair has a casting vote in the case of equality of voting. In such circumstances, if a simple majority cannot be achieved the motion before the Mayoral Combined Authority is defeated.

### Executive arrangements

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18. Executive arrangements (within the meaning of the Local Government Act 2000) shall not apply to the Mayoral Combined Authority. The discharge of the functions of the Mayoral Combined Authority will be subject to scrutiny arrangements set out in paras 19 -23 below.

### Scrutiny arrangements

19 The requirement to ensure accountability and transparency will be fulfilled by the Mayoral Combined Authority by establishing a joint Overview and Scrutiny Committee of at least 3 members drawn from the Constituent Authorities which reflects the political balance of the Constituent Authorities to exercise scrutiny functions over the Mayoral Combined Authority (including, where appropriate, over its boards, sub-boards) in accordance with the provisions of S.104 and Schedule 5A of the 2009 Act.

20. The membership of the Overview and Scrutiny Committee must not include a Mayoral Combined Authority Member or a Member of the Executive of a Constituent Authority.

21. The Overview and Scrutiny Committee will have the power to-

- Invite Mayoral Combined Authority members and officers to attend meetings and answer questions;
- Invite others to attend the meetings;
- Review or scrutinise decisions or other actions taken by the Mayoral Combined Authority;
- Make reports or recommendations to the Mayoral Combined Authority;
- Require that a decision that has not been implemented be reconsidered by the members of the Mayoral Combined Authority.

22. The Overview and Scrutiny Committee may appoint sub-committees to deal with matters within its remit and will have the power to co-opt additional representatives for specific scrutiny tasks.

23. Where the Overview and Scrutiny Committee makes a report it may also publish it and require a response from the Mayoral Combined Authority. The notice published must give the Mayoral Combined Authority two months to consider the report.

### Audit Committee

24. The Mayoral Combined Authority will establish an Audit Committee of 3 members drawn from the Constituent Authorities and will be responsible for

- Reviewing and scrutinising the Mayoral Combined Authority's financial affairs;
- Reviewing and assessing the Mayoral Combined Authority's risk management control and corporate governance arrangements;



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- Reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the Mayoral Combined Authority's functions;
- Making reports and recommendations to the Mayoral Combined Authority in relation to reviews conducted under the above.

25. The members of the Audit Committee will reflect the political balance of the constituent councils, must not include a Mayoral Combined Authority member or a member of the Executive of a constituent authority, and the expectation will be that the members chosen will have the skills and experience as set out in the CIPFA guidance on Audit Committees.

### **Functions, Powers and Duties of the Mayoral Combined Authority**

26. The Mayoral Combined Authority's ambition will be to create more skilled and better paid jobs, bring more investment into the area, reform public services and reduce the regions welfare bill. Unless otherwise stated, where the powers listed below are also vested in the Constituent Authorities, they will be exercised by the Mayoral Combined Authority on a concurrent basis and no powers are intended to be ceded to the Mayoral Combined Authority by the Constituent Authorities.

27. By virtue of Sections 99 and 102A of the Local Transport Act 2000, the Mayoral Combined Authority will have broad wellbeing powers, which can be exercised in conjunction with the general powers granted to it by Section 113A of the 2009 Act and section 164 of the Transport Act 2000.

28. The Mayoral Combined Authority requests the Secretary of State to order that the General Power of Competence under Part 1 of the Localism Act 2011, has effect in relation to the Mayoral Combined Authority, pursuant to section 113D of the 2009 Act.

29. The Mayoral Combined Authority requests the Secretary of State to designate the Mayoral Combined Authority as a 'Specified Body' pursuant to Section 33(3) (k) of the Value Added Tax Act 1994.

30. The powers and duties of the Mayoral Combined Authority in relation to the exercise of the functions shall be as described below.

### **Functions – Economic Development and Regeneration**

31. The Mayoral Combined Authority will have responsibility for a significant programme of investment in transport and economic infrastructure and will influence and align with government investment in order to boost economic growth. The related interventions will have differential spatial impacts across the Mayoral Combined Authority area, but should aid delivery of key growth projects in the emerging and future local plans of Constituent Authorities. Having regard to the duty to co-operate, effective alignment between decision-making on transport and decisions on other areas of policy, such as land use, economic development and wider regeneration, will be a key aim.

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32. Unless otherwise stated, powers will be exercised by the Mayoral Combined Authority on a concurrent basis.

33. It is proposed that the Mayoral Combined Authority will be focused on strategic economic growth. The Constituent Authorities and the Solent Local Enterprise Partnership need not cede responsibility for local functions to the Mayoral Combined Authority unless they believe pooling responsibility would demonstrably improve economic conditions and wider service reform. Those local powers and functions that could sit with the Mayoral Combined Authority, be undertaken by the Solent Local Enterprise Partnership or be undertaken jointly between the Solent Local Enterprise and Mayoral Combined Authority include:

- the Investment Plan for the area;
- an inward investment strategy for the sub-region;
- the strategy and activity for place based marketing across the sub region;
- economic assessment and research to provide an evidence base for economic strategy;
- the long-term strategic vision for housing and regeneration investment to support economic growth;
- the accountable body for interventions, projects and programmes that correspond to priorities that cover the whole of the sub-region;
- strategic plan for skills delivery across the sub-region;
- acting as the key decision making forum and accountable body for public service reform programmes and external funding opportunities that enable reform and cover the Sub region;
- Appointing staff required to administer the Mayoral Combined Authority and support the implementation of its decisions.

### **Functions - Transport**

34. The Mayoral Combined Authority will fulfil directly or commission the role of Local Transport Authority for each of the Constituent Authorities.

35. The Mayoral Combined Authority will exercise any function of the Secretary of State delegated to the Mayoral Combined Authority by order of the Secretary of State pursuant to Section 86 LTA and Section 104( and 148 1) (1 LDEDCA. Such functions will be exercised subject to any condition imposed by the order).

36. The Mayoral Combined Authority's role in this will encompass:

- Setting the long-term strategic transport vision and outcomes for the sub-region;
- Agreeing the development and approval of a single, sub regional Local Transport Plan (or its equivalent), which will include high level policy responsibility for major

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investments (e.g. freight, cycle, rail, highway maintenance, new transport infrastructure, traffic management);

- Agreeing a long-term transport investment strategy to contribute to the Strategic Economic Plan as it is from time to time adopted by the Solent Enterprise Partnership to deliver the strategic economic vision and outcomes (which includes housing, employment and skills);
- Acting as accountable body for Transport Schemes, e.g. devolved major transport scheme funding;
- Setting the transport levy for the sub region if required.

### **Functions – Public Service Reform**

37. The Mayoral Combined Authority will act as a forum to coordinate the development and delivery of a public service reform plan alongside wider partners in the public, private and voluntary sectors.

### **Funding, Transfer of Property, Rights and Liabilities**

#### Funding

38. The Mayoral Combined Authority as a levying body under Section 74 of the Local Government Finance Act 1988 shall have the power to issue a levy to its Constituent Authorities in respect of the expenses and liabilities of the Mayoral Combined Authority which are reasonably attributable to the exercise of its functions relating to transport.

39. The core principle in determining the Levy or the Differential Levy shall be that the total contribution from each Constituent Authority for funding transport services for the year does not exceed the equivalent cost for the year as it would have been calculated under previous arrangements.

40. The costs of administering the Mayoral Combined Authority, that are reasonably attributable to the exercise of its functions (and any start-up costs) relating to economic development, housing and regeneration, and public service reform shall be met by the Constituent Authorities on a proportionate and equitable basis. Equitable basis also means where possible the constituent councils will meet these costs in kind.

41. Any cost incurred by the Mayoral Combined Authority that is not in relation to the administration of the Mayoral Combined Authority or subject to the Levy and Differential Levy shall be met by the Constituent Authorities on a suitable apportionment basis.

42. The Mayoral Combined Authority will approve the annual budget for the purpose of expenditure.

#### Transfer of Property, Right and Liabilities

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43. A transfer scheme of property, rights and liabilities existing at the transfer date and relevant to the transport functions of each Constituent Authority shall be prepared by each of the Constituent Authorities as soon as reasonably practicable including rights and liabilities in relation to contracts of employment, but these will be ring-fenced under the terms of a Mayoral Combined Authority agreement to the Constituent Authorities and the Solent Local Enterprise Partnership

### **Statutory Officers**

44. The Mayoral Combined Authority shall appoint any statutory or proper officer posts, and in particular:

- Head of Paid Service;
- S151 Officer;
- Monitoring Officer.

It is anticipated that these positions will be undertaken by officers already serving in one or more of the Constituent Authorities whether as appointees to those statutory roles or not.

### **Delegations**

45. As lawfully permitted, the Mayoral Combined Authority may make arrangements for the exercise of any of the Mayoral Combined Authority's Functions by Committees, Sub-Committees, Officers, joint committees or other local authorities pursuant to section 101 of the Local Government Act 1972. Where the Mayoral Combined Authority elects to make such arrangements the detail of the Functions to be discharged and any conditions on such discharge shall be recorded in the Scheme of Delegation within the Constitution.

46. The Mayoral Combined Authority will review the Scheme of Delegation at least annually as part of any review of its Constitution.

47. The Mayoral Combined Authority may establish such committee or sub-committees as it considers appropriate and may delegate powers and functions accordingly.

### **Powers and duties transferred to the Mayor**

48. Transport

(a) Functions of Central Government

The Mayor shall exercise any function of Central Government delegated to the Mayoral Combined Authority pursuant to any order made by the Secretary of State under Section 86, Local Transport Act 2008 and/or Section 104(1)(b), Local Democracy, Economic Development and Construction Act 2009 and/or Sections 15 to 19, Localism Act 2011.

(b) Section 108, Section 109 and Section 112, Local Transport Act 2000

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The duty to develop and keep under review policies relating to transport in its area and to carry out its functions to implement those policies.

(c) Section 2, Road Traffic Reduction Act 1997

The duty to prepare a report on the levels of local road transport and a forecast of the growth in those levels.

### **49. Powers and duties transferred to the Mayoral Combined Authority**

Economic Development and Regeneration,

(a) Localism Act 2011

Such functions of the constituent councils as are exercisable for the purpose of economic development and regeneration in reliance on the general power of competence under Section 1, Localism Act 2011.

(b) Section 99 and Section 102A, Local Transport Act 2008

The power to promote well-being in the area of the Mayoral Combined Authority.

(c) Section 113A, Local Democracy, Economic Development and Construction Act 2009

The power to do anything the Mayoral Combined Authority considers appropriate: for the purposes of carrying out any of its functions; purposes incidental to and/or indirectly incidental to carrying out its functions; connected to any of its functions; for a commercial purpose.

(d) Section 69, Local Democracy, Economic Development and Construction Act 2009

The duty of a local authority to prepare an assessment of economic conditions in its area.

(e) Section 142(2), Local Government Act 1972

The power of a local authority to arrange for the publication within their area of information relating to the functions of the authority, etc.

(f) Section 144, Local Government Act 1972

The power of a local authority to encourage persons to visit their area, etc.

(g) Sections 15ZA, 15ZB, 15ZC, 17A, 18A, 514A and 560A, Education Act 1996 (as inserted by Part 2 of the Apprenticeships, Skills Children and Learning Act 2009)

The duty to secure that enough suitable education and training is provided to meet the reasonable needs of 16-19 year olds, 19-25 year olds who are subject to learning difficulty

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assessment and persons who are subject to youth detention. The duty to co-operate with local authorities exercising these duties.

(h) Section 88(1)(a) and (b), Local Government Act 1985

Power to exercise the functions under the above provisions relating to the research and collection of information whether or not a scheme is made under Section 88.

### 50. Powers and duties transferred to the Mayoral Combined Authority

Housing, Health, and Environmental

(a) The duty under section 8(1) of the Housing Act 1985 (duty of local housing authorities to consider conditions in their district and the needs of the district with respect to the provision of further housing accommodation).

(b) The duties under section 82 of the Environment Act 1995 (duty to cause a review to be conducted of quality for the time being, and the likely future quality within the relevant period, of air within the authority's area and associated duties), section 83 of the Environment Act 1995 (duty to designate air quality management areas), and section 84 of the Environment Act 1995 (duties in relation to designated area).

(c) The function of a local authority under Section 2B of the National Health Service Act 2006, to take such steps as it considers appropriate for improving the health of the people in its area (this duty would be exercised concurrently with the Constituent Authorities).

### 51. Incidental Powers of the Mayoral Combined Authority

(a) Section 142(2) of the Local Government Act 1972 (the power to arrange for publication of information etc. relating to the functions of the authority).

(b) Section 222 of the Local Government Act 1972 (the power to instigate and defend legal proceedings).

(c) the power to exercise any of the functions described in subsection 1(a) and (b) of section 88 of the Local Government Act 1985 (research and collection of information) whether or not a scheme is made under that section.

(d) The Mayoral Combined Authority shall have such other powers and duties as are conferred on a combined authority by any enactment. Without prejudice to the generality of the foregoing, such powers and duties include:

- (i) the duty to appoint a Head of Paid Service, a Monitoring Officer and an Officer with responsibility for the administration of the Mayoral Combined Authority's financial affairs (the Treasurer);

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- (ii) the power to borrow money for a purpose relevant to its transport functions only;
- (iii) the power to appoint staff and to enter into agreements with other local authorities for the secondment of staff;
- (iv) the power to acquire land by agreement or compulsorily for the purpose of any of its functions and to dispose of such land;
- (v) the power to pay subscriptions to the funds of local authority associations;
- (v) the duty (without prejudice to any other obligation) to exercise its functions with due regard to the need to prevent crime and disorder, the misuse of drugs and alcohol or re-offending in its area;

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