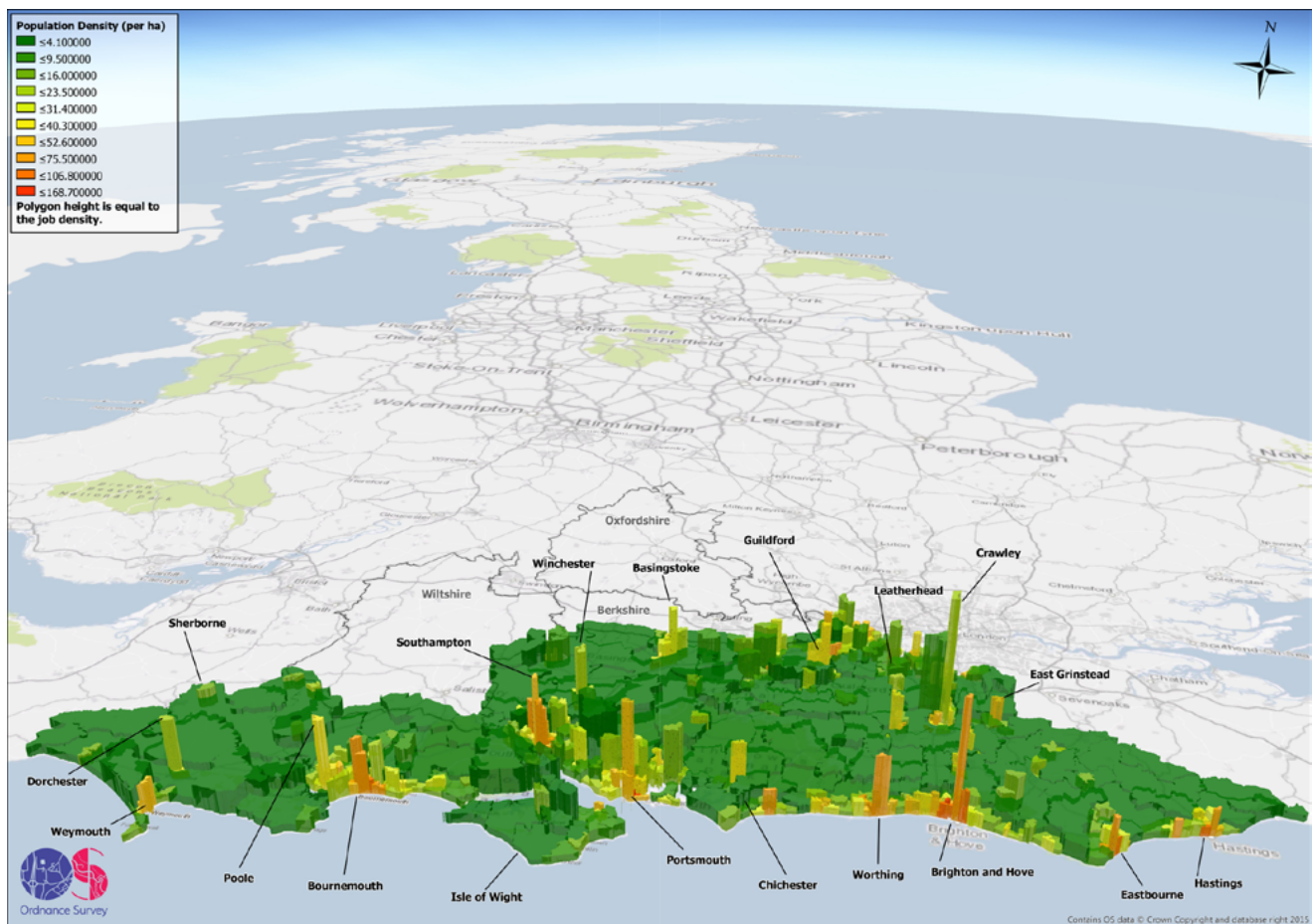


Devo-South

A report for Business South from the Southern Policy Centre
November 2015



Contents

Foreword.....	Page 2
Overview & key conclusions.....	Page 3
1. Introduction.....	Page 5
2. Background.....	Page 6
3. The government’s proposals.....	Page 7
4. The case for devolution and the case for southern England.....	Page 8
A. Economic growth and innovation.....	Page 8
B. Making the best use of public money.....	Page 14
C. Empowered local leadership.....	Page 16
5. Devo-South: the current proposals.....	Page 19
A. Analysing the proposals from central southern England.....	Page 21
B. The major challenges.....	Page 25
6. What does business want?.....	Page 37
7. The devolution bids: an assessment.....	Page 43

Acknowledgements

We would like to thank Business South for commissioning this research, and Ordnance Survey for their invaluable assistance. The maps throughout this report speak for themselves.

The Southern Policy Centre is the think tank for central southern England. Our area spans Dorset through to Sussex, and the Isle of Wight up to Oxford. We specialise in devolution policy, innovative forms of public participation and public policy driven by open data.

Foreword

Business South commissioned the Southern Policy Centre to produce this report to ensure the business voice is heard in the unfolding devolution debate.

Two aims have driven the case for English devolution: the desire to achieve higher rates of economic growth and innovation; and, the need to make better use of public spending at a time of very tight public finances.



The final aim of English devolution is the development of an empowered local leadership capable of giving clear strategic direction and taking effective decisions through the combined authority area.

Up to now the Devo-South bids have been developed without extensive consultation with business. But, as you will see reading through the report, business is broadly supportive of the aims of devolution. It is now crucial that the proposed combined authorities and Local Enterprise Partnerships (LEPs) develop an economic vision shared with the local business community.

Business South welcomes the findings of the Devo-South report and will continue to provide a cohesive mechanism, through our extensive Champion employer network and strategic partnerships, for business engagement with LEPs, Local Authorities, Combined Local Authorities, Higher and Further Education and with the Public Health sector.

We look forward to hearing your views and working with you to influence, leverage and drive increased positive economic outcomes for our region.

A handwritten signature in black ink, appearing to read 'Sally Thompson'.

Sally Thompson, CEO
Business South

Business South is an independent and influential organisation, connecting leading employers to promote the place & Champion the economy in our region.

Our purpose is to connect business leaders to drive economic prosperity and support social well-being.

People Place Prosperity

Overview and key conclusions

Devolution of powers and resources to combined authorities in central southern England has the potential to enable the area to tackle the obstacles to growth, productivity and innovation.

The government has set a challenging timetable. Local authorities and their partners have worked hard to develop proposals and new structures but inevitably there is some way to go before relationships and priorities in southern England are as clearly developed as those in some city regions with a much longer history of collaboration.

Our survey of local businesses suggest that the south's employers are broadly supportive of devolution, but would like to be better informed and consulted as the process goes forward. They put a high priority on simpler and more efficient decision-making, and believe that the capacity of local authorities to deliver will need to be enhanced. The current proposals have some way to go to demonstrate that they meet these ambitions.

Our report urges the government to concede the highest levels of fiscal autonomy and commitments to long-term financial planning.

We conclude:

Finance

- New combined authorities in southern England will be greatly strengthened if business rate income is devolved to the combined authority, rather than to individual local authorities. The combined authorities should ensure that their collective decision-making structures properly protect the interests of member councils.
- The government should agree, in principle, to free southern authorities from any complex national system of business rate redistribution. Instead, 'surplus' business rate income (above current Revenue Support Grant income) should be used to allow the south's local authorities to take responsibility for additional services currently funded by central government.
- The government should not limit financial devolution to business rate income but should continue to negotiate on the additional proposals made by southern local authorities.

Infrastructure and transport

- The delivery of long-term strategic funding for infrastructure and transport will be critical to establishing business and investment confidence that the region's needs will be better met under devolution.
- The local authorities should be working on an infrastructure plan for central southern England as a whole and engaging with the government's Infrastructure Commission.
- During the passage of the Cities and Local Devolution Bill the government introduced new powers to support the establishment of regional transport organisations. Southern local authorities should re-visit their transport proposals to see whether more ambitious use could be made of the new powers.

Business

- The bids have been developed without extensive consultation of business. It is now important that the proposed combined authorities and LEPs develop an economic vision shared with the local business community.
- The southern counties and others should enter into early discussions with the business community to ensure that the new structures deliver the simple and efficient planning system, underpinned by a strategic approach to development, that business wants to see. More generally, the reviews must prioritise simple, accessible and efficient decision-making.
- Businesses believe that devolution can deliver improvements in all the key areas outlined in this report and that are reflected in the bids from southern local authorities.

Health and social care

- Southern local authorities may seek Ministerial endorsement for their ambitions for greater integration of health and social care, but should already be leading the process of creating stronger local partnerships and agreements with NHS England over the use of health funds.

Public engagement

- Many people will find it hard to assess the proposals for combined authorities fully without knowing where power will lie and how decisions will be taken. The governance reviews need to proceed quickly and with wide public consultation.
- The lack of transparency over the conditions in which the creation of directly elected mayor is required is deeply unsatisfactory, reducing the issue to a private negotiation between ministers and council leaders when it is an issue on which all members of the public have a right to be consulted.

Institutions and their boundaries

- The proposed combined authorities are committed to working with the LEPs, and the LEPs have given their support to the combined authority proposals. Nonetheless, the proposed structures do not create the simplified and clear structures that would really offer empowered local leadership.
- The current coherence of the Solent area could be lost within wider Hampshire if steps are not taken to embed localised decision-making within the combined authority.
- Tensions in the Dorset proposal, and the exclusion of Brighton from the 3CS proposal highlight the difficulties of ensuring that the governance of new combined authorities properly reflect both economic realities on the ground and natural communities.

- In the longer term, questions will arise about whether the current council structures provide the best way of achieving the necessary balance between local community level decision-making and control and the more strategic work of the combined authority.
- The combined authorities must set out how they will deliver clear and accountable leadership. And all the key local institutions need to develop a consensus on new structures and boundaries. While central government could require LEPs and NHS institutions to change their boundaries, it would be better if local institutions could agree a coherent way forward amongst themselves.

1. Introduction

Government has embarked on a radical decentralisation of powers and resources to local government.

The first devolution agreement, 'Devo-Manc', was reached with the Greater Manchester Combined Authority in 2014; in the same year the Chancellor, George Osborne, proposed a 'northern powerhouse' stretching across the major city- regions of northern England. At the end of October, further devolution deals were announced for the North East Combined Authority and the Tees Valley Combined Authority.

The Government is now seeking similar devolution agreements in all parts of England.

Already, this October, an agreement has been signed with South Yorkshire Councils, establishing a Mayor and granting further powers to the Sheffield City Region Combined Authority. The Cities and Devolution Bill currently going through Parliament gives Ministers powers to implement the changes.

Proposals for devolution have been made across the Southern Policy Centre region from Dorset to East Sussex. At this year's Conservative Party conference the Chancellor added further weight behind the devolution process, allowing councils to retain the money they raise in business rates and, if they wish, to lower rates.

The Greater Manchester agreement was founded on the city's long history of partnership between the combined authority (formed of ten constituent councils) and business, with a shared vision of the region's economic future.

While business and local authorities in central southern England have generally enjoyed good relationships, both the relative economic strength of the region and the fragmentation of the local authority structures have worked against the emergence of strong strategic partnerships and shared goals. Many local businesses have had little engagement with the emerging devolution process.

Business South commissioned this report to assist business participation in these key debates. It provides a business focused overview of 'devolution south' and reports the results of a survey and structured interviews with business leaders in the south.

2. Background

England is widely seen as the most centralised state in Western Europe. Central government has provided an ever-increasing share of resources; local government has worked to central targets and performance measures.

There have been some steps in the other direction. The Labour government had Local Area Agreements and Multi-Area Agreements with local authorities to achieve agreed outcomes, and it launched 'Total Place' pilots that pooled local public spending to encourage innovative approaches to tackling social and economic problems.

After 2010, as the austerity programme reduced resources for local authorities and economic development, the new government launched the Regional Growth Fund and City Deals. Like their predecessors, these were essentially mutual agreements in which local authorities and Local Enterprise Partnerships received funding for agreed local and central government priorities.

The new phase of English devolution still has a strong element of negotiation; in these negotiations central government holds great power and influence. But local authority leaders believe there are now changes in the extent of genuine devolution of powers and resources. Equally significant is the political importance now placed on empowered local leadership as the key to economic growth and the effective use of public spending. Rhetorically this is in marked contrast to the long years in which central government routinely regarded local government as inefficient, incompetent and not to be trusted.

3. The government's proposals

The government has committed to 'deliver radical devolution to the great cities of England' and give them 'the levers to grow their local economy'. However, aside from the newly announced changes to allow councils the freedom to retain and lower business rates, this has not been a uniform programme of powers and funds devolved by central government to each area. Instead, as in the case of Greater Manchester, local authorities with shared economies are encouraged to group together and submit 'devolution proposals' to government, which will then be negotiated and agreed with the Secretary of State.

The public rationale behind delivering devolution through this method is that it ensures each proposal is tailored to enable local authorities to maximize economic growth, and that the governance arrangements of each combined authority are proportionate to the powers devolved.

The Bill

The Cities and Local Government Devolution Bill is intended as the means of delivering local 'devolution deals'. The government has been keen to emphasise that the Bill is not intended to provide a prescriptive structure for devolution, but it is an 'enabling' mechanism, allowing the flexibility for each combined authority to pursue the most appropriate governance structures and powers to drive growth in their area. The main objectives are:

- To allow certain powers to be handed over from central government to England's cities, urban areas and counties.
- To permit the introduction of directly-elected 'metro-mayors' over combined authorities, and for mayors to replace Police and Crime Commissioners in those areas, should they wish.
- To remove any current limitations on the powers of those local authorities (currently limited to economic development, regeneration and transport).
- To enable local governance to be streamlined in ways that are agreed by those councils.

Although the Bill has received cross-party support (although Labour declined to vote for the Second Reading in the Commons), there have been concerns that the government's enthusiasm for elected mayors may mean that, in private negotiations, they are a requirement for further devolution. There has also been concern over the transparency of negotiations and the devolution process, as well as the consequences of devolution of health and social care on adherence to national NHS standards. Most Parliamentary debate focused on these issues.

Policy continued to be developed during the passage of the Bill, with the announcement that 100% of business rate income would be devolved to local authorities (although the detail of implementation was not set out). In another major change, the government announced that they would amend the Bill to allow for the creation of sub-national transport bodies, along the lines of Transport for the North.

4. The case for devolution, and the case for southern England

Two aims have driven the case for English devolution: the desire to achieve higher rates of economic growth and innovation; and, the need to make better use of public spending at a time of very tight public finances. While there is a democratic case for taking decisions closer to the people they effect, this has not been the primary driver of the new interest in devolution.

A. Economic growth and innovation

The world's most dynamic growth areas are large, metropolitan areas (sometimes crossing national boundaries). The new interest in devolution stems from the desire to replicate the energy, innovation and growth that these city regions enjoy.

Advocates for city regions include the Centre for Cities and the RSA's City Growth Commission (chaired by economist Jim O'Neill, now a government minister). Similarly, Lord Andrew Adonis' Labour Party report 'Mending the Fractured Economy' has helped shape the concept of 'the northern powerhouse'.

The emphasis on city regions has been contested; the Local Government Association's County Council Network argue that much growth and economic activity lies outside cities and that an over-emphasis on city regions misses potential opportunities.

Central southern England certainly has a complex economic geography. There is one 'city-region' (along the Solent), a significant conurbation around Poole and Bournemouth, with the rest of the region formed of market towns, new towns, suburban and rural areas. The region has strong links to London but is far from just being part of the greater metropolitan area. Southern England requires an approach that reflects the reality of our economy.

To understand the case for southern devolution we need to look at whether the characteristics of high growth areas can be met in our region. Studies of dynamic regions around the world emphasise the key ingredients that sustain and support innovation and growth:

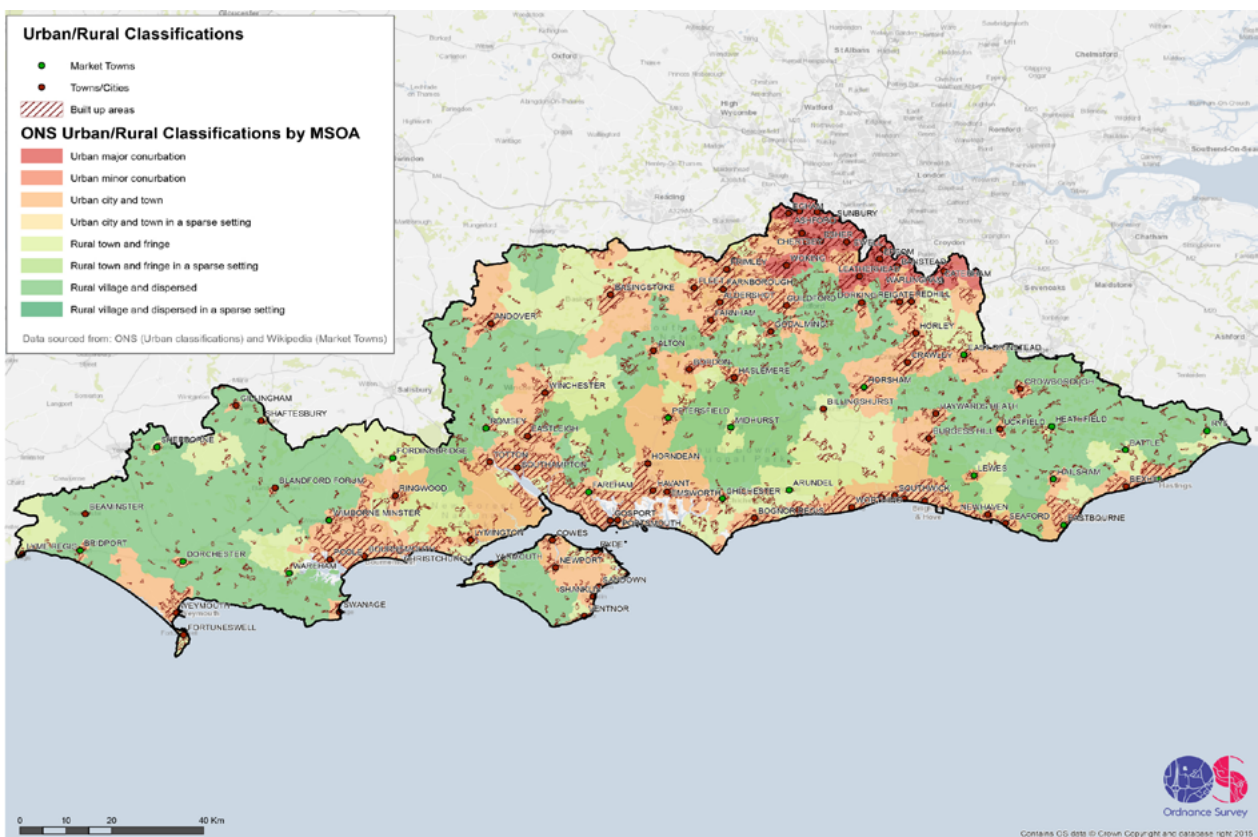
- A large population (innovation requires diversity, access to skills, the exchange of ideas)
- High levels of connectivity (typically found in densely populated urban areas, but in principle a measure of the effectiveness of transport links, broadband and other infrastructure)
- A strong universities sector (as a source of higher level skills and centres of research, innovation and knowledge transfer)
- A well-educated population with good skill levels
- Empowered local leadership (through elected mayors or other systems of strong local governance)

Central southern England has the potential to martial all of these success factors. However, the region’s reasonable overall economic performance masks significant variations in growth and productivity. These reflect disparities in skill levels, and unresolved challenges in infrastructure, transport and housing, all constraining growth.

Population

Central Southern England (SPC definition) has six million residents, over 10% of England’s population. This is across a large area with great variation between urban and rural settlements:

Figure A: urban/rural classifications in South East England.

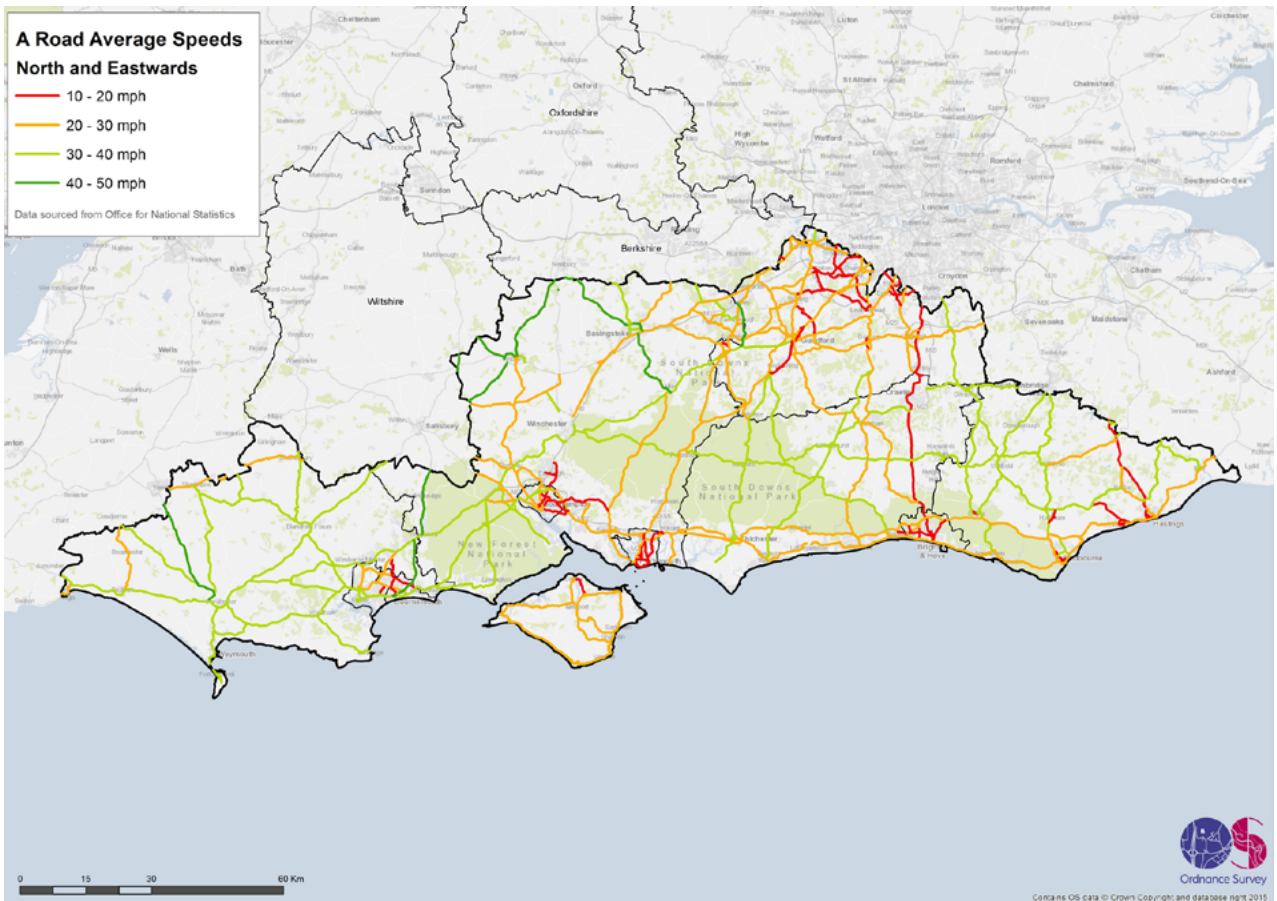
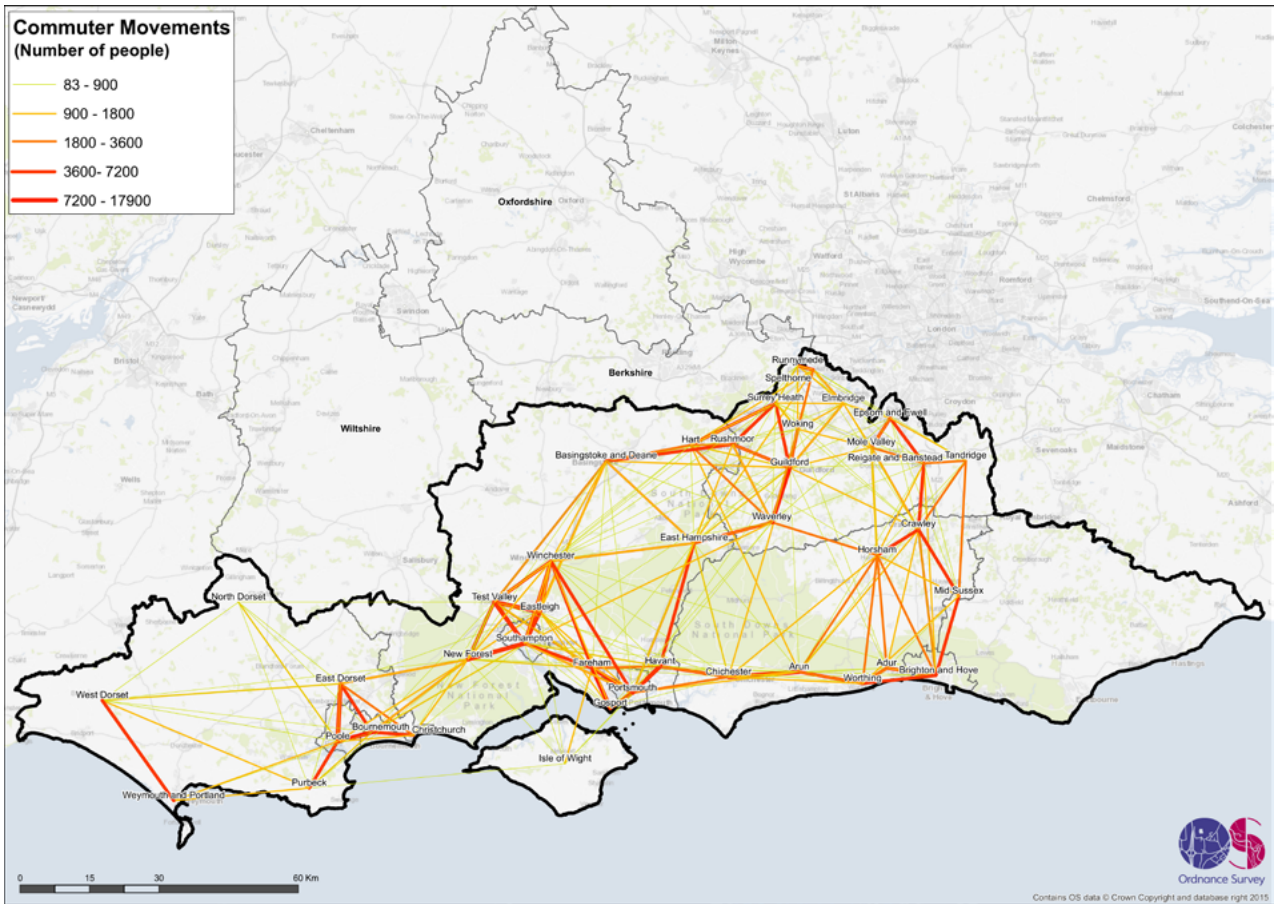


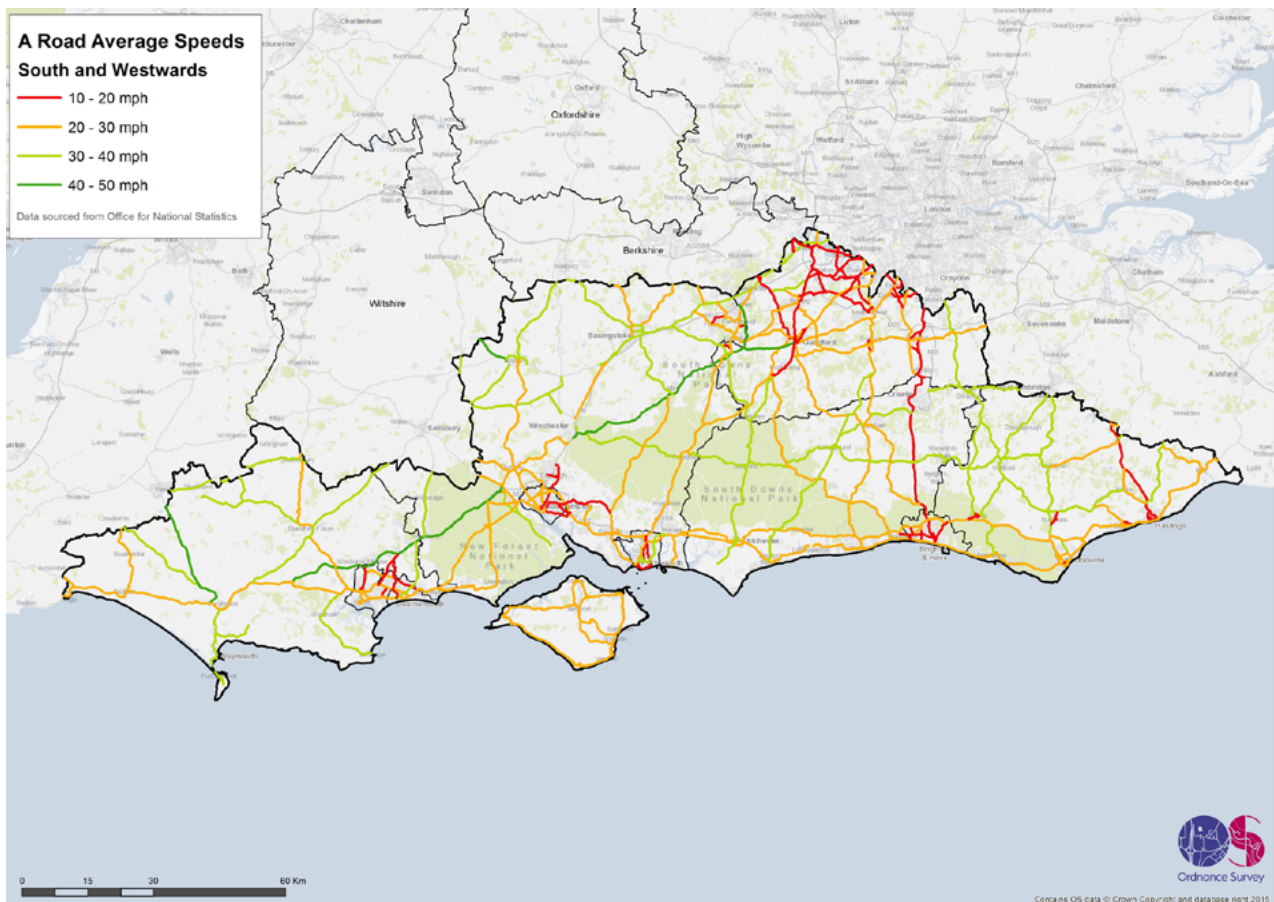
Connectivity

The world’s most dynamic regions enable their populations to meet physically, and to interact online as easily as possible. Central southern England falls far short of this ideal in several respects.

Our major transport links are mainly London focused. Some of these links, like the M3 and the Portsmouth-London rail link suffer real constraints. At the same time movement within the region is often difficult. For a dense urban area, the connections within the Solent conurbation are notably poor, and travel from north-south, or away from the London routes, can be difficult. There is no light rapid transit in the region and bus services are poor.

Figure B: congestion and transport connectivity maps





Some key investments are planned:

- Improvement to Junction 9 on the M3 and improved sliproads on the M3
- Improvements to the M27/135 Redbridge Roundabout
- Improvements to enable access to Bournemouth Airport and the Port of Poole

But others remain aspirations:

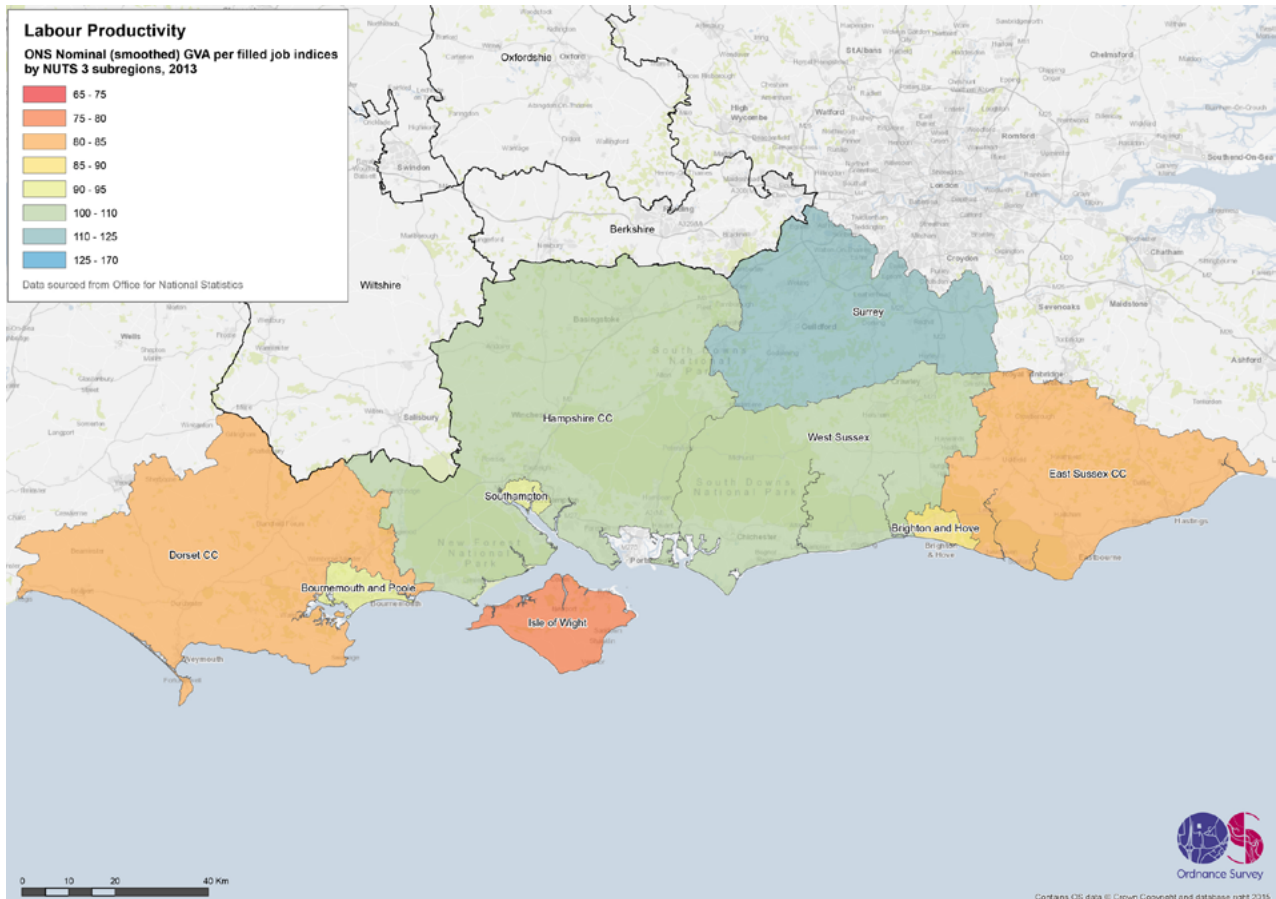
- Improvements to Junction 10 of the M27
- Improvements to the strategic infrastructure on the Fareham/Gosport peninsula, including the construction of the Stubbington bypass
- On-site development at Welborne

Reliable and high quality fixed and mobile broadband is key to support growth in productivity, efficiency and labour force participation. Whilst some large towns and urban areas have good broadband connections, many rural areas do not receive even the basic 2Mbps or any mobile connectivity. Emerging high-tech firms require enhanced digital infrastructure such as ultrafast dark fibre and 5G connectivity to remain competitive, and established businesses could benefit from improved connectivity.

Economic performance

Overall, central southern England is one of the stronger performing regions of England delivering GVA of £214 billion a year. This is bigger than all eight English core cities combined and greater than Scotland and Wales together. However, within the region, GVA per head varies significantly, from a high of £38,918 per head to a low of £15,323. Significantly, the dense urban areas tend to underperform.

Figure C: variation in economic performance across central southern England



Skill levels

Southern England as a whole has higher skill levels than the English average. As with economic output, the skill levels of local populations vary widely and low levels of skill are associated with the relatively poor performance of the dense urban areas.

Participation in training and education also varies from area to area. There is a striking difference in the levels of participation in higher education between the inland parts of the region and the coastal strip, and between the dense urban areas and most (though not all) of the suburban, town and rural areas.

Participation in vocational education also varies with, for example, higher apprenticeship rates in Winchester than those in Portsmouth.

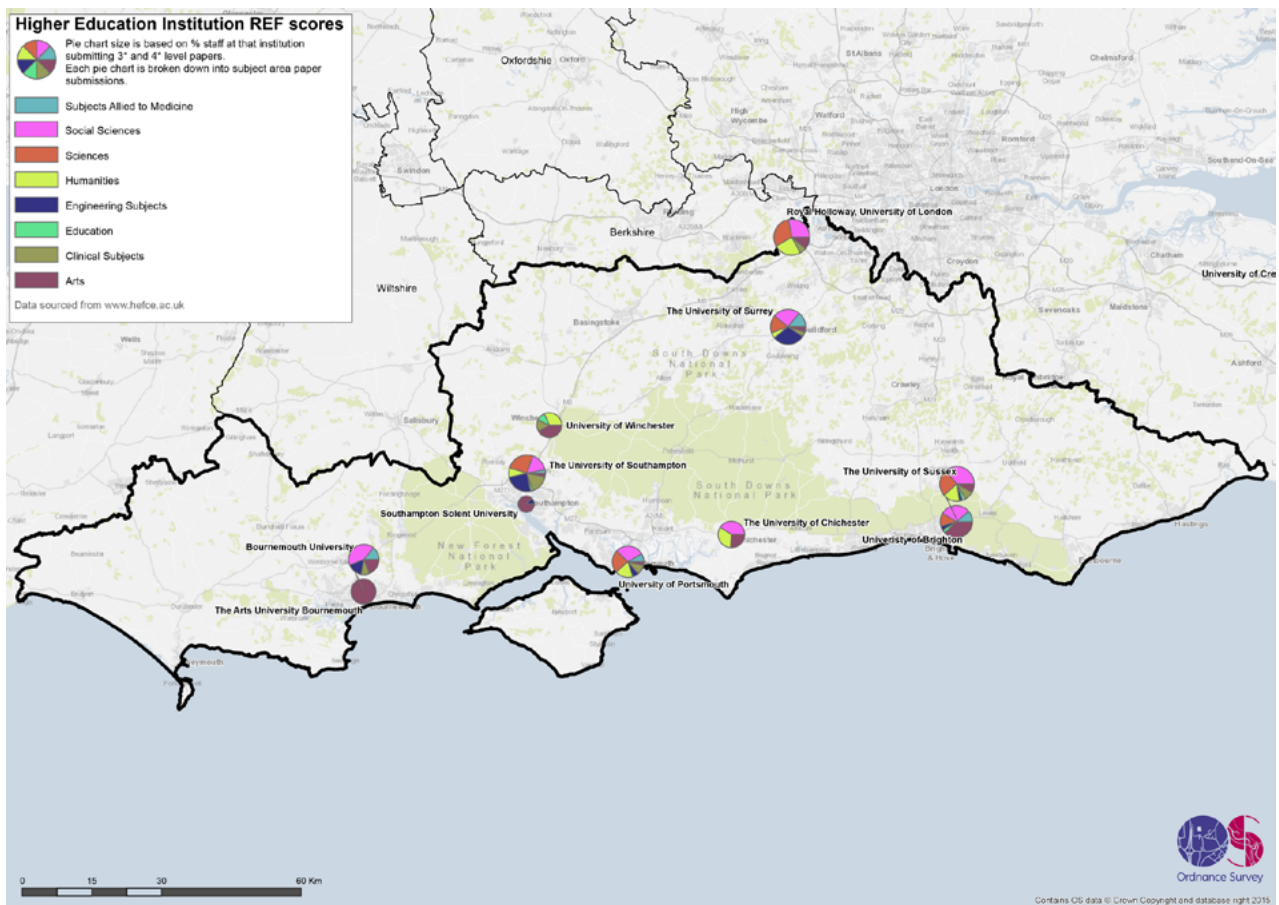
Overall the areas with the lowest levels of skills have the lowest levels of economic growth and the lowest participation in training. If unchallenged the local divergence in economic performance may become more marked in years to come.

Universities

The region has several successful universities, ranging across world class research, applied research, and work-focused higher education.

The region also has good access to excellent universities in London.

Figure D: universities in the region with their research scores



The diversity and strength of the region’s universities are a distinct advantage compared with many other English regions. However, more could be done to improve the support offered to the local labour market, to innovation, business startup and knowledge exchange. For example, on the partial measure of patent applications per population, the region lags well behind the Cambridge region.

B. Making the best use of public money

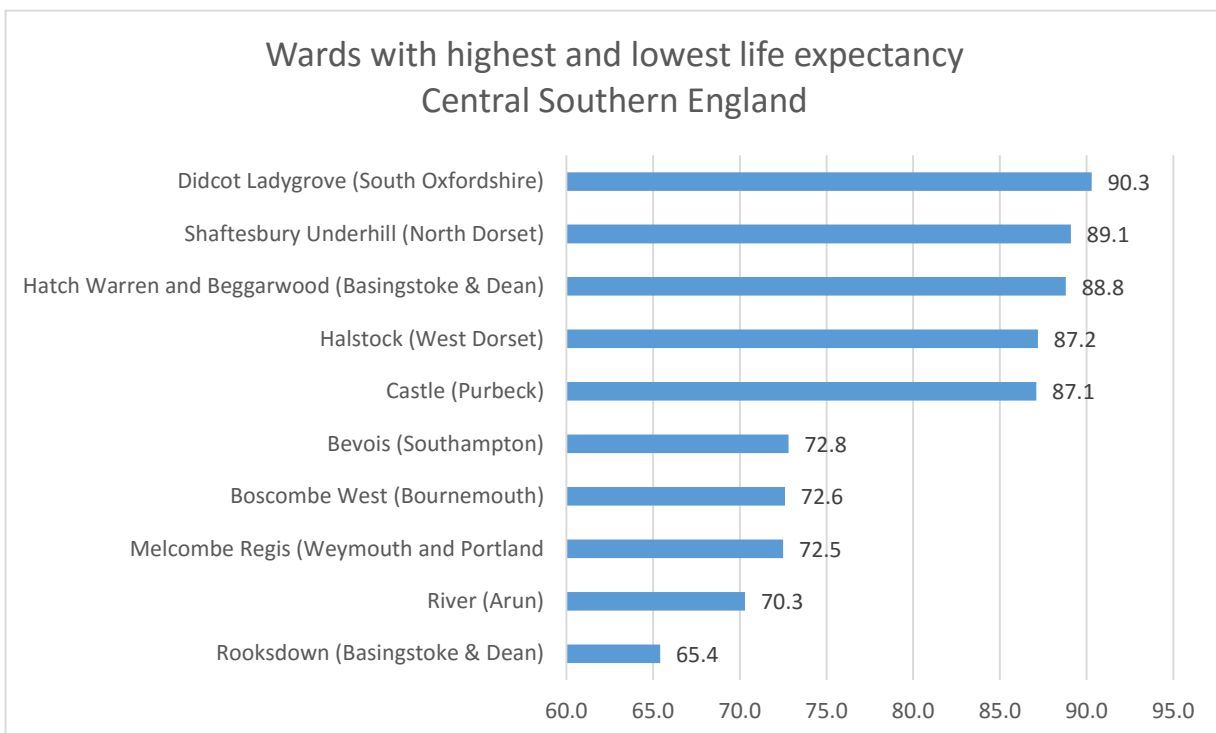
The South East of England already has the lowest public spending per head of all English regions. Over the next four years, public spending is set to fall by £17.9 billion. The comprehensive spending review will set out the changes for local government, police, universities, health, schools, welfare and other services, many of which face rising demand.

The full impact of these changes is beyond the remit of this report, but it is worth highlighting four public policy challenges which have direct and indirect impacts on business. The common factor in all these areas is the need to be able to use funds more flexibly, to tailor national spending programmes to local needs, and to be able to work across organisational boundaries.

Public health

A fit and healthy workforce is essential, and many employees will have to work longer before receiving retirement benefits. The health status of local people varies considerably across the region, as illustrated by the bar chart below.

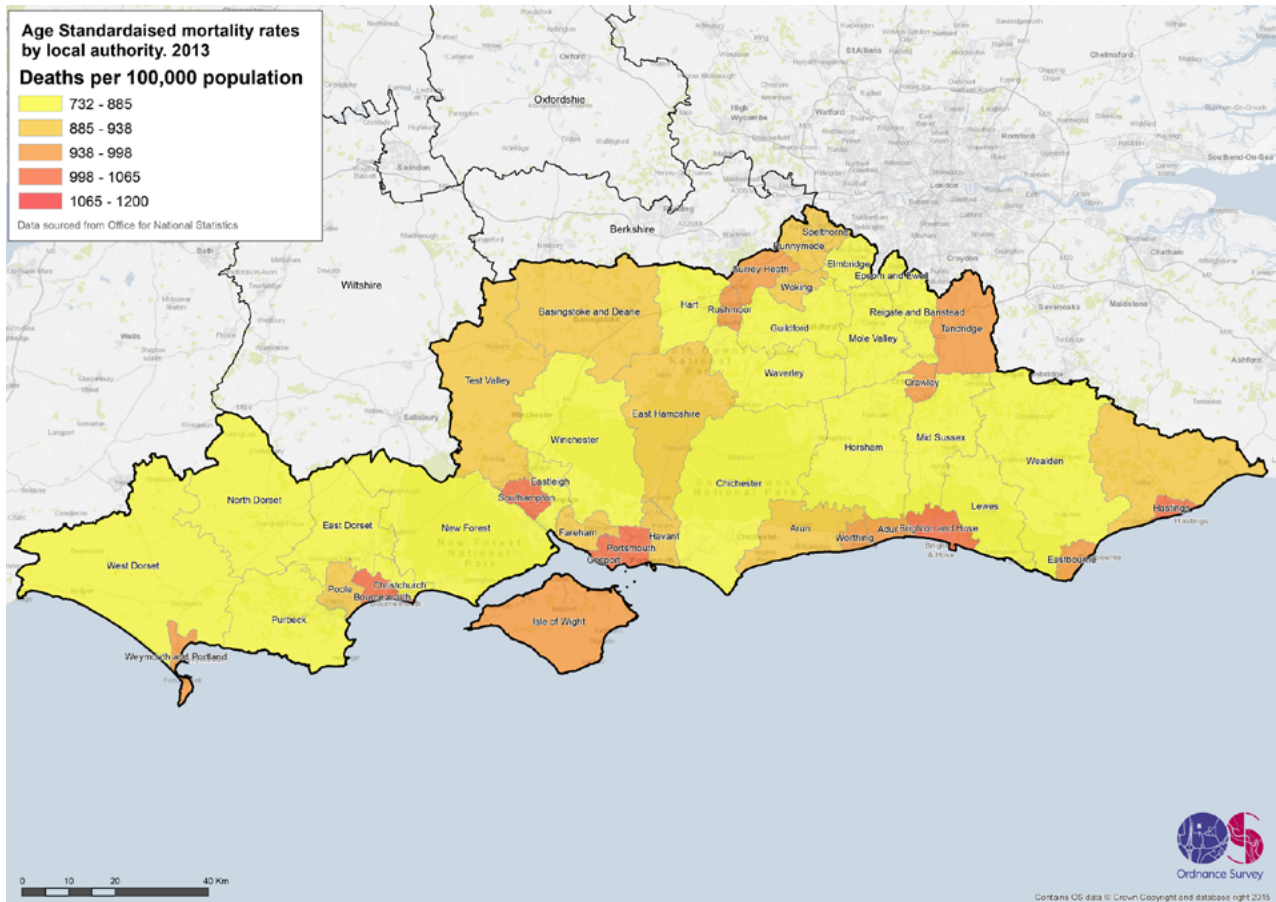
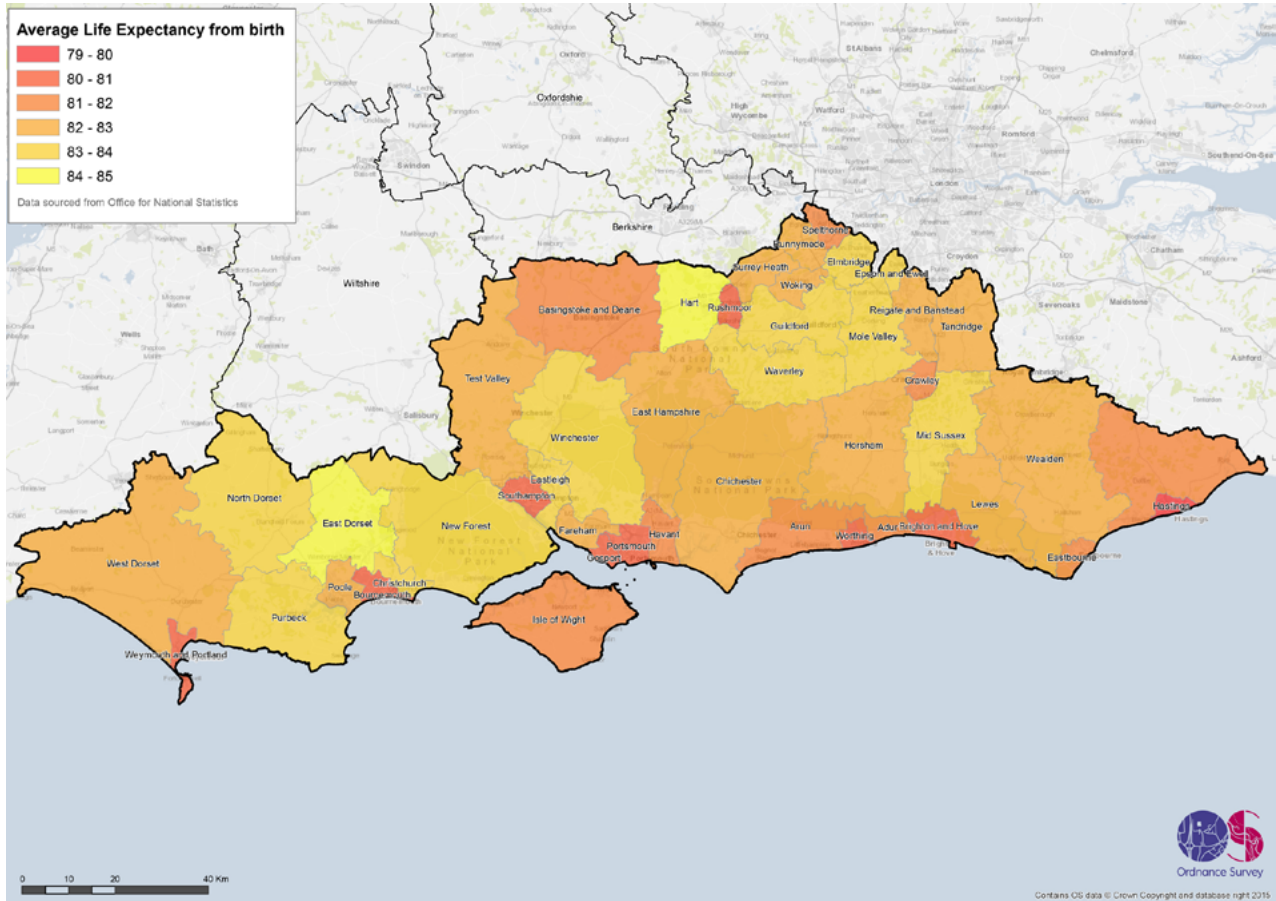
Local authorities have recently taken the lead on public health and effective strategies must involve employers, retailers, social housing providers, the leisure industry and the NHS.



Reduced coverage of public services

Many services are focusing reduced budgets on fewer people with greater needs. Between 2010 and 2014, the number of people receiving adult social care fell by around 30% across the region. Not only are the needs of others a major social challenge, an increasing reliance on informal care will increase pressures on employees who may be looking after children and parents.

Figure E: mapping variation in average life expectancy and mortality rates



Unemployment and the economically inactive

Despite the growth in employment, the claimant count (those receiving Job Seeker's Allowance plus out of work Universal Credit claimants) is around 31,000 across the proposed combined authority areas, the number of Employment and Support Allowance claimants is around 70,500, and the total Unemployment number across the region is 123,000.

More effective strategies for supporting people into work would support local business and reduce benefit spending.

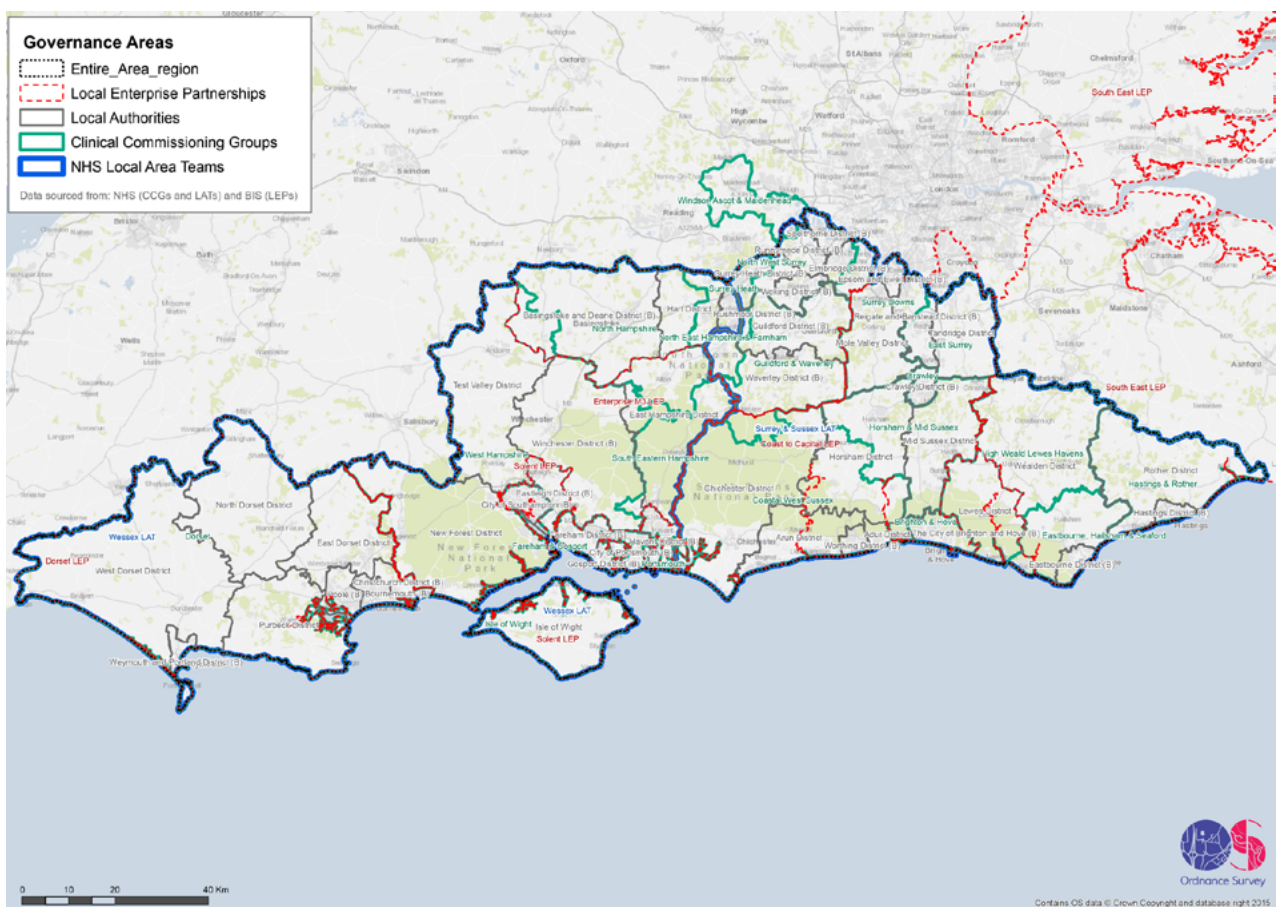
Efficient local government

Local authorities are developing shared services and co-locating with other public services, as well as developing the use of digital technologies.

C. Empowered local leadership

The distribution of power within local government and other institutions in the region can be confusing even to those who work within the system.

Figure F: mapping public organisations and their boundaries across the region



Local authorities

The region has unitary local authorities on the Isle of Wight, and the major urban centres of Poole and Bournemouth, Brighton and Hove, Southampton, and Portsmouth. The county areas of Hampshire, Dorset, Surrey, East Sussex and West Sussex have two tier authorities, with key powers like social services, education and strategic transport and planning at county level, and local planning and housing run by district councils. A number of non-statutory responsibilities, for example, leisure and culture, are carried through at both levels.

Police and health

Other major public services, including the police (led by directly elected police and crime commissioners) and health services (led by a mixture of GP led Clinical Commission Groups, joint local authority and Clinical Commissioning Groups, and regional NHS bureaucracies) all operate on boundaries that are at best partially coterminous with local authority boundaries.

Economic development

The three Local Economic Partnerships in the region (Dorset, M3, and Solent) are not entirely coterminous with local authorities, while local authorities all maintain their own structures of business support and local economic development.

Fiscal autonomy

Empowered local leadership depends on the extent to which councils have freedom to raise and disburse resources locally, and without dependence on central government funding. It also reflects the degree to which local organisations are able to set local outcome measures, or ways of delivering services, that are not set nationally.

By these measures local leaders enjoy relatively little genuine fiscal autonomy. Local authority and other public service incomes are almost entirely determined by central government, with, for example, council tax increases limited by both legislation and public policy. With increasing austerity, local authority funding is reducing rapidly and central government policies - for example on housing benefit and public sector rents - are actually driving central government influence into new areas of local policy.

The Chancellor's announcement that councils will be allowed to retain all of the business rates they collect, as well as reduce their rates, is a welcome step towards fiscal autonomy. However, only those authorities with mayors will be able to raise rates (with a limit of 2p in a pound), and the relative freedom in funding has to be seen in the context of further future cuts to local government funding streams and the phased removal of the Revenue Support Grant.

Hobbled giants?

In practice, local organisations work hard to overcome the fragmentation sketched above. Despite this effort, and whatever the strengths of each individual part of this system, it is clear that it is far from offering the clarity and clear lines of accountability that genuinely local leadership can provide. It works against the best ways of tackling complex problems like crime reduction, vulnerable children or support for the older population. For business and other stakeholders, current local authority structures and powers do not provide a simple, single 'go to' structure in which they can engage with a single organisation capable of responding to all of their needs.

Conclusion: the challenges

Central southern England has the potential to demonstrate many of the characteristics found in the world's most dynamic growth regions. However, this potential will only be realised if some key constraints are tackled with focus, energy and determination. Decades of centralisation have not delivered this change.

The region needs to develop a more strategic approach to transport, infrastructure and housing; it must tackle marked local variations in skill levels and public health; it needs to improve collaboration with higher education and it must make the best use of limited public resources. **Effective devolution will require clear policies to address these issues. It will also require clear and accountable structures for their delivery.**

In the next section we provide an overview of current devolution proposals and a framework to assess how well they might deliver these southern priorities.

5. Devo-South: the current proposals

Local authorities were invited to submit a prospectus for combined authorities and the powers they sought by 4th September 2015. It is expected that around 25 bids will be approved in principle at the Comprehensive Spending Review later this year, with others being taken forward on a more extended timetable.

For southern councils, this was an extraordinarily challenging timetable. Unlike many northern city regions, with years of close collaboration and partnership, many of the south's local authorities had not begun serious discussions about the shape of potential combined authorities until a few months ago. There has been even less opportunity to engage fully with LEPs, the NHS and other stakeholders, let alone with the wider public, business or civic society.

Perhaps inevitably, there is a sense of organisations signing an outline proposal for fear of being excluded from discussions with the government. Some signatories have continued to express hesitation, and in some cases the debates about the best structures and geography have continued.

An outline prospectus was submitted by Hampshire, Southampton, Portsmouth and the Isle of Wight, and the district councils in Hampshire (HIOW). The HIOW bid, like the other southern proposals, was supported by a comprehensive list of stakeholders from LEPs, the NHS, emergency services and National Parks. However, the Solent LEP later entered a reservation about the lack of safeguards for the southern part of the proposed combined authority.

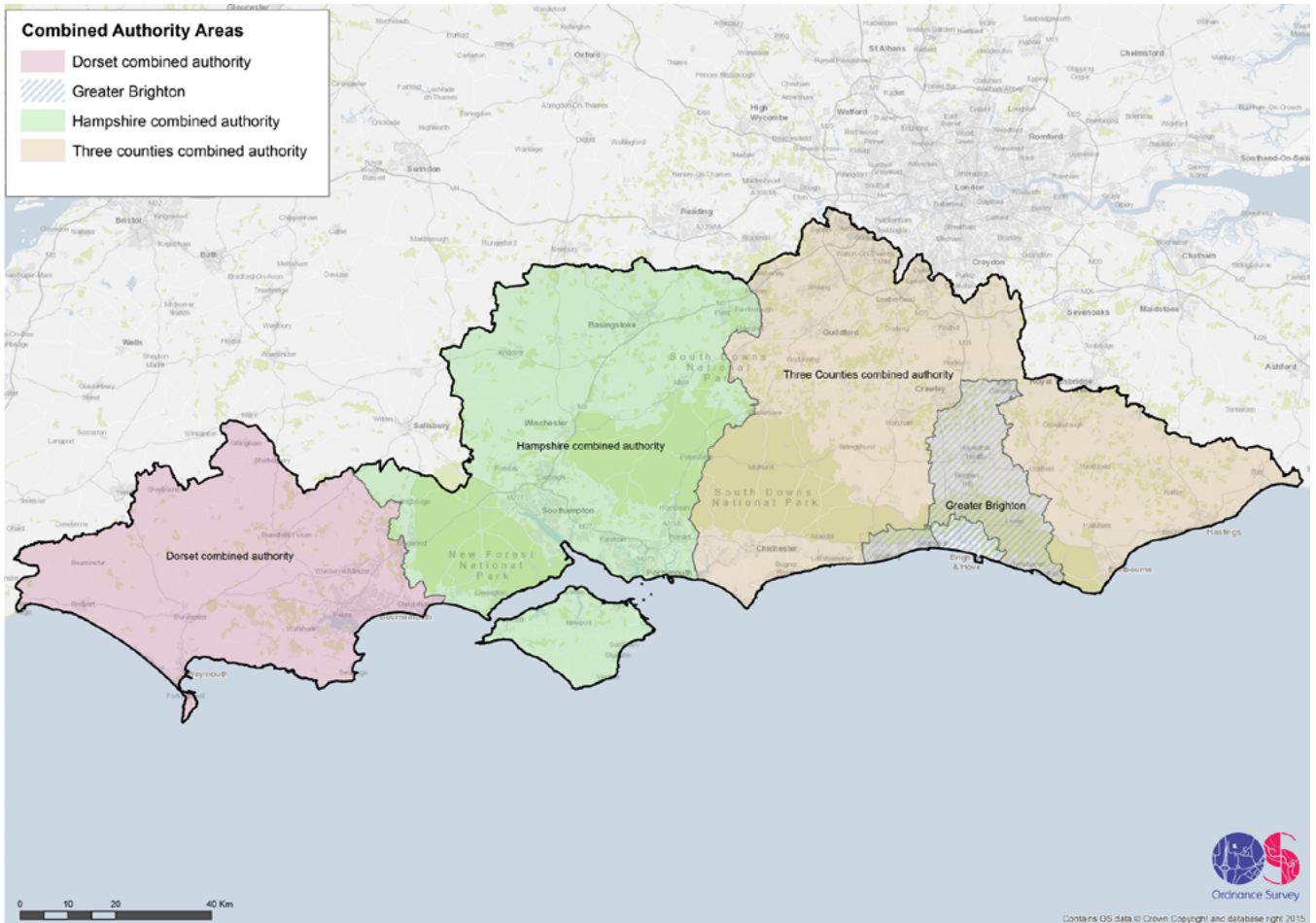
A similar prospectus has been submitted by the three counties of Surrey, West Sussex and East Sussex (3SC). This proposal is complicated by the separate proposal from Brighton for a Greater Brighton authority, creating a significant hole in the coverage of the 3SC plan: this bid has been supported by neighbouring district councils who have, however, also supported the 3SC proposal. As yet, the Government has not been willing to allow councils to belong to two combined authorities, and has wanted local consensus on coherent boundaries. It is not yet clear how far the government will be prepared to negotiate on either the current 3SC or Brighton proposals.

Dorset local authorities published a statement of intent endorsing the principle of a combined authority and promising a more detailed prospectus by December 2015. However, shortly after publication, the four district and unitary councils in East Dorset set out plans to form a new unitary authority, and the Bournemouth Council Leader has recently advocated a 'giant central south coast' combined authority that might embrace the HIOW proposal. At the same time, the scope of the original proposal is reported to have been reduced to strategic economic development and transport. *(In this report we have analysed the original Dorset proposal in the absence of a public and agreed proposal, but this is largely to illustrate the debate and options that are available.)*

The difficulties in reaching quick agreement should not be a surprise or be seen as a criticism of those who have tried to respond very quickly to changing government policies. In the longer term, taking more time to allow robust agreements and high levels of trust to develop may be beneficial.

In any case English devolution will be a process, not an event. Local authorities have been invited to propose new powers, but they have not been given any legal right to gain them. Central government will retain a great deal of control, even after outline deals have been announced. And if devolution is successful then further powers will surely follow.

Figure G: mapping the proposed combined authority regions in central southern England



A. Analysing the proposals from central southern England

A flawed process?

Analysis of the current proposals is not straightforward. The government has resisted pressure to give guidance on the content and format of proposals. As a result the combined authority prospectuses do not follow a consistent structure or language.

It is not clear whether different wordings used in different proposals actually reflect radical differences in policy. (Even the authorities themselves are at times unclear about the precise ambition being set out). In other cases, proposals have clearly been left deliberately vague, either to smooth over tensions between local authorities, or to allow negotiation with central government.

The process is unsatisfactory. There is a significant imbalance of power between the government and local authorities: central government is negotiating with an overview of all the bids it has received, local authorities are hampered in their ability to learn from other policy proposals. There is also a significant imbalance in power between those involved in the negotiations with central government and the communities, business and civic organisations they represent.

The government should agree to publicise, and update, a comprehensive analysis of devolution proposals made and those agreed in order to inform local authorities, the public and stakeholders.

Many of the individual policy proposals actually feature in the work of local authorities and Local Enterprise Partnerships which are already supporting business, shaping skills strategies and working on improved transport links. It is not always clear what is genuinely new, and what replicates existing provision, or when powers will pass from an existing body to a new one.

The tentative analysis of the current proposals we make here underlines the urgent case for a more consistent way of making and presenting devolution proposals. Without it, the process will lack transparency, local authorities will be disadvantaged, and other stakeholders will find it almost impossible to participate.

We have not attempted to analyse every proposal, or to compare the detail of each local bid in what is a fast changing environment. The analysis is illustrated by examples drawn from bids, but the citing of one authority does not mean the proposal is absent from others.

Instead we will highlight the key strategic thinking that lies behind the bids. We look at how well they address the conditions for innovation, productivity and growth set out earlier, and for the better use of public money. We compare the bids with agreements already reached elsewhere. And we ask whether the proposals for governance meet the need for empowered local leadership.

Fiscal devolution

At the heart of all the proposals is a very high level of fiscal devolution. All the southern authorities want to raise more of their resources locally and determine more of their spending and investment priorities.

Business rates

The primary aim is to be able to retain business rates, and the future growth in business rate income. HIOW explicitly offers to forego all Revenue Support Grant from the Government in return for the right to retain all business rate income.

After the bids were submitted, the Chancellor announced that, on a phased basis, local authorities would be able to retain 100% of business rate income by the end of this Parliament, up from the 50% they have been able to retain since 2013.

This move has been broadly welcomed by local authorities, although the late announcement has not helped coherent local decision-making.

Some key issues have not been resolved. Local proposals asked for the business rate income to be devolved at the level of the combined authority. The chancellor proposes devolution to all local authorities whether or not they belong to a combined authority. It is not clear if combined authorities will be treated differently. It is also possible that some local authorities will no longer see a financial incentive to join a combined authority.

While most southern local authorities would gain from the change, the Isle of Wight and East Sussex would lose. In common with poorer areas in other parts of England, they will need some transitional and perhaps long-term protection. The HIOW set out a mechanism to protect the Isle of Wight; it is not clear how the government will do so.

New combined authorities in southern England will be greatly strengthened if business rate income is devolved to the combined authority, rather than to individual local authorities. The combined authorities should ensure that their collective decision-making structures properly protect the interests of member councils.

An alternative to redistribution

In most of South East England, local authorities receive more from business rates than from government grant. It has been widely assumed that the redistribution of resources to poorer parts of England will continue, and that this will limit the financial benefits of the policy change.

A radical alternative would be for 'surplus' local authorities to be given control for more extensive areas of current government spending. This would allow, for example, local authorities to fund the skills, education, and economic development power they are seeking from their own locally generated resources. (At the same time, freeing up other government resources to be spent in more deprived areas).

The government should agree, in principle, to free southern authorities from any complex national system of business rate redistribution. Instead, 'surplus' business rate income (above current Revenue Support Grant income) should be used to allow the south's local authorities to take responsibility for additional services currently funded by central government.

Additional financial powers

The local authorities have also sought additional powers to vary and retain tax income, and to raise money through other charges.

3SC has asked to retain a proportion of stamp duty to fund infrastructure development, and like HIOW, want to vary and retain planning fees. 3SC wants greater autonomy to vary Council Tax discounts whilst HIOW would like to levy Council tax on un-utilised development land.

Dorset sought to retain a proportion of VAT in a deal to incentivise the growth of the VAT linked tourism business.

HIOW wants to be able to vary the terms of the pensioner bus pass to enable investment in new bus services.

The government should not limit financial devolution to business rate income but should continue to negotiate on the additional proposals made by southern local authorities.

Strategic funding commitments

Currently government funding pipelines for transport and infrastructure are relatively short-term. Local authorities and LEPs are constantly having to bid for priority investment and cannot offer long term confidence to business investors.

So the second theme of the devolution proposals is the development of long-term strategic funding agreements for both transport and for infrastructure, including the acceleration of housing development. They seek a long term commitment of government funding, supplemented by additional locally generated funds.

At the core of the HIOW bid is a ten year Transport Infrastructure Fund to support economic growth and the infrastructure needed to support new housing. It would be funded by bringing together monies that would normally come, over a shorter timescale, from different central transport and infrastructure budgets. HIOW's bid is in line with what has been agreed in other city deals and devolution agreements.

Dorset also aims for a 10 year deal on Transport Funding.

3SCs aim to agree a long term Infrastructure Strategy with government to create a potentially larger investment fund, coming from existing funds but also bringing together local authority prudential borrowing powers, borrowing against council assets and the retention of stamp duty. 3SC also want to be able to impose a contribution from developers to the Infrastructure Strategy.

The delivery of long-term strategic funding for infrastructure and transport will be critical to establishing business and investment confidence that the region's needs will be better met under devolution.

As the bids recognise, infrastructure challenges cross the boundaries of the proposed combined authorities. Even at this early stage, **the local authorities should be working on an infrastructure plan for central southern England as a whole and engaging with the government's Infrastructure Commission.**

Devolution of central government budgets and local priority setting

The bids identify a number of existing budgets that could be devolved entirely to local authorities, such as the HIOIW to control business support spending and the 3SC ambition to hold the careers service budget.

Education and skills are a central focus of all the local bids. In the longer term all the authorities aspire to control all or most of the funds for employment and skills at 14+.

However the approach of the bids does vary, with HIOIW and Dorset seeking agreement with the existing funding agencies to re-shape skills and education priorities to better meet the skills and employability needs of the area. 3SC make an explicit bid to control the whole of the budget in these areas. The different emphasis may reflect a difference in negotiating strategy and assessment of capacity to deliver rather than a real difference in ambition.

Skills shortages are a major constraint on growth, and poor skills prevent many local people from gaining access to better paid job.

The government's should recognize the extent of local ambition to re-shape the skills system, and DWP programmes, to meet local needs.

Government support for improved partnerships and new initiatives

More in line with previous generations of Local Area Agreements, City Deals, Local Growth Fund bids and the like are areas where the comined authorities seek improved partnerships with government agencies and support for particular local priorities.

All the bids want improved partnership working on housing and the development of public land.

HIOIW wants the government to support a new local Catapult (Higher Education linked technology centre). Both HIOIW and 3SC want the right to develop their own local Enterprise Zones.

Housing: an area of conflicting aspirations?

Housing policy is the area of greatest potential conflict between local and national government priorities. Both want to increase the rate of building, but with very different approaches.

The south's local authorities wish to have greater control over local housing finance and to encourage the development of more affordable housing to rent. Dorset would like to support its own organisation for development of social housing, HIOIW would like to avoid the government's proposed changes to social rents and housing finance, the 3SCs would like new rules to allow public land to be dedicated to affordable rented homes.

Central government wishes to impose a social rent cap (with consequences for the funding of new developments) and to move the emphasis from affordable rents to homes for first time buyers.

The government's response to the southern England proposals will be a measure of how far it will go in allowing local priorities to vary from those of central government.

B. The major challenges

In this section we review in a little more detail the major proposals that would enable the south to create the condition for growth and innovation, and to make the best use of public money.

Economic growth and improving skills

Economic growth

The Hampshire and Isle of Wight bid (HIOW) has three main elements to its growth strategy: to extend the current Growth Hubs which offer coordinated business support, to be able to designate its own Enterprise Zones, and, in the longer term, develop an investment fund/regional bank to support SME growth.

The bid is seeking government funding for the Growth Hubs. Enterprise Zones depend on the level of additional funding HIOW will receive following the government's recent announcement that local authorities may retain their business rate income as the Revenue Support Grant is phased out. Further to this, a replication of central government Enterprise Zones appears need to need further government support to match the full range of allowance and incentives. It would also like the government to develop a new 'catapult' centre to promote locally important technology.

The proposal for an investment fund, while radical, is less well developed than Derbyshire & Nottinghamshire's plans for a £1bn public-private bank or Birmingham's existing bank.

The Three Counties of Surrey, West Sussex and East Sussex (3SCs) prospectus does not set out details of new economic strategies, preferring to emphasise support for the existing LEP strategies and support for key sectors of the economy and the advancement of new technologies like 5G. There is an innovative plan to establish its own University Enterprise Zones though at this stage it is not clear what new powers and resources, if any, are being sought.

Dorset's outline statement is necessarily brief and does not include detailed new policy proposals directly to stimulate economic growth, though, as with the other bids, Dorset wants to prioritise the infrastructure, transport, and skill that are prerequisites for growth.

Skills

The starting point of the HIOW and 3SC bids is the Government requirement to carry out local reviews of FE college provision to ensure they better meet local needs. Both seek significant devolution of apprenticeship funds, including incentives for employers to recruit apprenticeships, the forthcoming apprenticeship levy on larger employers, and trailblazer.

3SC has the most ambitious future bid, seeking total devolution of all Skills Funding Agency and Education Funding agency funding for 14+ to adults and the DWP's work programme. They seek to influence the school curriculum and develop an employability framework to meet employer needs. This bid has a commitment to link skills training to growth sectors on employment. The LEPs would play a formal role in this strategy through membership of a joint Skills and Employment Board.

The more ambitious elements of this bid provide a real test of the government's commitment to devolution. To date, school funding and curriculum has been excluded from devolution deals, and the DWP has been reluctant to let go of its core programmes.

HIOW are seeking a mixture of devolved funds (including the Adult Skills Budget) and improved partnerships (with the Education Funding Agency who fund most 16-18 provision). HIOW also propose partnership working with LEPs in contrast to the formal relationship proposed by 3SC. It is bidding to influence parts of DWP provision.

The HIOW proposal for an improved careers and guidance for 16-24 is an example of a larger combined authority aiming to produce a more effective service, supported by some devolution of funds. 3SC is seeking the full devolution of National Careers Service funding and powers.

Dorset aspires to control the Adult Skills budget and the Apprentices Grants for Employers and to be able to 'commission' the national careers service. These together will allow them to better tackle local skills gaps and apprenticeship priorities. Dorset also wants control of capital spending on FE and HE and to be able to lever in matching private investment.

The bids give relatively little idea of what new local strategies would look like, or how they would tackle the wide variations in skills gaps in different parts of the region. Taken together the skills bids say little about graduate retention in the region, or aligning Higher Education provision with local economic needs (other than Dorset's proposal on HE capital). There is also relatively little about encouraging provision of higher level skills and apprenticeships at level 4 and 5. This is surprising given the shortage of skills in these areas that have been identified in LEP strategies, and the desire to boost innovation and growth through graduate retention.

Existing city deals in for example Stoke and Staffordshire, and the North East, have created clear performance measures and other incentives on training providers to meet local skill needs. The Manchester City Deal gives the combined authority strategic powers to reshape and restructure FE provision.

The proposals in these bids are intended to complement the existing LEP strategies, referenced in the bids, with their ambitions for particular sectors and locations. As presented, however, the bids do not provide a coherent economic strategy for each combined authority area. While each prospectus makes much of the variations in economic performance and skill levels, very few new policies are outlined that would directly address these variations.

The bids have been developed without extensive consultation with business. It is now important that the proposed combined authorities and LEPs develop an economic vision shared with the local business community.

Connectivity

Long term funding would make a combined authority a more powerful and reliable partner for business.

In addition to a central long term infrastructure and transport funds outlined above, the HIOW and 3SC bids make proposals for individual modes of transport.

Roads

The emphasis is on improved partnerships and long-term agreements on the management of the strategic network with Highways England.

Current local growth deals already include agreements for improved liaison with Highways England, so the acid test of a new deal would be the extent to which it makes a qualitative difference. HIOW floats the possibility of managing the M27, M271 and M275; motorways that start and end in the area.

The current proposals do not include the bulk of the £15.2bn Highways England 'Road Investment Strategy'. This is a programme to which combined authorities might turn their attention in future.

Railways

Both bids are seeking greater influence on future rail franchising and also improved collaboration on Network Rail's investment plans.

Local authorities and LEPs have been very active in this issue (for example in arguing for improved access to Waterloo or improvements to Portsmouth-London services). It is not clear what real additional influence is being sought, although most deals across the country contain similar wording. In other parts of England, some devolution deals have included commitments to the transfer of responsibility for individual stations or improvements to individual lines.

Transport policy delivery

There are marked differences in the bids' approaches to the delivery of new transport functions.

In line with existing devolution deals, HIOW wants to develop further control over franchised bus services and the introduction of 'smart ticketing'. In a radical proposal they would combine existing funding with the resources currently supporting concessionary fares to create a local bus fund that would support improved services in areas with limited cover at present.

HLOW also want to establish a Passenger Transport Executive to improve public transport.

The 3SC bid is markedly less ambitious on transport policy. It emphasises a more devolved approach, giving responsibility for community transport to the district councils, but making no proposals for a more strategic approach or body at combined authority level.

Dorset aspires to a 'Combined Authority Strategic Transport function' with the 10 year deal on transport funding routed through the LEP.

The varied approaches are all less ambitious than arrangements in other parts of England. London, the Mayor is able to franchise all bus services, ensuring efficient cross-subsidy between different routes. Manchester is gaining similar powers. In Manchester the combined authority is able to bring together the 10 year investment fund together with those managing transport system together in a single organisation.

During the passage of the Cities and Local Devolution Bill the government introduced new powers to support the establishment of regional transport organisations. The southern proposals were submitted before the Government announced its intention to amend the Cities and Local Devolution Bill to take powers powers to establish statutory regional transport bodies. **Southern local authorities should re-visit their transport proposals to see whether more ambitious use could be made of the new powers.**

Housing, planning and public land

Housing

As noted above, local aspirations to have greater control over the Housing Revenue Account and borrowing powers, and to promote social rented housing appear to conflict with the direction of national government policy.

The willingness of central government to grant these powers will be a real test of its commitment to devolution and local priority and policy making.

These ambitions aside, and despite the importance of housing for local people and for economic growth, the southern English bids are relatively modest. They emphasise partnership with government agencies, particularly the Homes and Communities Agency, and other government departments and public sector bodies. Partnerships like these already exist (for example, those between the Solent and M3 LEPs and the key public sector agencies).

The coordination of housing policy and the release of public land do require long term partnerships, but it is not clear whether the combined authority proposals will simply replace what already exists, or how they could deliver a qualitative improvement in performance. These bids fall short of what has already been agreed for Greater Manchester who will have full control of their own Housing Investment Fund, transferred from the budgets of the HCA and other agencies.

Figure H: mapping out the challenges for housing

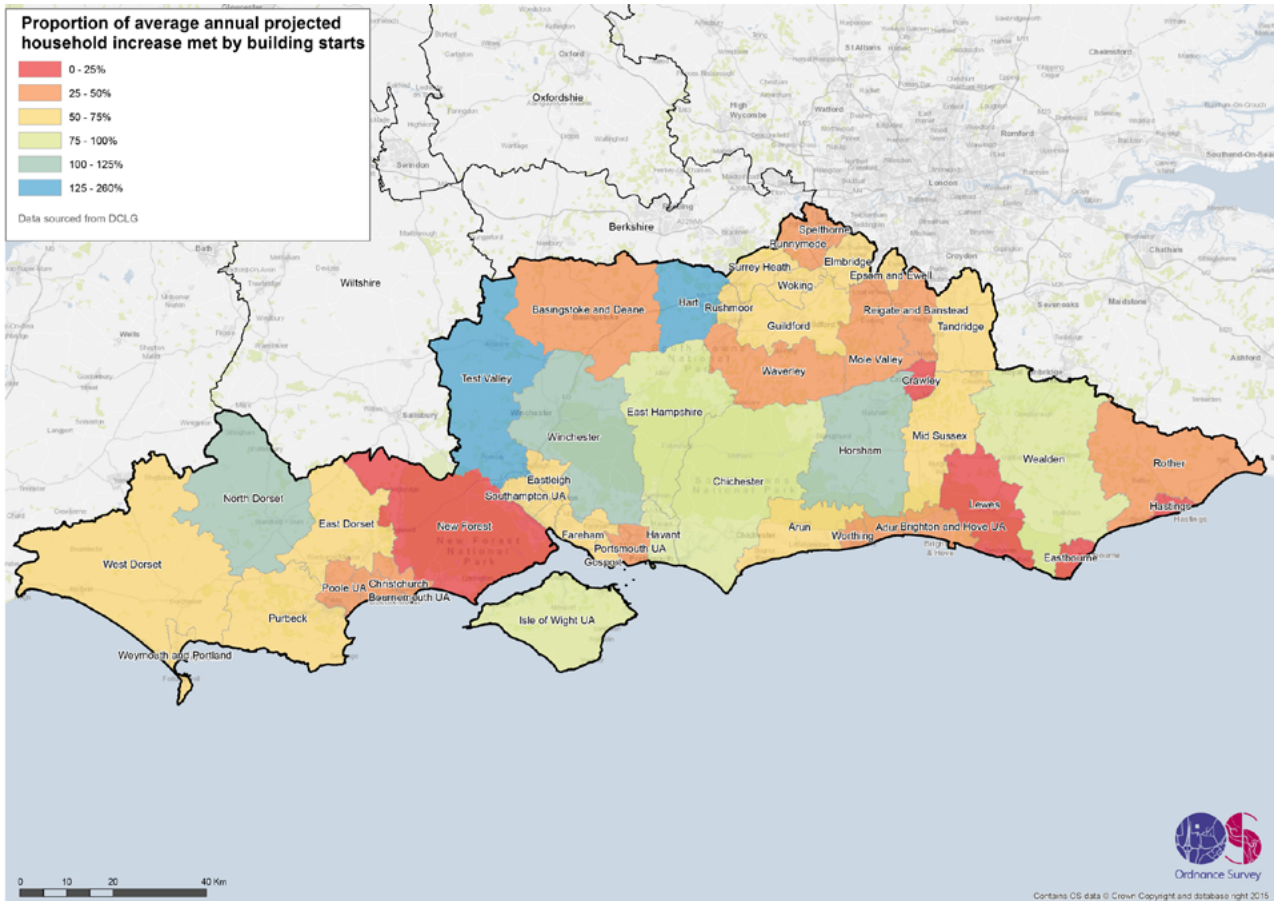
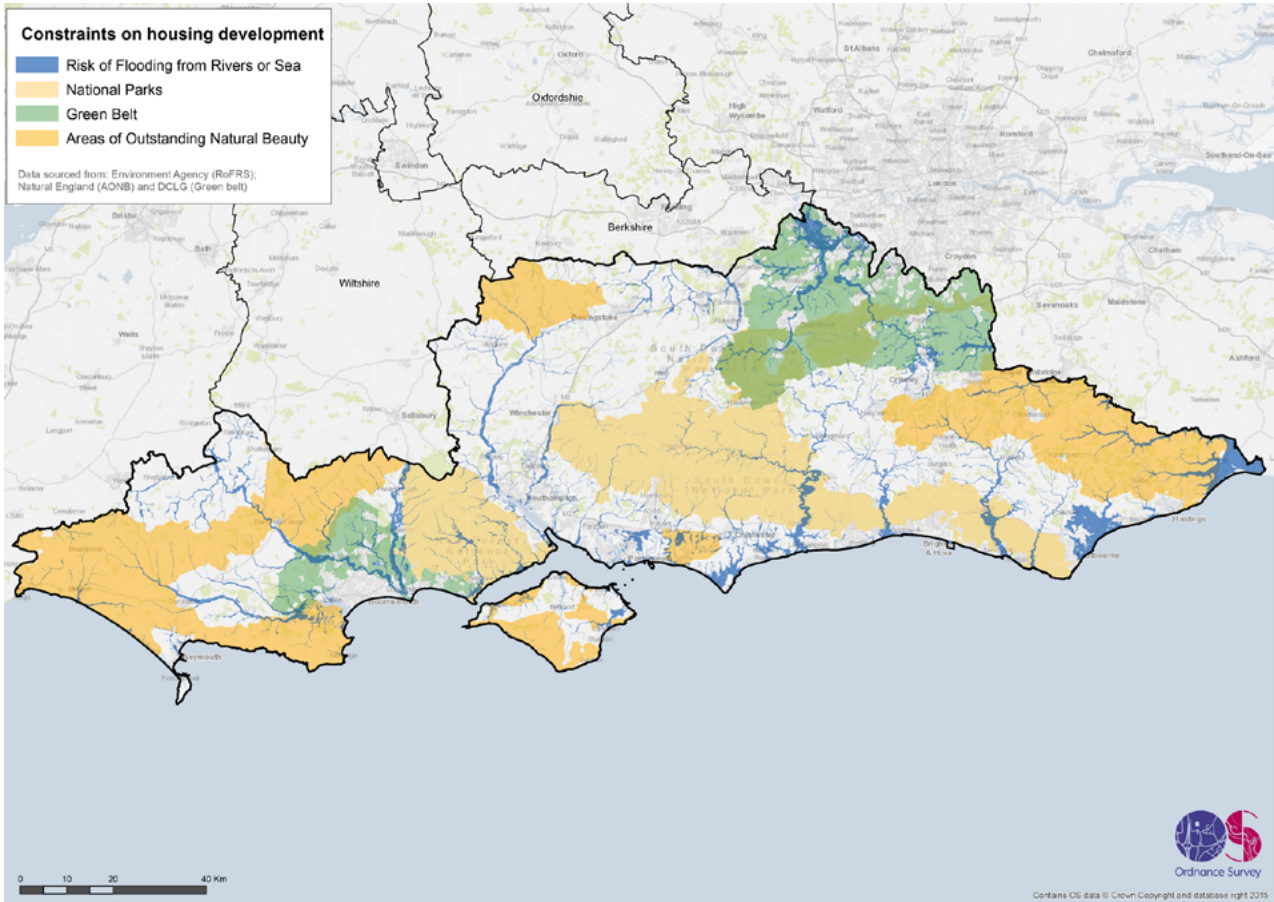
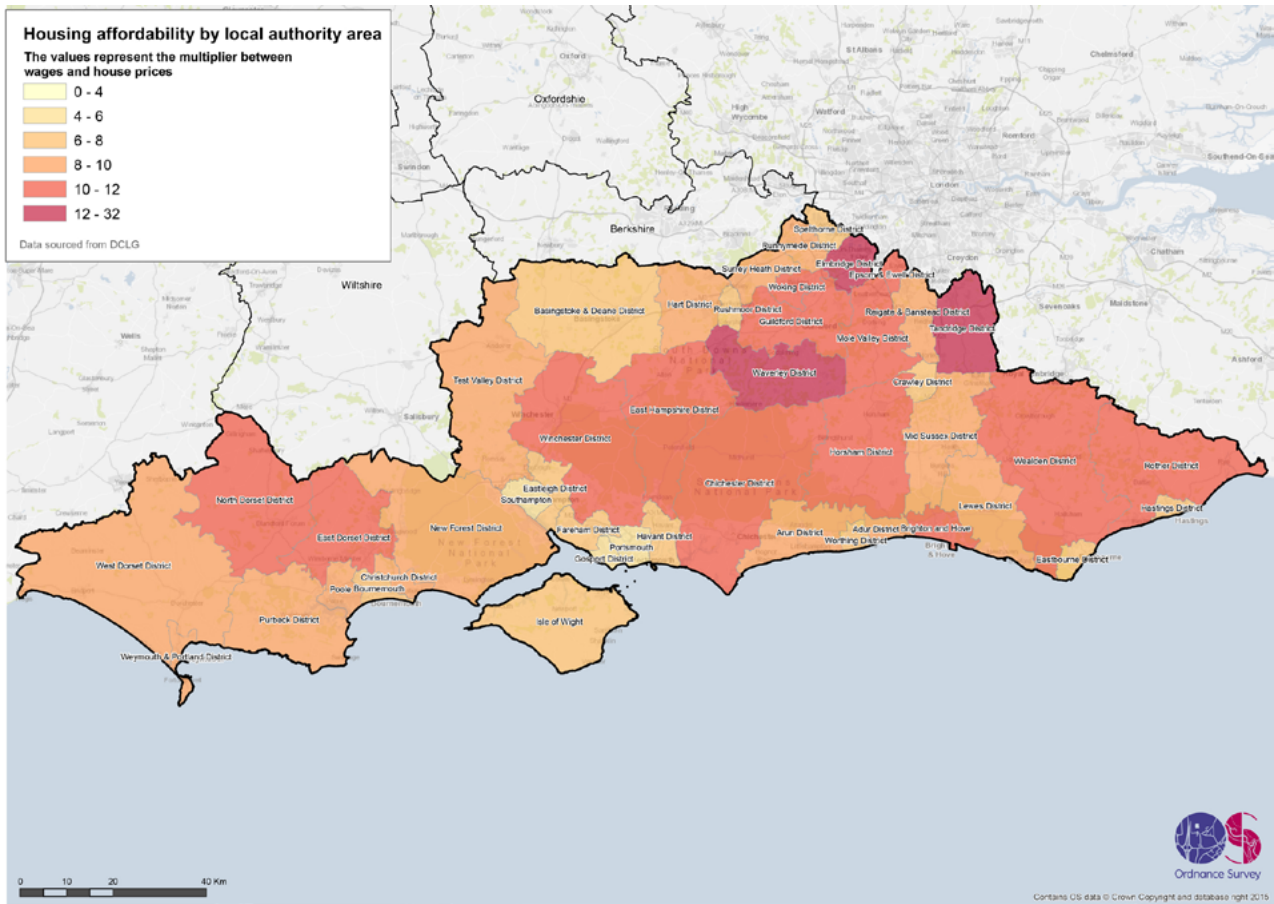


Figure I: housing affordability by local authority area



However, 3SCs and Dorset do want the cap raised or removed on borrowing to finance new affordable housing, with Dorset proposing to form its own development company to create a level playing field with other housing developers and so build homes more quickly. Removing the cap on housing borrowing goes well beyond anything agreed in current devolution deals and, if achieved on any real scale, would be a significant development.

The local authorities are all seeking specific devolved powers tailored to tackle particular challenges.

HIOW want to be able to use HCA money, Right to Buy receipts and other funds to open up potential development sites, and to support low-cost starter homes. They want to be able to incentivise housing investment by deferring CIL payments until new properties have been sold but also to be able to charge Council Tax on sites that are not being actively developed.

3SCs want public land released free of charge in return for capped rents from housing providers, and greater flexibility to raise funds from land charges and other sources for housing development.

HIOW set the modest ambition of achieving its housing targets a couple of years early and of building another 500 homes a year over a four year period (although even achieving its current targets would be a significant improvement on the performance of the past few years). Neither of the other authorities estimate how much additional housing would be achieved.

Planning

The Greater Manchester Combined Authority will be able to produce a strategic planning strategy, equivalent to the power of the Mayor of London. Together with funds for transport, skills and housing this appears to give greater Manchester a coherent set of powers to underpin its economic strategy. The three southern proposals take different approaches.

3SC have bid for the power to develop a spatial framework, to be agreed with local authorities

HIOW have not proposed to take the new power, preferring to emphasise local housing plans.

Dorset also placed priority on local plans but do want to freedom to revise local plans without central government oversight or approval.

A coherent and consistent planning strategy is a high priority to business, but the potential pooling of planning powers is one of the most contentious issues facing the proposed combined authorities. District councils jealously guard their planning powers and those with environmentally sensitive areas are wary of being overruled by a wider housing and development strategy. Even where strategic planning powers are sought it is not clear whether district councils are prepared to agree at the level of the combined authority.

For business, the lack of radical change will be disappointing, and may not deliver the simplified and well-integrated planning system many want to see. In the most ambitious city deals, such as Manchester, the combined authority will provide a single structure that can bring together economic strategy, planning, housing, transport and infrastructure.

The southern combined authority proposals are likely to deliver some improvement in each of these areas, but without the step change that would make the biggest difference.

The southern counties and others should enter into early discussions with the business community to ensure that the new structures deliver the simple and efficient planning system, underpinned by a strategic approach to development, that business wants to see.

Making more effective use of public money

Health and social care

The older population is growing rapidly in all three bid areas, putting pressure on health and social care. As an earlier SPC report showed, there has been a 30% fall in the number of adults receiving social care over the past five years

It is not surprising that plans to improve the integration of health and social care are a priority for all the proposals. Partners have committed to closer working between local authorities and health providers and commissioners.

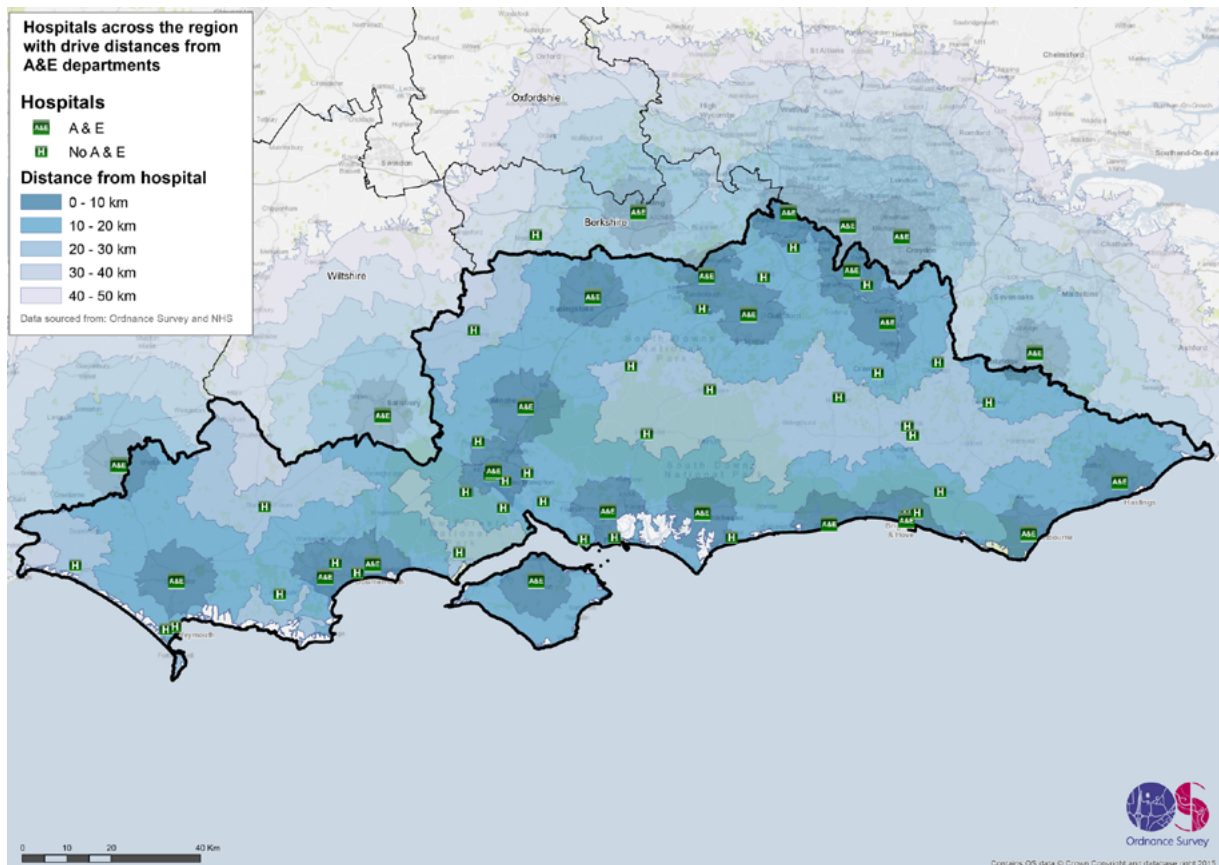
The second priority is the effective delivery of public health, a service of importance to employers as well as to individual households

Closer cooperation would undoubtedly be enhanced by a devolution agreement that delivered more predictable finance and better alignment between health and local authority funding. Beyond this, however, it is hard to see that the planned improvement could be agreed by local partners without further government action.

The three proposals can be read as a welcome statement of principle by local partners who could already be working more closely together and who need to do so in the future. One positive by-product of the devolution process may be to identify new opportunities for voluntary cooperation.

However, none of the proposals reflect the devolution already agreed for Greater Manchester, where around £6bn of health and social care spending will, in principle, be devolved. In the short term, Greater Manchester will focus on integrating health and social care and improving public health as the southern authorities wish to do. In the longer term, however, the aim is clearly to integrate the existing commissioning arrangements based on clinical commissioning groups into a single coherent commissioning body under the combined authority. Manchester is not gaining total freedom, its health services will still be judged by the same measures as the NHS nationally and it will still be expected to follow best practice on, for example, prescribing. Nonetheless it will eventually have a power to reshape local health provision that no organisation exercises in southern England.

Figure J: hospital catchment areas in the region



It is important to note that the devolution of health budgets in Greater Manchester was a local agreement amongst health partners and local authorities, and with NHS England. The agreement was not made with Ministers.

Southern local authorities may seek Ministerial endorsement for their ambitions for greater integration of health and social care, but should already be leading the process of creating stronger local partnerships and agreements with NHS England over the use of health funds.

More efficient local government

All the bids set out plans to deliver local services more efficiently, emphasising the use of digital technologies and shared services to serve the public better. As with social care, these plans seem to represent a welcome re-statement of commitment to partnerships rather than a development that depends on devolved government powers. (The proposed HIOW joint adoption agency would be another example).

Empowered local leadership

The final aim of English devolution is the development of an empowered local leadership capable of giving clear strategic direction and taking effective decisions through the combined authority area.

Each proposed combined authority is required to undertake a governance review to determine how decisions will be taken in future. As a result, none of the three southern proposals have set out their internal governance arrangements.

Many people will find it hard to assess the proposals for combined authorities fully without knowing where power will lie and how decisions will be taken. The governance reviews need to proceed quickly and with wide public consultation.

We examine some of the major issues below.

Mayors or collective decision-making

The government regards directly elected mayors as the best form of local leadership. Manchester, Leeds and other city regions have had to agree, albeit reluctantly, to create elected mayors as part of their city deals. County deals, like Cambridgeshire, do not involve elected mayors, but their powers are correspondingly less. The power to raise business rates will be limited to those authorities with directly elected mayors.

The new mayors are not necessarily based on the London model of a powerful, executive mayor, whose powers cannot be limited by local authorities or the elected Assembly. In Greater Manchester, the directly elected mayor will on many decisions, be just one member of the Combined Authority along with the leaders of the local authorities. In those areas, like policing, fire

and transport, where the Mayor will have executive power, this will be subject to a two-thirds majority veto by the combined authority members.

While Ministers have stressed that they do not want the powers to impose mayors, it is equally clear that an elected mayor will be a necessary part of the most ambitious devolution deals.

The lack of transparency over the conditions in which the creation of directly elected mayor is required is deeply unsatisfactory, reducing the issue to a private negotiation between ministers and council leaders when it is an issue on which all members of the public have a right to be consulted.

None of our three southern bids propose elected mayors, though none formally exclude the possibility. With little support from elected councillors for the idea, it seems that, for tactical reasons, the issue has been left open pending discussions with government.

Opponents of mayors argue that a major city region like Manchester has developed effectively using the traditional model of local government. Council leaders elected by their colleagues have shown the ability to work together effectively. Councillors in southern Hampshire argue that the Partnership for Urban South Hampshire has worked better through cooperation than would have been the case under a single elected mayor.

Mayoral supporters will argue that the new combined authorities are so large and complex, containing county, district and unitary authorities, that working by consensus can only slow progress. Where councils have already been reluctant to pool transport or planning powers, decision-making on key issues will remain fragmented.

If the combined authorities reject elected mayors they will need to demonstrate that they can create simplified and transparent decision-making that can enable key decisions to be taken quickly and that stakeholders, including business, can easily find the right way to engage with the system.

It is not clear that central government would or should concede additional powers while the decision-making structures within the combined authorities remain largely unchanged.

Boundary issues

As a result of local government reorganisation in the 1970s, the councils coming together to form combined authorities in the major northern and midlands conurbations broadly reflect the real economic geography in their area. They map on to the main centres of economic activity, the transport hubs and the larger providers of health care.

Southern England is very different. We have only one 'city-region', running from Southampton-Portsmouth. The boundaries of local authorities and of other organisations, often do not map well onto functional economic areas.

Local Enterprise Partnerships

The combined authority boundaries map poorly onto the local economic market areas. This creates two challenges. It will be essential for southern combined authorities to work together effectively where economic needs lie across more than one area: the Poole/Bournemouth area and its links to Hampshire, and the growth area around the Hampshire/Surrey border, would be top priorities. And the combined authorities will need to show they can provide a real focus on key areas within their boundaries.

In early October the Solent LEP formally recorded their concern that they had not yet been involved in discussions about the governance of the combined authority, and expressed concern that the current LEP focus on the Solent economy would be lost.

With the exception of Dorset, the current LEPs operate on different boundaries both to current local authorities and to the proposed combined authorities. Given the importance of economic growth and development to the whole devolution proposal the conflict between LEP and combined authority boundaries will be increasingly difficult in the longer term. After five years in which LEPs have been seen as the lead organisations in local economic development, the balance will shift towards the new combined authorities.

The danger now exists of confused economic leadership.

The proposed combined authorities are committed to working with the LEPs, and the LEPs have given their support to the combined authority proposals. Nonetheless, the proposed structures do not create the simplified and clear structures that would really offer empowered local leadership.

The current coherence of the Solent area could be lost within wider Hampshire if steps are not taken to embed localised decision-making within the combined authority.

Tensions in the Dorset proposal, and the exclusion of Brighton from the 3CS proposal highlight the difficulties of ensuring that the governance of new combined authorities properly reflects both economic realities on the ground and natural communities.

Complex local authority structures

For entirely understandable reasons, the combined authority proposals have not suggested any changes to the organization and structure of local councils joining the combined authority. As noted, the Dorset bid has been complicated by the desire of some unitary and district councils to form a single unitary council.

Over a ten year period of time, central funding of local councils will have fallen by around 70%. **In the longer term, questions will arise about whether the current council structures provide the best way of achieving the necessary balance between local community level decision-making and control and the more strategic work of the combined authority.** This is a debate that is not likely even to begin until there has been more time to develop trust and confidence amongst local councils, but it is a debate that cannot be avoided forever.

Relations with other key organisations

The geography of decision-making is further complicated by the different structures of other public agencies and the functions they serve.

Health

Health decision-making is largely made by Clinical Commission Groups and the NHS England region which covers 13 million people and stretches from Penzance to Margate. The Clinical Commission Groups are only occasionally coterminous with unitary and district council boundaries, although they are collectively coterminous with the proposed combined authorities.

The real health economies, if measured by the major hospitals and populations they serve, bear little relationship to the boundaries of the combined authorities.

The initial priority is to integrate health and social care and real progress may well be possible with the current structures. An early priority, however, must be to get CCGs working together more effectively within each area.

If the region aspires to the level of powers Manchester will receive, and much more radical integration of the CCGs, and change in the operation of NHS England will be required.

Southern authorities should be engaging with NHS England now to discuss how the NHS will relate to new combined authorities.

Going forward

The combined authority proposals are pragmatic proposals based on existing organisations and existing boundaries. It is doubtful that more progress could have been made with the short timescales set by the government and the lack of preparatory work. However the inherent weakness in the structures must be recognised locally and nationally.

The combined authorities must set out how they will deliver clear and accountable leadership. And all the key local institutions need to develop a consensus on new structures and boundaries. While central government could require LEPs and NHS institutions to change their boundaries, it would be better if local institutions could agree a coherent way forward amongst themselves.

6. What does business want?

In preparing this report, the Southern Policy Centre conducted a survey of 75 local business and business facing operations. 50 organisations responded to a written survey and 25 one-to-one interviews were conducted. The results of the survey are set out below.

Although the number of those involved was relatively limited, and cannot be taken as a comprehensive business survey, a number of key conclusions can be drawn.

Business as a whole is broadly supportive of the aims of devolution.

Businesses believe that devolution can deliver improvements in all the key areas outlined in this report and that are reflected in the bids from southern local authorities.

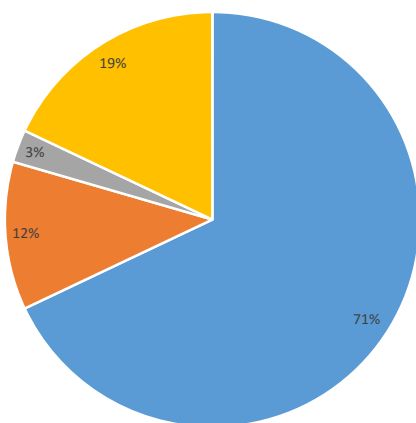
However, the interviews with business leaders also reflected a concern that devolution should deliver simpler structures and faster, more efficient decision-making, as well as progress on issues like transport and skills.

Only a minority of business leaders felt well informed about the devolution process and even fewer had been directly consulted. This is an almost inevitable consequence of the pace of change required by government. However, **in the next phase, local authorities and LEPs need to make a concerted effort to engage with and consult the business community.**

It is not yet clear that the new combined authorities and their members have done enough to demonstrate that decision-making will be improved in the ways that business would like to see. **The governance reviews must prioritise delivering the simple, accessible and efficient decision-making that business wishes to see.**

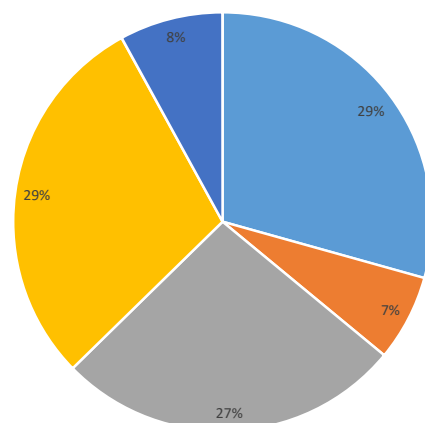
The majority of respondents represent the South's business community, many of whom are operating at a national and/or international level

Nature of organisation



■ Business ■ Public sector ■ Third sector ■ Education

Geographic reach



■ Global ■ European ■ National ■ Regional ■ Local

Which existing organisations (if any) do you look to tackle key business issues such as skills, transport, housing, infrastructure and planning?

Mentioned unprompted

Councils	17
Business South	16
LEPs	11
Chambers of Commerce	4
Universities	3
CBI	2
IoD	3
Others	5

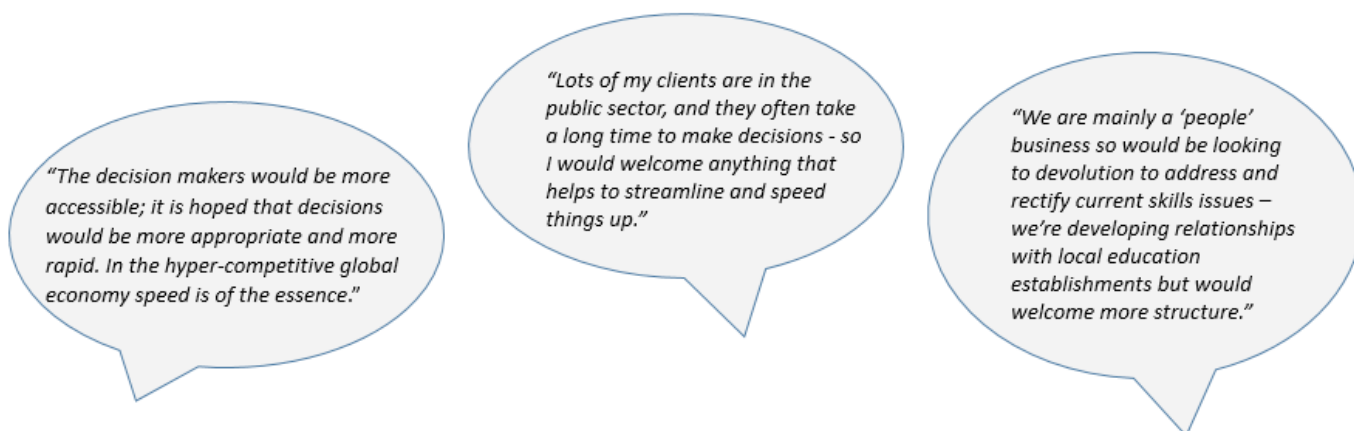
How would you describe your current level of knowledge about the government’s plans to devolve power in England?

Very good	4
Good	25
Limited	36
Poor	7
None	1

Has your business/organisation been approached for its views by any public body?

Yes	14 (21%)
No	52 (79%)

Selection of comments from face-to-face business interviews:



How businesses judge the impact of devolution for each policy area:

Assuming that specific powers are devolved and used effectively, how much would each improve your business environment (where 1=very little and 10=a great deal)

	<u>Average score</u>	<u>% scoring 7 or higher</u>
More influence over transport investment	8.0	81.9
Ability to keep business rate in the local area for reinvestment	7.9	81.9
Stronger strategic planning powers	7.9	77.8
Local control over skills and apprenticeships	7.6	72.2
Local control over business support	7.4	68.1
More control over public investment in housing	7.2	66.7
Local integration of health and social services	6.8	62.5

How businesses judge the impact of devolution for each policy area, split by research method

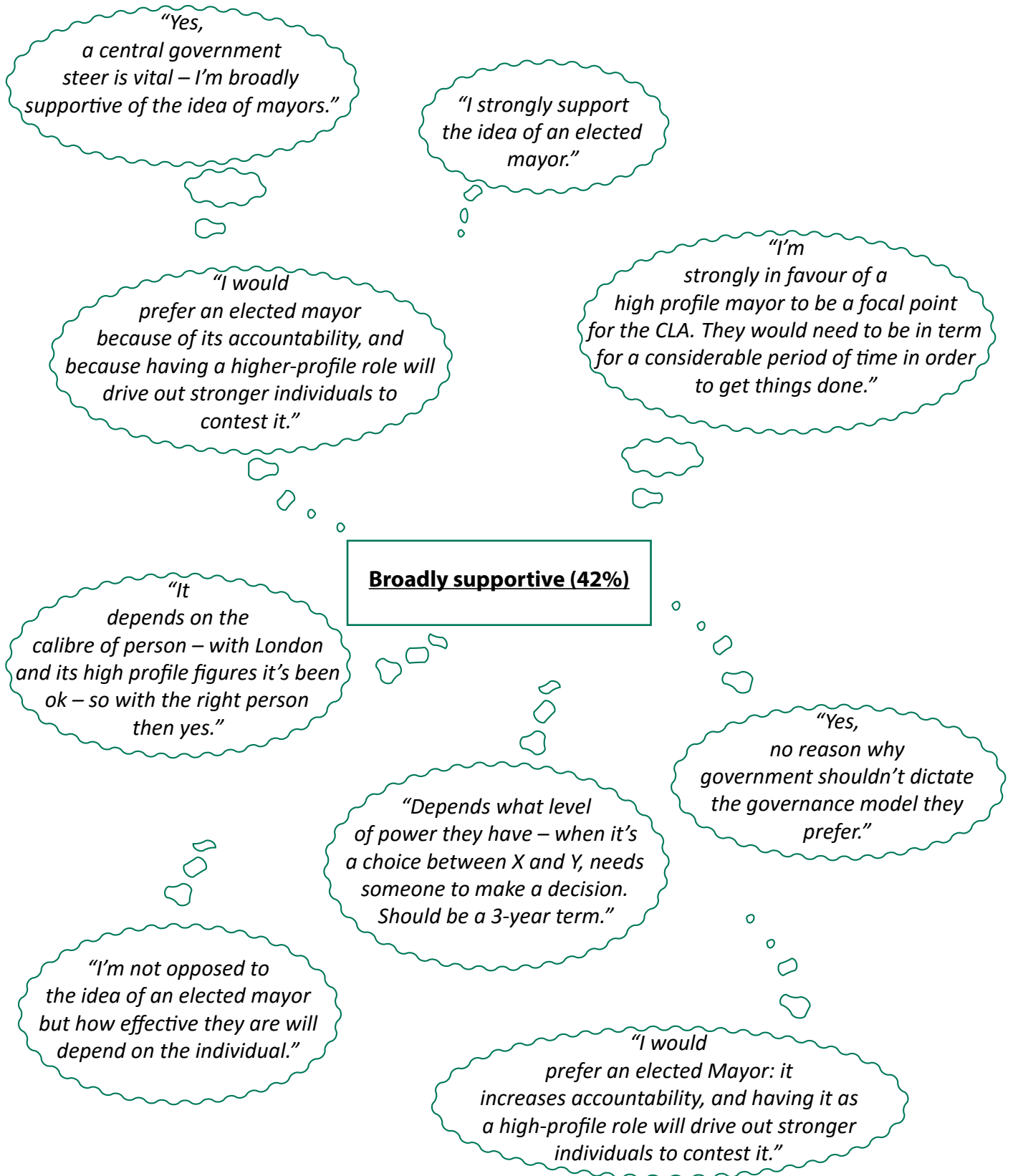
	<u>Average score</u>		
	<i>Paper survey</i>	<i>Interview</i>	<i>Difference</i>
Ability to keep business rate in the local area for reinvestment	8.0	7.7	+0.3
More influence over transport investment	8.2	7.5	+0.7
Stronger strategic planning powers	8.1	7.4	+0.7
Local control over skills and apprenticeships	8.1	6.4	+1.5
Local control over business support	8.4	5.3	+3.1
More control over public investment in housing	7.6	6.3	+1.3
Local integration of health and social services	7.3	5.6	+1.7
TOTAL (average)	8.0	6.6	+1.4

How businesses judge the capacity of their local authority:

Do you think the local authority in which your business/organisation is based would be well able to exercise additional powers, or would they need improvements in capacity?

Would be well able to exercise additional powers	8 (12%)	} 88% of respondents see a need for an uplift in capacity
Would need some further improvement in capacity	43 (65%)	
Would need significant improvement in capacity	15 (23%)	

Some areas, like Manchester, are being required to have mayors; others, like Cornwall and Cambridgeshire are not. Do you think the Government should require a mayor here? Or should it be left to local councils or local people to decide?



"Instinct says we need one, but how to get it is one is decision I would leave for others."

"Mayor is a superficial and merely ceremonial role - I would prefer the CLA to run on a business model. A Chief Exec of the CLA who has a background in commercial business and is an experienced decision-maker would be desirable."

"Should be someone in charge who is fired if they fail. Local government is political and self-serving...appointed not elected would be preferable"

Broadly agnostic (29%)

"I would not want it imposed – we would want an ambassador/figurehead with a mandate – so on balance, it would a good thing but not the be-all and end-all. Look at what we've got – Portsmouth/Southampton rivalry – this needs pulling together by the right candidate who can override tribal loyalties."

"I would like it to be clearer what level of authority such a mayor would have. Whether a mayor or another figurehead for the CLA, this person would need to be non-political to keep the councils in check."

"Depends on the actual function of the mayor. The role would need to have true accountability rather than merely being ceremonial, should follow the chief exec model. Vital that the role is elected by the people of the region to allow proper accountability."

"In principle I think it should be left to local geographies to decide how they manage...I'm concerned about the dangers of factionalism between rival local authorities."

"I think it should be left to local people. I mean Manchester is a clearly defined urban area, and it is big as well – I mean the population is big enough. So maybe it should be done on population size, somewhere like Southampton is not really big enough."

"It should be left to local discretion. We do not want to put in extra layers of governance here. This should be about delayering and not increasing."

Broadly opposed (29%)

"I don't think it should be imposed – but I also think people might be very unlikely to want to vote. Not good use of public funds."

"It's a political issue as to how power is wielded...I think the principle of self-determination is important – I would want the area to have its say."

"It needs a figurehead, but not a mayor. I don't think local people will see any relevance in a mayor in this geographical area."

"No, local people should be left to decide."

7. The devolution bids: an assessment

To what extent do the proposals for southern combined authorities represent ambitious bids for real power, resources and responsibilities? This report suggests a mixed picture.

All three southern proposals seek substantial measure of fiscal autonomy, whether based on the retention of business rates, stamp duty or VAT, or relaxation of housing borrowing powers. The government's commitment to allow retention of 100% of business rates is a big step towards meeting local aspirations, although the wider range of funding powers sought should not be ignored.

Southern England is also seeking longer-term commitments on transport and housing investment.

Some of the bids look after greater control over DWP and education programmes than has been agreed elsewhere in the country and would be a significant change to government policy.

The remaining proposals are largely an incremental extension of the current system of partnerships between local organisations and central government. The bids vary in their ambition to influence existing spending programmes, but taken as a whole, they seek direct control of fewer powers and resources than have already been agreed in some of the more advanced city region deals. They contain practical proposals ranging from new enterprise zones to measures to bring forward new development sites. Valuable though these are, they don't justify some of the hype surrounding English devolution.

None of the bids have yet shown how their combined authorities will grow into the key focus of strategic planning and decision-making that will be the characteristic of the most powerful city regions. Even if the proposals were accepted in full by central government, decision making within local government will remain fragmented and poorly aligned with other public bodies and the economic geography of the region.

Developing the quality of relationships between the local authorities, business communities and other public services enjoyed in Greater Manchester takes many years of practical cooperation, but it is important to establish this level of ambition at the outset.

The southern bids contain many proposals that would support growth and enhance the quality of life in this region. However, as presented, they are mainly policy inputs; there are few measures of how much impact they are likely to have and how far they would contribute to meeting the regions challenges. The case for devolution is based heavily on the uneven economic performance with the region. The bids provide little detail about how the new proposals would address this.

The government's timetable has been so demanding that local authorities have had little opportunity to consult widely with local people, businesses or over stakeholders. Discussions between the proposers and government officials are now taking place and are expected to continue over the coming months. Little information is publicly available about the topics under discussion or the positions being taken by either side. There is now an urgent need to open up the process to public involvement.