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Devolution Prospectus for the Three Southern Counties (The 3SC)

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1. EXECUTIVE SUMMARY

East and West Sussex and Surrey are known as the Three Southern Counties or the 3SC.

At the heart of our devolution offer is a commitment to work with Government to deliver strong and sustainable economic growth, enhance productivity, transform public services and build on our track record for fiscal efficiency.

We are seeking a deal in a two-tier area facing significant economic sustainability and demographic demand challenges. A deal that provides a leading edge template that others could adopt, re-imagining service delivery and embracing digital technology.

Delivered by strong local partnership

We can deliver a deal that builds on existing positive partnership working across two-tier local government, with the Local Enterprise Partnerships (LEPs) and business and other parts of the wider public sector, including health and the police.

We will maximise opportunities to collaborate with other key stakeholders such as Highways England, Network Rail, Heathrow and Gatwick Airports, Universities and FE Colleges and the Homes and Communities Agency. This will create innovative partnership models that deliver robust solutions meeting the needs of 3SC residents and businesses.

We will also explore opportunities to engage residents and communities in the decisions that affect their daily lives, health and wellbeing.

Based on two complementary workstreams

The two complementary workstreams in our Prospectus set out our ambitions to be negotiated with Government.

1. Economic growth and enhanced productivity
2. Public service transformation

Together they will allow the 3SC to realise its full potential:

- investing in a **long-term infrastructure strategy**, promoting sustainable economic growth and developing a modern transport system which will also benefit London and other surrounding areas;

- **increasing housing delivery and land supply**, specifically addressing the need for affordable and starter homes, and unlocking land for business start-ups to encourage employers and employees to stay or locate in the area;
- **increasing productivity** by addressing the skills and employment needs of the area, boosting digital connectivity for businesses in rural areas and capitalising on digital opportunities, such as 5G and dark fibre; and
- **re-imagining public service delivery** with innovative approaches to health and social care integration, blue light collaboration and other key challenges affecting the area.

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2. INTRODUCTION

Background to the 3SC bid

Formed in 2010, the South East 7 (SE7) partnership was created to deliver fundamental reform to services while achieving savings for the seven Councils involved.¹ The aims of the partnership have been delivered through collaboration on shared priorities and by working with Government to deliver change.

SE7 operates as a “coalition of the willing” with each Council deciding the extent to which it engages with a particular activity, based on its own priorities. It has been and continues to be successful, delivering tangible benefits in a range of frontline services, including highways maintenance and construction, property asset management, special educational needs and disability, waste management plus information technology.

The 3SC has developed out of SE7, comprising three County Councils, 23 District and Borough Councils, three LEPs², businesses, 12 CCGs, two Police Forces and other wider public sector partners. All committed to working together to pursue a devolution deal.

Other members of SE7 are pursuing aligned devolution proposals. We are working closely with Brighton & Hove City Council and Hampshire County Council in particular to ensure our offers complement each other.

Rationale for the 3SC bid

There is a strong rationale for East and West Sussex and Surrey to come together in partnership with Government to deliver improved outcomes for residents and business.

Scale

The combined GVA of Sussex and Surrey is £63.5 billion³ which is bigger than both the whole of Wales (£52 billion)⁴ and Greater Manchester Combined Authority (£56 billion)⁵. The population (2,507,900) is comparable to that of the Greater Manchester Combined Authority (2,714,900). The population is forecast to rise to almost three million by 2037.⁶

¹ Brighton & Hove City Council, East Sussex County Council, Hampshire County Council, Kent County Council, Medway Council, Surrey County Council and West Sussex County Council.

² Coast to Capital, Enterprise M3 and South East.

³ ONS Workplace based GVA1,2 NUTS3 by industry at current basis, prices, December 2014 release.

⁴ As 3

⁵ As 3

⁶ ONS 2012-based sub-national Population Projections for Local Authorities in England 2003-13

Powerhouse of the UK economy

The area is home to more than 121,500 businesses⁷, the majority of which are focused on services and manufacturing. A number of global businesses have headquarters or strategically important operations based in the area including Virgin, Sony, Samsung, Siemens, GSK, Rolls Royce and BP.

The area is important strategically to the UK economy as it forms the UK's gateway to the rest of the world. Heathrow and Gatwick are based in and around the 3SC area and the two airports are respectively the second and 12th busiest in the world.⁸ Through them, UK passengers and businesses access more than 280 destinations across 113 countries.⁹

The area's economic strength is also reflected in an average employment rate that, at 76.4%¹⁰, is one of the highest in the country.

The combination of 3SC's thriving businesses, industrious working age population and physical links to other parts of the world has pushed economic growth well above the rest of the country.

Relationship with London

The relationship between the 3SC area and London has become increasingly interlinked. As London's population and economy has grown, the spill-over effect into neighbouring counties like Surrey and Sussex has accelerated. London's spiralling housing costs and increased congestion has driven people into neighbouring counties in greater numbers. Businesses base themselves in London's periphery to access the city's assets without exposing themselves to the costs.

Between 2004 and 2013, almost 400,000 people¹¹ moved out of London and into the 3SC area. This drove an increase of 180,300¹² to the net additional population over the period, equal to a 7.9% increase in population. This is the equivalent to the population of York moving out of London, into the SC3 area.

Shared demand challenges

The growing economy has brought significant demand challenges for the 3SC area. Over the last ten years an additional 168,000 people¹³ started to commute between the 3SC area and London. The total number of annual rail journeys in and out of the 3SC area has now increased to 145.4 million¹⁴.

⁷ ONS 2013 Business Demography, Enterprises' Births, Deaths and Survivals

⁸ Airport Council International Figures compiled for 2014. Data based on passenger volumes for the year.

⁹ CAA 2014 International Air Pax Route Analysis.

¹⁰ ONS Job Estimates, sourced from the Annual Population Survey, Job Centre Plus Administrative System and BRES.

¹¹ ONS 2012-based sub-national Population Projections for Local Authorities in England 2003 to 2013

¹² As 11

¹³ Office for Rail Regulator (Steer Davies Gleave and DeltaRail) Regional Dataset, South East.

However, investment has not kept pace and transport infrastructure is creaking under the additional volume. Regular rail congestion and delays are costing London and the 3SC economy significantly, not helped by the fact that two of the areas three franchises are among the worst performing in the country.

The increase in population has in turn added pressure on public services. In particular, more schools, social services and affordable and starter housing are needed.

This is exacerbated by the 3SC area coping with an increasing population. Over the next ten years the population is forecast to increase by 206,000, with more than half (55.8%) over the age of 65¹⁵. Many will require local authority funded services taking the total projected 3SC spend on social care to £1 billion from more than £970 million now¹⁶.

Despite the increase in population, the labour market is very tight. Unemployment rates are very low; for example, the claimant count is just 0.6% in Mid Sussex and 0.7% in Waverley, well below the UK average of 2.5%¹⁷. However, businesses find it difficult to find and keep skilled labour. For instance, the growth of the nascent bioengineering cluster is being choked by the lack of available engineers and medical technicians. London's demand for skilled labour is having a significant impact, and the areas of acute deprivation along the south coast present further employment challenges.

A strong track record with established partnership working

Local authorities in Sussex and Surrey have proven themselves to be efficient, competent and open to service transformation.

Positive partnership working underpins everything and operates at many levels and on various county and cross-county geographies.

The three LEPs have provided helpful fora for bringing local authorities and wider public sector partners together with business, across a functional economic area, to develop Strategic Economic Plans and discuss a variety of local issues, including infrastructure, skills and housing.

Back office collaboration is well established, with Orbis, a shared services partnership between East Sussex and Surrey County Councils expected to deliver annual savings of £8 million annually within four years.

There are many examples of cross-partnership frontline service transformation too.

¹⁴ As 13

¹⁵ ONS 2012-based sub-national Population Projections for Local Authorities in England.

¹⁶ 3SC and GMCA authorities' 2013/14 Statement of Accounts

¹⁷ ONS Job Estimates, sourced from the Annual Population Survey, Job Centre Plus Administrative System and BRES.

The County Councils and Clinical Commissioning Groups (CCGs) have worked intensively together to develop Better Care Plans and continue to develop ambitious projects to integrate health and social care.

County, District and Borough Councils have worked together with a range of local and central government partners to deliver the Troubled Families Programme, improving the lives of vulnerable people and those at risk.

East Sussex, West Sussex and Surrey Fire and Rescue Services, Sussex and Surrey Police and SECAMB are working together on blue light collaboration. The work has attracted interest in Whitehall and has been showcased by the Public Service Transformation Network, including at the Public Sector Show in June this year.

Working with Government

Building on its strong track record of efficiency and service delivery together with positive partnership working, **our offer is for the 3SC to be a test-bed for how smart, sustainable, high-productivity growth can be secured with an even greater dividend for the Exchequer and the national economy.**

The remainder of this Prospectus sets out the specific rationale for devolution in two key areas: **economic growth and enhanced productivity** and **public service transformation**. A final section on **governance** sets out robust plans for accountability and transparency.

3. ECONOMIC GROWTH AND ENHANCED PRODUCTIVITY

Our aim is to increase productivity and the international competitiveness of the 3SC area and promote further smart and sustainable economic growth which makes an even greater contribution to national economic success.

Background

In the 3SC, the combination of thriving businesses, an industrious working age population and strong connectivity has produced an economy now valued at over £65 billion per annum (far bigger than Greater Manchester), which is growing faster than the rest of the country outside London. The area is characterised by strong polycentric economic activity in small and medium sized settlements, reflecting specific sectoral strengths in the kind of smart, knowledge driven activity which is where future economic success lies.

Our proposals would strengthen this pattern of growth which works well with the diverse urban and rural characteristics of the area and the natural environment. Our natural capital is an essential part of our productive economy and we will continue to improve our environment as we grow.

Growth has been associated with high levels of employment across the 3SC (the average rate is 76% well above the national average), although some places still need more dedicated support to increase their economic contribution. The bigger issue for the area as a whole is that potential further growth has been constrained or stalled, particularly by inadequate infrastructure, and that this has also limited enhancements to productivity. The main constraints are the focus for our proposals. They are summarised below and set out in more detail in this section of the Prospectus.

The Government has identified the drivers of productivity as a dynamic, open, enterprising economy supported by long-term public and private investment in infrastructure, skills and science¹⁸. The 3SC as an area offers precisely those characteristics - but it could do more. The 3SC can be a test bed for how smart, sustainable, high productivity growth can be secured with an even greater dividend for the national economy. The economic dynamism which characterises many parts of the area means that it can respond quickly and effectively to a stimulus. But it also needs a long term framework to make good on many years of relative neglect.

The 3SC area also offers a test bed for how a dynamic, mutually beneficial inter-relationship with London and places such as Brighton can be developed. As London's population and economy has grown the South East economy has

¹⁸ Fixing the Foundations, July 2015

benefited, but the spill-over effect into neighbouring counties like those in the 3SC has also accelerated and has taken place alongside organic growth.

The UK needs both London and the South East more widely to be successful. For this to happen, the 3SC needs to be able to respond to the needs of its own economy and address increases in its own population; not just London's. London needs housing for a flexible workforce and transport routes that make it easy to access the city. The 3SC needs more housing too, including starter and affordable homes, but also sites for existing and new businesses to grow and develop so that people can both live and work in the area; lateral and orbital transport routes, and to keep more skilled workers within the area. This is crucial to ensuring that the economy of the 3SC remains strong in its own terms as well as making a contribution to meeting the needs of London and indeed the UK.

Proposals

Our proposals for economic growth and enhanced productivity reflect the two main planks in the Government's own plans in 'Fixing the Foundations'.

First; long-term investment in economic capital, including infrastructure, skills and knowledge:

- a 3SC Infrastructure Strategy to give a clear framework for future growth to 2050 which matches the plans for London;
- a modern transport system with a step change in road and rail connectivity and through our ports and associated improvements in the operation of transport services;
- world class digital infrastructure which will boost digital connectivity across the whole area, including rural areas where connectivity can be poor or non-existent; bolster a new generation of public services and promote SMART centres for businesses in some of our major growth locations;
- smart specialisation in pioneering sectors such as 5G where our universities are world leading and we have a strong ecosystem linking knowledge generators and commercial applications; and
- a highly skilled, adaptable and flexible workforce to meet business needs in our area.

Secondly; a dynamic economy that allows resources to be applied as effectively as possible:

- enhancing the supply and type of housing so that people can move into jobs that use their skills and can afford to live close to where they want to work;
- promoting growth in our priority locations to provide opportunities and support for productive firms to scale up; and
- enhancing trade and inward investment given the location and comparative advantages of the 3SC area, particularly the international connectivity through Gatwick and Heathrow and through our ports such as Newhaven.

Investment in Infrastructure, Skills and Knowledge

1. A 3SC Infrastructure Strategy 2050

The members of the 3SC are clear that there has been insufficient public and private infrastructure investment over many years to keep up with a growing population and a changing economy. This has to be addressed if future growth and productivity is to be secured. More local influence over what happens and when it happens is essential since infrastructure is the fulcrum for growth in the area. It is the only plausible way to address the problems that are seen on a daily basis in terms of congestion and to open up future development.

The 3SC will develop the Infrastructure Strategy building on the analysis that each of the three counties and the LEPs are already developing of future infrastructure needs. It will provide the framework to plan and implement infrastructure investment to attract and retain high quality businesses and benefit local communities.

If the ambition of developing a planned approach to the inter-dependence of the area with London is to be achieved, the Strategy needs to cover the same time period as London's infrastructure plan (to 2050) setting out population and people movement projections, which in turn will drive planning assumptions around urban density, new housing volumes, road and rail usage, community infrastructure, utilities including water, waste and power and public service requirements.

The Strategy would form the basis for unlocking other aspects of devolution which could take the form of an Investment Agreement combining:

- improvements to infrastructure investment planning and delivery so that all partners are clear about what is needed and when it is needed;
- identification of the benefits of investment in terms of opening up or supporting more homes, jobs or business spaces;

- the potential fiscal dividend from such development, a portion of which could be used to reinvest in 3SC; and
- arrangements to recycle that locally retained portion of the growth dividend to support the necessary investment in infrastructure, housing and public services to support growth alongside some locally pooled funds.

This approach is carried through in our specific propositions on:

- **Housing and Planning** (described in subsequent sections of this Prospectus in terms of specific actions that are needed) including use of public sector land to support or unlock development
- **Infrastructure delivery** by national agencies particularly in relation to transport (also described below) so that local action to secure planned growth is accompanied by more certainty and control over investment. We would want to extend this approach to agencies with responsibility in relation to housing and flood defence as well as developing approaches with the major utilities.
- **Fiscal devolution.** To provide additional resources to support our aims for economic growth and public service reform, our aim is to change the balance in the sources of income for the authorities within the 3SC towards income generated in the area, including increasing the retention of **business rate** income and future **business rate growth** which may eliminate the need for a complex arrangement for Government to distribute business rate top ups and tariffs. To accompany this we would seek greater autonomy to determine the discounts within the Council Tax system.
- Building on this headline proposal we would create a pool of funding across the 3SC from a number of existing local funding streams for matched investment alongside additional revenue sources which could support large scale investment. In particular we would seek to retain a proportion of **stamp duty** which can be used for investment, particularly in infrastructure. This would much more accurately reflect the proceeds of growth in population than has been the case recently and would be more commensurate with the need for wholesale macro level infrastructure investment across the 3SC area rather than the current New Homes Bonus which has far more localised impact.

2. A Modern Transport System

There has been insufficient investment in the transport infrastructure that is the lifeblood of business, particularly road and rail. Studies by the LEPs, South East England Councils (SEEC) and by the County Councils have identified very clearly what is needed in the area including a number of crucial transport corridors of which

the most significant are the M23 and Brighton Main Line; the SW Quadrant of the M25; the A27 and the A3 and M3:

- better road and rail access to nationally important airports and ports as well as to London;
- improved cross country routes (which would have benefits across the wider South East);
- reduction in congestion and removing bottlenecks; and
- improved journey times and reliability.

The growth in usage of the **rail connections** in the area has far outstripped investment by National Rail or the rail franchisees. This has become very problematic as the continual signal failures, delays and poor quality rolling stock is impacting economic performance and productivity across the area and within London.

The need for infrastructure improvements will be identified in the Infrastructure Strategy. However, action is needed to improve both the performance of the franchises and the planning of investment. The 3SC are aware of various approaches towards more devolution in respect of rail franchises and would be looking for the development with Government of a more collaborative mechanism which would promote:

- the development by local partners of a clearer strategy for rail services in the area for meeting future growth and the need for enhancements and capacity to mitigate overcrowding (building on work that has been undertaken by the County Councils and the LEPs);
- greater influence over franchise commissioning and operation so that the needs and interests of the area are properly reflected in the specification and then the management of franchises; and
- a co-operation agreement with Network Rail and the DfT on the planning of investment.

The 3SC would provide the formal structure needed to develop such arrangements.

Roads in the area are significantly over capacity. The need for additional transport links that would help the area to become more interconnected and open up employment space will be identified in the Infrastructure Strategy.

We will work with Government on the development of an investment fund reflecting the fiscal devolution proposals; existing funding sources; prudential borrowing and asset backed vehicles.

The 3SC would also be looking for an enhanced agreement with Highways England perhaps along the lines of the Partnership Agreements that have been made with some areas to agree shared priorities and a longer term vision for the strategic road network in the 3SC area, and prioritising planning investment and operational expenditure on repair and maintenance and some operational sharing of assets such as depots.

3. World-class digital infrastructure

We want businesses and households across the 3SC to be able to play their full part in the digital economy and to take full advantage of the opportunities it offers to increase economic activity and to improve services to the public. Our ambition is for the 3SC area to:

- develop a digital infrastructure through investment in Superfast broadband coverage, the use of ultrafast dark fibre in our towns and the roll out of 5G that will be a catalyst for economic growth, supporting SMEs and large corporations by giving them the connectivity they need to thrive in our area and reducing unnecessary commuting; and
- use 5* open data that is accessible, real time and in a machine readable format to support further growth by seeding development opportunities for tech start-ups as well as supporting our businesses and residents to make more informed decisions around commercial opportunities and local public service usage.

Our proposals address five main issues:

- completing **superfast roll out** with the intention to design and commission local solutions to “final mile and final third” challenges and tackle remaining ‘not spots’ (where there is no mobile connectivity at all). The 3SC intends to explore local commissioning of this activity through a new set of arrangements that go beyond what has been possible through the existing National Framework and which can utilise innovative solutions, potentially harnessing the specialist supply chain that exists in the area;
- establishing a number of **SMART Places** transforming them as places to do business using ultrafast broadband networks and 5G technology so that our firms have international class digital connections to partners and the world. Initially we would aim to develop proof of concept in two small “urban” areas such as the Chichester ultrafast broadband dark fibre programme as well as demonstrating rural models to support small high value added and sustainable

business;

- through our proposals for **smart specialisation** (set out below), developing the opportunity to test and trial further opportunities for innovation and new delivery models with university, research and business partners based in the 3SC;
- through our **public service transformation proposals** for which the new level of connectivity will support the wireless technologies that allow real time monitoring and analysis of the use of public services allowing us to make them more user focused, efficient and relevant and to enable more preventative action, initially with health, blue-light and community partners; and
- working with the private sector to put in place world-class **voice and data telephony** to meet the demands of today's businesses who need to be fast, agile and responsive.

These interventions would make a big contribution to addressing the particularly acute way in which connectivity problems are experienced in rural areas and to increasing and diversifying economic activity within them.

4. World-leading universities supporting high-quality science and innovation

We aim to give full effect to smart specialisation by actively linking our universities and research institutions to innovating firms and supply chains.

We will be **pioneers in the next generation of digital connections** working with the national 5G Innovation Centre at the University of Surrey so that the 3SC is a testing ground for 5G roll out and firms across the area and beyond have the ability to generate new products and applications using the 5G test-bed at Surrey and emulators across the area.

This is a unique business advantage which is of national significance, embedding the potential of the local economy in this area into wider flows of trade and investment and the rapid diffusion of ideas.

The 3SC will promote this approach further and **extend it to other specialist sectors** in which we already have high profile research. This could be undertaken in the context of the technical and scientific audits that Government will now be developing for different parts of the country. Our intention is to work with universities in and beyond our areas and with businesses in the 3SC area to develop the case for additional support for industries where we could be world leading. This practical development of smart specialisation could incorporate comprehensive support arrangements based in our universities and research institutions for promoting and developing local supply chains and attracting inward investment to the area.

The ability to develop **University Enterprise Zones** (UEZs) would strengthen the ability to take this forward by emphasising the role of our universities as strategic partners in local growth offering access to business support packages and their specialist facilities and expert knowledge. UEZs could help extend this to the development of incubator or 'grow-on' space for small businesses in appropriate locations.

5. Retaining and attracting a highly skilled workforce

Our proposals address both the supply of skilled people and some of the major factors that affect the relative attractiveness of working in the 3SC area, particularly the housing offer.

In terms of **demand**, in aggregate employment levels are high. However, there is increasing unemployment and economic inactivity in some parts of the area at the same time as companies across the South East are reporting an inability to fill vacancies with the right people. If we can better meet the clear demand for skilled people we can have a positive impact on productivity.

Currently, many highly skilled people commute to London because the 3SC area does not offer the same opportunities. We aim to stimulate more of those opportunities through our proposals for:

- developing the supply chains, applying some of the leading edge research work being undertaken in the area;
- promoting further our main growth locations;
- developing smart places that will allow businesses to develop and grow; and by
- promoting further inward investment.

Housing remains the other critical factor: in particular, housing in places to suit the workforce including starter and affordable housing. Our proposals for enhancing housing supply set out below would help to address this.

On the **supply side**, long-term investment in skills is a crucial part of developing the economic capital of the 3SC area to increase growth and improve productivity.

Our proposals are for **more local influence in reshaping and commissioning employment and skills provision in the area to meet business needs:**

Our headline proposal is for devolution of **all skills and employment programmes for people aged 14-25 run by the Education Funding Agency, the Skills Funding Agency and DWP** (including the Work Programme or its successor) to

form an integrated programme of support for young people in the 3SC area which can be directed at local level. This would cover both revenue and capital budgets.

Responsibility and funding for apprenticeships and post-16 provision of training, work experience and education including the Apprenticeships Grant to Employers would also be devolved.

We would establish a **Skills and Employment Board** involving our LEPs and businesses to oversee skills and employment policy and direct the use of these funds

This investment would be grounded in strategic partnerships between employers and training providers to better match skills provision to local demand with a greater focus on promoting **professional and technical education** which would involve:

- developing and shaping the **curriculum offer** within schools and beyond to improve the quality of our workforce and support opportunities within identified growth sectors for employment;
- creating an **employability framework** that supports all young people to be work ready on leaving education or training including the transferable skills that employers demand;
- working with schools so that there is an enhanced and much more consistent and wide ranging offer on **Information, Advice and Guidance** that will equip young people in the area to make better informed choices about their future, including intelligence about priority sectors and employer engagement in the area. We would seek devolution of National Careers Service funding and powers as part of developing an effective package of measures;
- a **skills capital investment programme to develop more pathways into work** for young people in the area by supporting the development of new training and learning facilities with the further and higher education sector, new providers, Institutes of Technologies and University Technical Colleges; and
- improving **access to apprenticeships**, including through traineeships, and aligning demand and supply for apprenticeships. The 3SC would aim to have more influence over the form and nature of apprenticeships where there is the scope to improve take up, and also on the quality and quantity of the offer with a strong work ethic embedded alongside technical skills.

For **Adult Skills** we would seek:

- devolution of the Adult Skills Budget and other Skills Funding Agency funding streams focused on in work training and skills for the workforce so that these can

be focused on the sectors of particular importance in the 3SC area; and

- a vehicle for prioritising the activities of Job Centre Plus and associated programmes including the Flexible Support Fund so that these can be used across the area as a whole.

The 3SC would also wish to explore further opportunities to enhance the use of local labour in public sector contracts which could be operated at scale within the area.

Promoting a dynamic economy

6. Housing [We have had first go at drafting this section but recognise we need the expertise of District and Borough colleagues in particular. Your help is very welcome]

Demand for housing is always likely to outstrip supply in an area such as the 3SC. The mismatch harms productivity and restricts labour market flexibility. It also puts increased pressure on transport infrastructure when people are required to travel considerable distances to their place of work.

There is also a critical need in the area for more starter and affordable housing particularly for those working in some of the sectors that will be increasingly required given the demographic changes in the area. This is particularly significant for attracting and retaining front line staff like teachers or social care staff - a critical component of our proposals for health and social care integration and transformation.

Planned housing increases are already a major challenge for the area. Historically, the record in the 3SC on housing delivery is significantly lower than the trajectory planned over the next 10 years. Indeed, for West Sussex planned numbers are over 50% more than has been achieved in the last 10 years. The constraints within which development can take place are severe with Green Belt and environmental designations covering large parts of the area.

Against that background, the greater certainty and control over appropriate infrastructure delivery which would flow from the Infrastructure Strategy would be critical in providing greater confidence in housing delivery allowing the 3SC to make further progress on delivering planned numbers across the three counties, accelerating delivery where possible and balancing delivery against affordability to meet the needs of businesses and public services.

There are major opportunities, already being developed in the 3SC, to be far more ambitious in how **public sector land and assets** are used to support both housing and commercial development, in particular to stimulate developers and the associated supply chains to engage in the development which is needed in the

area. The 3SC is well placed to add value to the land, particularly through securing consents and permissions, in some cases putting in infrastructure and in all cases being more creative in how land is made available to the market.

There is also significant scope for redevelopment of existing assets to meet the growing demand for integrated services and using income from sales to reinvest in more sustainable sites. In Surrey, to date £30 million of assets have been released providing for the development of 1,000 new homes.

More specifically the 3SC will explore:

- delivery of more starter and affordable housing. We will identify land across the 3SC area in the ownership local authorities [and the wider public sector] which can be promoted as sites for affordable housing. Councils will put in the land for free (or at reduced value) in return for which the sites would be affordable in perpetuity with rents capped by the developing registered providers with associated savings in housing benefit; and
- unblocking key sites across the 3SC through specific powers to take forward a number of larger schemes which have proved intractable within the current arrangements, for example, Shoreham Harbour, Littlehampton Hospital site and sites in Newhaven. The 3SC would undertake to deliver them and the additional housing and employment space they would bring which would increase delivery beyond the numbers envisaged in Local Plans.

Other elements of the package to support these initiatives and housing delivery generally could include:

- increasing the value of disposals by strengthened arrangements for the effective release of **Government and public sector land**, building on the experience of Surrey in working with the Government Property Unit;
- a **duty of co-operation with the Homes and Communities Agency** which would form the basis for agreeing shared priorities, influencing the application of relevant funding streams; their own assets and their land assembly powers. [This might be structured through a Housing and Infrastructure Delivery Board];
- building on the headline fiscal devolution proposal for retention of NDR growth, powers to use some **locally raised funds, some prudential borrowing and some additional flexibilities** such as greater freedom over charging for certain services (land charges, building control and planning) to enable us to offer ways of supporting accelerated development, including forward funding; and
- permissive powers to develop **strategic planning functions** for the area allowing for development of strategic spatial frameworks by agreement;

improvements to arrangements for making local plans and incentives for rapid and effective plan making by linking plans much more directly to investment, particularly on infrastructure, to support housing delivery.

7. Growth Locations

We have identified specific places in the South East LEP, Coast to Capital and Enterprise M3 Strategic Economic Plans that offer growth potential. Our intention is that the proposals in this Prospectus will allow us to do more to accelerate and intensify the plans that are being developed, covering transport, business premises, infrastructure (including digital infrastructure), support for business and developing skills for the workforce.

An important example is the risk of flood damage at some locations within the 3SC. Some of these areas could be established as places for residential housing or employment sites and we would want a duty of co-operation with the Environment Agency to bring them into use more quickly.

The demand for housing also means that we are losing sites for commercial development and over time will lose employment if these sites are not identified and protected. We want to explore opportunities for providing more incentives for commercial development for example, through Enterprise Zones or similar designations (building on the work that has been undertaken through the LEPs) and asset backed vehicles of the kind described in the preceding section utilising public sector land and assets.

We will also promote further **business support arrangements** to develop the activity of the Growth Hubs in supporting simplification and in providing more intensive support to the high growth and innovation companies in the area.

8. Gateways: Ports and Airports

The SC3 is strategically important to the UK economy and forms a major part of the UK's gateway to the rest of the world. Heathrow and Gatwick are respectively the second and 12th busiest airports in the world. Through them, UK passengers and businesses access more than 280 destinations across 113 countries.

The two airport gateways at Gatwick and Heathrow offer major advantages to the area as a globally competitive location for inward investment, and the ports are significant both for the import and export of goods and for bringing visitors to the area.

We want to:

- promote the improvements in connectivity to and from the airports and ports that will make these gateways as attractive as possible both to investors and exporters and to promote freight movements. The infrastructure improvements

that are needed will form part of the Infrastructure Strategy;

- promote international business and trade and tourism reflecting our sector specialisms and location advantages and the opportunity in particular for increasing export via the airports (highly relevant to high value, time critical products); and
- develop and build supply chains in the 3SC area which can take full advantage of these opportunities including making sure that commercial land is available for development in suitable locations around the ports and airports.

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4. PUBLIC SERVICE TRANSFORMATION

Background

Public service transformation is core to the 3SC devolution proposals. We see public service transformation and economic growth as two sides of the same coin and mutually supportive. Public service transformation demonstrates the effective cross boundary and inter-agency working that already exists across the 3SC and which supports our broader devolution proposals.

The members of the 3SC are already working in many different ways to transform how services are delivered. We are working individually and jointly, including as part of wider groupings such as the South East 7 group of authorities (known as SE7). We are also working with our wider public sector partners, eg developing new approaches to deliver better outcomes through closer health and social care integration and closer inter-operability between our emergency services.

Surrey is one of only nine areas in the country selected to be part of the Government's Public Service Transformation Network, with the access to dedicated resources, expertise, support and learning that brings. Surrey has led on public service transformation within SE7, and the work quickly recognised the need to move beyond county boundaries to achieve lasting transformation. East and West Sussex are both key partners in the programme.

While public service transformation is not dependent upon devolution, devolution does provide opportunities for the 3SC to broaden and deepen transformation work, and the potential to extend work already underway. Health and social care integration and emergency services collaboration are two of the areas where we see potential to do more by working together across the 3SC area.

Public service transformation also supports the other proposals in this Prospectus. For example, our proposals for world class digital infrastructure will support and open up new opportunities to transform local services and how they are delivered. This will be important as we continuously adapt to how residents want to interact with services and find new ways to meet the demand pressures that services face.

Our devolution ambitions for public service transformation include:

- a **3SC Transformation Fund** – providing a single pot of transformation funding to support and extend further transformation across the 3SC;
- a **3SC Transformation Dividend** – so that local partners can share in the financial benefits that accrue to Government as a result of local partnership working; and

- a **3SC Transformation Deal** – a deal between Government and the 3SC setting out how Government will work with us to tackle blockers to further transformation.

These proposals will give us the confidence and certainty in which to accelerate public service transformation across the 3SC. By investing in and supporting public service transformation we can support sustainable economic growth and improved productivity across the 3SC. Examples include:

- services that support a workforce that better meets the skills need of the local economy;
- supporting individuals and families with complex needs with a pathway into work; and
- reducing crime and reoffending by helping offenders through different interventions and support into work.

A track record of doing things differently

Across 3SC there is a strong track record of partnership working and developing new approaches to delivering services: driving efficiencies, savings and greater value; and better services and outcomes for residents. Examples include:

- **Joint procurement** - working together as part of the SE7 to deliver highways efficiencies and a more competitive market for property asset management and investment; and joint procurement by East Sussex District Councils for a single waste collection contract, saving around £3 million per year.
- **Shared functions** - East Sussex and Surrey working together through a new partnership, Orbis, to deliver a range of shared functions, including finance, procurement, property, IT, HR, legal services, internal audit, payroll and pensions - expected to save residents £8 million annually within four years.
- **Shared services** - shared Youth Offending Teams covering East and West Sussex; a single Fire Control and Mobilising Centre for East and West Sussex; joint commissioning for domestic abuse and sexual violence services between East Sussex County Council and Brighton & Hove City Council.
- **New approaches** - adopting new ways of generating income and new models for delivering services including: Surrey Choices, established as a local authority trading company providing social care for people with disabilities; and integrating the East Sussex Adult Social Care Living at Home Service with the East Sussex

Healthcare Trust Community Rehabilitation and Domiciliary Teams to provide more-timely integrated rehabilitation and reablement services.

- **Sharing senior staff** - East Sussex District Councils sharing senior staff and posts; and Surrey County Council's Strategic Director for Customers and Communities taking on the role of Chief Executive of Mole Valley District Council, improving day-to-day working and saving more than £100,000.
- **Sharing assets** – West Sussex County Council shares accommodation with Horsham District Council, in addition to other public services, delivering significant savings for both and enhancing joint working opportunities.

A track record of success – the Troubled Families Programme

Across the 3SC area we have had considerable success in turning around the lives of people with complex needs as part of Government's Troubled Families Programme – **3,230 families successfully helped across the area so far**. This has been achieved through new partnership approaches involving County and District and Borough Councils, schools, health, police and the Voluntary Community and Faith Sector. This has improved outcomes for individuals and families and benefits the whole system – removing the need for a range of costly interventions from various public sector agencies. The members of the 3SC are part of the expanded second phase of the programme which will **help a further 11,230 families**.

- **East Sussex** achieved its target of turning around the lives of 1,015 families earlier than planned. A further 3,570 families will be helped over the next five years, and it is on target to support a further 757 in the first year of the extended programme. The Troubled Families model has successfully been integrated into East Sussex's Early Help services and is seen by DCLG as an example of transformation good practice.
- **West Sussex** with the seven Districts and Boroughs in an alliance with all of their public sector partners and the Voluntary, Community and Faith Sector achieved their target of turning around the lives of 1,165 families earlier than planned. It is the leading area in England for securing jobs for families, with 665 families with one or more adults now back in work and similar results for reducing anti-social behaviour and improving school attendance. As early starters for phase two, a further 4,060 families will be supported over the next five years. Investment in technology is giving all practitioners secure access to a case management and information system to support multi-agency working.
- **Surrey** has turned around the lives of 1,050 families, with a Team Around the Family approach – the first in the country to deliver in a two-tier area, with local coordination led by Surrey's 11 Districts and Boroughs supported by other agencies. A further 3,600 families will be supported over the next five years, including support for families with domestic abuse, pre-school children, low income, offenders, mental health, unemployment, adult social care needs, families who frequently visit accident and emergency, and families at risk of homelessness.

Working Together – Surrey's public service transformation programme

As part of the Government's Public Service Transformation Network, Surrey public service partners are taking a collaborative, multi-agency approach to redesigning local services, removing duplication and integrating service delivery, with services focussed around the needs of residents to deliver better outcomes and greater value. This partnership extends across the Surrey public sector and beyond eg Sussex Police, West Sussex County Council, East Sussex Fire and Rescue Service and the South East Coast Ambulance Service all working on Emergency Services Collaboration.

Transformation projects include:

Mental Health Crisis Care

- This work is establishing safe places for people in mental health crisis, providing better support and avoiding pressures on NHS Accident and Emergency departments and detention in police custody. Surrey public services are responding to people in crisis as 'one team' with a defined care pathway, including a 24-hour telephone line manned by staff from all public services and a 'buddy' network to provide support in local communities. This has been supported by £1.5 million from the DCLG Transformation Challenge Award¹⁹.

Transforming Justice

- This work aims to improve the justice system and deliver better quality justice, with increased victim and witness satisfaction, reduced reoffending and reduced demand for criminal justice services. Surrey are developing a pilot for a whole system approach to women in the criminal justice system.²⁰

¹⁹ The Mental Health Crisis Care partnership includes Surrey County Council, Surrey's District and Borough councils, Surrey's six Clinical Commissioning Groups, NHS Trusts, Surrey Police, South East Coast Ambulance and Voluntary, Community and Faith Sector.

²⁰ The Transforming Justice partnership includes Surrey County Council, Surrey Police, Surrey Police and Crime Commissioner, National Probation Service, HM Courts Service, HM Prison Service, Community Rehabilitation Company, Victim Support, Legal Aid Board and NHS England.

Systems Leadership

- Underpinning all the other transformation work is a programme to develop leadership capacity across Surrey public services and a wider organisational development multi-agency support network²¹.

Proposals

We will:

- build on our shared track record of success in collaborating to deliver efficiencies and transform local services;
- share the lessons of what works and identify opportunities to broaden, deepen and extend public service transformation and support whole systems leadership across the 3SC; and
- use the strong ties underpinning the 3SC and across both tiers of local government across Sussex and Surrey to extend the benefits of transformation already in place.

Emergency Services Collaboration

We have been working across the 3SC area over the last two years to co-design how emergency services are delivered and to improve inter-force operability. Surrey Police, Sussex Police, Surrey Fire and Rescue Service, West Sussex County Council, East Sussex Fire and Rescue Service and the South East Coast Ambulance Service have led this work. Collectively these services cover an area of 2,140 square miles and serve 2.7 million residents.

Transformation provides the opportunity for the three emergency services to work closer together, improving service to the public, reducing costs, increasing resilience, reducing overlap and responding to the changing pattern of demand. The programme would build on initiatives underway, including:

- **Joint control and despatch across Sussex and Surrey emergency services** - there are currently 13 emergency control centres across the six organisations, each with separate technical systems and processes for managing 999 and non-emergency calls. By linking control centres we will be able to ensure the right information is transferred between services faster, allowing a more coordinated, quicker response. This work has been supported by £750,000 from the Home

²¹ The Systems Leadership partnership includes Surrey County Council, Surrey's Districts and Boroughs, Surrey Police, Surrey and Borders Partnership NHS Trust, North East Hampshire and Farnham CCG, and Surrey Youth Focus.

Office Police Innovation Fund. West Sussex County Fire and Rescue Service and East Sussex Fire and Rescue Service already operate a combined control and mobilisation centre.

- **Joint operational response** – greater collaboration in how each Service responds to incidents, to provide a better more joined up response. By improving the skills and equipment for fire fighters they can provide immediate medical care where they are first on scene in emergencies.
- **Joint operational support** – there is an opportunity to explore coordination for the provision of support functions for the operational activity of the emergency services and other Council functions and support services. Work is looking at joint fuel and equipment procurement, a joint vehicle recovery contract, joint motor insurance cover and joint vehicle accident repair. The Integrated Transport Function work has been supported by £6.3 million from DCLG's Fire Transformation Fund. The Joint Fire Control Centre across Sussex is another example.
- **Joint prevention programme** – community safety activities and support functions are delivered independently. Collaboration will allow a reduction in duplication and cost. Frequent callers to the emergency services can tie up resources unnecessarily – one caller contacted emergency services over 2000 times in a six month period. By working together we can better identify frequent callers and address their needs, as well as improve the response to other emergency callers.

This work is leading the way nationally in how to improve the delivery of emergency services through greater collaboration. We believe it offers a template for other areas to follow. Our devolution ambitions will support and strengthen the collaboration already underway across the 3SC area and provide further opportunities to broaden and deepen this work.

Health and Social Care Integration

Background

The 3SC area is home to a large number of older residents, many of whom retire to the area from London and the Midlands. Over the next ten years the population is forecast to increase, with more than half (55.8%) over the age of 65. Many will require local authority funded services, projected to cost 3SC local authorities around £1 billion per year. This poses a significant challenge to both local government and the NHS as numbers grow and individuals' care needs become more complicated.

This growth in demand also challenges the labour market. There is an acute shortage of health and social care workers across the area as lower skilled workers are attracted by opportunities elsewhere, for example at Gatwick Airport and in town centres. Many care homes complain that they are unable to attract quality staff which in turn undermines the overall quality of the care sector across the 3SC area. The NHS faces similar issues, compounded by the lack of affordable housing and the increased use of agency staffing, particular for nursing roles.

Proposals

We believe that the best way to tackle these issues is by continuing to work together across health and social care investigating the freedoms and flexibilities devolution may offer.

Building on existing examples of best practice we propose to accelerate progress by continuing collaborative conversations on the following:

- Joint financial planning and commissioning, building for example, on the Better Care Fund and Vanguard in North East Hampshire and Farnham.
- Helping people to remain healthy and well through work, for example, on public health and prevention, reducing the demand on statutory services and A & E and invest to save opportunities.
- Addressing workforce and skills issues.
- Opportunities around estates and infrastructure.
- Optimising the use of telecare and telehealth and other exciting advances in digital technology.
- Developing local outcomes based performance frameworks.

3SC Transformation Fund

Some of the transformation work across the 3SC has only been possible because of access to additional Government transformation funding, allowing us to 'invest to save'. This has, however, meant time consuming and costly bids to multiple, unaligned competitive funding schemes run by separate Government Departments (eg Transformation Challenge Award, Fire Transformation Fund, Police Innovation Fund, etc) some of which required significant work for little return (eg the DCLG Delivering Differently in Neighbourhoods Fund required a lengthy expression of interest as well as an interview process, with only £90,000 available to each

successful applicant). This process distracts from the transformation we are seeking to achieve. The independent Service Transformation Challenge Panel²² also recommended rolling together Government transformation funding.

A **3SC Transformation Fund** would provide a single pot of up-front, unringfenced, transformation funding for the members of the 3SC to jointly allocate according to local determined 3SC area priorities. This would give us the certainty and ability to take the tough decisions and invest in redesigning integrated service provision that better meets the needs of our residents. For example:

- using the Emergency Services Collaboration work as a vanguard for inter-force operability;
- building on the excellent progress in Sussex and Surrey to support individuals and families with complex needs into work; and
- new approaches through digital technology, building services around the customer and seeking opportunities to trial new delivery models, including through the use of 5G (currently being piloted in Surrey).

3SC Transformation Dividend

Successful transformation requires confident partnerships that are willing to take tough investment decisions in the expectation of longer term shared benefits and financial returns. For example, a move to early intervention or prevention may require new ways of working or additional investment from one partner, but the benefits and any financial savings may accrue to another. This is particularly true where local transformation results in savings to Government Departments and Agencies (ie as a result of lower welfare costs through supporting people with complex needs into work and helping young people get the skills that local employers need; and finding alternative criminal justice interventions, reducing court, prison and offender management costs and reducing rates of reoffending).

A **3SC Transformation Dividend** - an agreement with Government that local transformation resulting in savings to Government Departments and Agencies will also be shared with the 3SC would give confidence and greater certainty for the 3SC to invest in transformation. The additional funding resulting from the 3SC Transformation Dividend would be available to the 3SC Transformation Fund to fund future transformation work.

²² Bolder, Braver and Better: why we need local deals to save public services, November 2014

3SC Transformation Deal

A 3SC Transformation Fund would support identifying and exploring potential for further public service transformation work across the 3SC. Successful transformation will, however, require true collaboration between local and national partners. Just as local partners are committed to working as 'one team' to explore new approaches to delivering better resident outcomes and greater value, so too must Government Departments and Agencies. The cohesiveness and stronger governance that would underpin the 3SC would help achieve this too.

In developing our proposals for further 3SC public service transformation, we would like Government to commit to a **3SC Transformation Deal** – a cross Government agreement with the 3SC on how Departments and Agencies will work with us on removing specific barriers to transformation and opportunities to test new and innovative approaches for faster delivery of integrated services. This might include:

- co-location and closer integration of Government teams with local partners;
- decentralising central government decisions to local/regional government teams giving them greater flexibility to make decisions as part of local partnerships;
- better use of central government assets locally to support joint working, transformation or broader economic growth or regeneration plans;
- different approaches to commissioning nationally funded services, to better join up and support local transformation;
- more local flexibility around local structures and governance arrangements, rather than centrally prescribed arrangements that no longer reflect how local services are provided;
- more local flexibility around local budgets to support closer partnership working and shared local priorities, particularly in support of early help and preventative work;
- more local flexibility around public sector workforce policies and strategies to support integration of services;
- new approaches to regulatory and reporting requirements that recognise how local services are now provided through integration and partnership;
- identifying legislation or regulations that are blockers to transformation and developing solutions to overcome them, including information sharing;

- opportunities for digital technology to transform the services provided and how they are delivered and accessed; and
- planning future investment with Government and national agencies such as Highways England, Network Rail, the Homes and Communities Agency and the Environment Agency.

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5. GOVERNANCE

The area of the 3SC comprises three County and 23 District and Borough Councils. There are 12 CCGs, three LEPs, two Police Forces and two PCCs. We understand that devolution proposals will emerge from our neighbours in Hampshire and from the City of Brighton & Hove.

Governance approach for the 3SC

We are committed to a review of governance and the assessment of options to provide appropriate democratic accountability and assurance for the delivery of the additional functions and responsibilities that comprise the devolution proposal. The review will examine mechanisms based on the continuation of two tier local government. It will also cover the arrangements needed to facilitate working relations with the City Council of Brighton & Hove and a future revised Hampshire governance model. It will also cover the links with LEPs, CCGs, Police and PCCs, Employment and Skills Boards, partnerships with businesses and local neighbourhood committees.

Involvement in developing a new structure

We propose to consult our elected Members, residents and stakeholders on an overarching framework for governance which focuses on the principles of accountability and effective decision making through a range of alternative approaches. The consultation will move to a constructive engagement with the key stakeholders - the LEPs, CCGs and neighbouring authorities.

Proposed arrangements will be set out through full constitutional modelling to adequately describe establishment and mandate, decision-making and accountability, overview and scrutiny, appointments, delegations and rules for managing business as well as the options for administrative support.

Initial approach to principles of governance

The promoting authorities are aware of the complexities of connecting the governance of 26 authorities while retaining effective local accountability and scrutiny. The preference for as simple a model as can be achieved will need to be balanced against the requirement for systems of assurance and transparency.

Internal governance of the constituent authorities for functions outside the ambit of the devolution offer will continue, but there will be a commitment to effective alignment between those constitutional arrangements and those of the 3SC.

The established and sound relationships between the 3SC participants and their respective partners and stakeholders will be reviewed only so as to enhance the benefits of those relationships in light of the devolution proposition.

Executive responsibilities will be aligned to the key strands of the 3SC areas of joint responsibility and based on collective responsibility.

Overview and scrutiny arrangements will reflect both the need for simplicity and ease of governance while ensuring full accountability across the 26 authorities. Any impact upon County Council Health Overview and Scrutiny Committees will be considered and agreed with CCGs and Health Trusts to avoid confusion or duplication.

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