



# **The Three Southern Counties – An Investment Deal for everyone**

## **Table of Contents**

1. The 3SC Narrative .....	2
2. Fiscal .....	4
2.1. Infrastructure investment.....	4
2.2. Government Financial Contribution.....	4
2.3. 3SC contribution .....	4
2.4. Financing debt .....	5
3. Infrastructure .....	5
4. Skills and Learning.....	6
4.1. Careers Education Information Advice and Guidance (CEIAG) .....	6
4.2. Apprenticeships .....	7
4.3. Employment .....	7
5. Public Service Reform .....	8
6. Housing and planning .....	8
6.1. Infrastructure .....	8
6.2. Maximizing the potential of brownfield land .....	9
6.3. Best use of sites and tenure mix to match the needs of our population .....	9
6.4. Enhance capacity of Local Planning Authorities (LPAs) and development industry to deliver in a timely way .....	10
6.5. Balancing jobs and homes.....	10
7. Connectivity: Transport and Digital.....	10
7.1. Transport .....	10
7.2. Digital .....	11
8. Governance.....	12



## 1. The 3SC Narrative

### **3SC – a local devolution deal to unlock national potential**

This devolution bid is unique in offering a financial return for central government as well as for local residents and businesses.

The 26 local authorities in Surrey, East and West Sussex together with our three Local Enterprise Partnerships (LEPs); the East Sussex Combined Fire & Rescue Authority and the South Downs National Park Authority are united in their ambition to deliver a bold devolution deal that benefits both local residents and businesses and the UK economy as a whole. Together we have developed a Three Southern Counties (3SC) devolution bid.

The combined gross value added (GVA) of Sussex and Surrey is over £67.3 billion a year, which is bigger than both the whole of Wales (£52 billion) and the Greater Manchester Combined Authority (£56 billion).

We believe that our infrastructure funding gap could be closed if just £1 in every £10 from the additional national tax take from the planned growth were invested in the area.

We have been a driver for the UK's return to economic growth. But this prosperity cannot be taken for granted, nor is every part of the area realising its full potential. There are a number of critical issues facing the three southern counties of Surrey, East and West Sussex (3SC) where action needs to be taken now to safeguard this economic strength for the nation's benefit.

**Infrastructure** – The area's infrastructure is creaking. For example, the average speed of a rush hour journey in the 3SC is 26mph – 3mph slower than in Kent and 10mph slower than in Lincolnshire. These issues hamper businesses growth and make life harder for residents.

**Skills shortages** – Being close to London has a significant impact on local business as skilled workers seek employment in the capital instead of within the area.

**Population growth** – 2.5 million people live in the 3SC and over 200,000 more are projected to live here by 2025. More than half of them are likely to be aged over 65, and may require local authority services that would take forecast spend on social care from £970 million to over £1 billion.

### **Unlocking the potential**

This is the country's most ambitious devolution bid and through our industrial strategy, our economic clout, our commitment to innovation and the strength of our partnership there is huge potential to deliver benefits not just for the residents and businesses of our area but for the whole of the UK.

By 2030, the right deal would help deliver:

- approx 120,000 new homes
- 142,000 new jobs
- Government would receive a fiscal dividend of £1.1 billion every year by 2030.



We would achieve this by:

- Improving crucial transport links
- Reducing hard to fill vacancies and skills gaps
- Moving to public services with a preventative focus that also deliver savings
- Acting as a test bed for new innovations, such as 5G technology
- Working to tackle the pockets of poverty in the region.

3SC partners will contribute their own local resources, such as a proportion of council tax and business rates growth, in a revolving fund that will become a sustainable source for continued infrastructure investment. This is unique to our bid.

We are committed to put in place strong governance in return for devolved powers. We are exploring governance options for the area.

### **What we need for the deal to become real**

We are asking Government for an annual contribution of more than £116 million over 30 years to help plug a £6.7 billion infrastructure investment gap.

We are also asking for:

- 100% business rate retention for the area
- Relevant national funding streams to be pooled locally
- A share of the proceeds of future economic growth
- Support to develop new relationships with key national agencies e.g. Highways England
- Speedier release of public land and regulations exemptions to bring pace and certainty to housing delivery
- Support in the co-design and transformation of public services.

The 3SC partners have a strong track record of joint working at all levels and have an on-going commitment to working together. For example the three counties already work together through collaborations such as South East 7\*.

Our proposals have the potential to provide a leading edge example of central and local government working together to support sustainable economic growth.

\* South East 7 – A collaboration for partnership working involving seven councils in the South East – Surrey, Hampshire, Kent, East and West Sussex, Brighton and Hove and Medway.



## **2. Fiscal**

### **2.1. Infrastructure investment**

*The 3SC partners and Government have made significant progress on developing a mechanism that could address the infrastructure funding gap and have agreed that this does not need to be constrained by the mechanisms that have been agreed in other areas.*

*The 3SC partners and Government have agreed that:*

- *the scale of the 3SC economy and the net contribution that it makes to the Exchequer represents a fundamental difference to most other areas. As a result there is an opportunity to make creative use of some of the proceeds of growth to support the effective development of the economy in the 3SC area*
- *a revolving investment fund should be established under the terms of the Agreement to bring together central funds and local funds arising from additional economic growth, including potential new revenue raising powers, and to leverage them to pump prime and support a big enough pot to close the infrastructure funding gap*
- *it would be possible to leverage the contributions to such a fund to support borrowing both in respect of contributions from national sources and from local sources*
- *such borrowing would be undertaken within prudential limits on the basis of the additional revenue and capital made available to the fund.*

### **2.2. Government Financial Contribution**

*The 3SC partners and Government have agreed the operation of a Fund which reflects detailed analysis of the likely infrastructure needs of the 3SC area consistent with planned growth in population, jobs and housing to 2030.*

*The 3SC partners and Government will now undertake further work to agree an annual financial contribution.*

### **2.3. 3SC contribution**

*The 3SC partners and Government will now undertake further work, as part of agreeing an annual financial contribution from Government, on mechanisms for securing local contributions from growth and increased economic activity in the area.*

*Thus further work will cover:*

- *Council tax – focusing on any growth in council tax receipts which could be released for investment purposes beyond the current financial planning periods for local authorities and behind the increased receipts required to deliver services*
- *Business rates - reflecting opportunities from greater business rate retention and additional flexibilities around reliefs and discounts*
- *Stamp duty – focusing on the scope for a contribution on transactions in the area*
- *A supplementary combined authority council tax*



- *A supplementary business rate or the equivalent of the infrastructure levy.*

## **2.4. Financing debt**

*Ensuring that there is a sufficient revenue stream from the combination of all of these potential sources of revenue to support any additional borrowing that is required in order to facilitate the planned infrastructure investment.*

## **3. Infrastructure**

*The 3SC partners will develop an economic plan for the area and an associated infrastructure strategy to be followed by a delivery plan, which identifies and prioritises the infrastructure needed to support sustainable economic growth.*

*The infrastructure strategy will be funded through the fiscal mechanisms that form part of this Agreement and in particular through the operation of a new revolving investment fund and through investment by national agencies, some of which may be facilitated through a new Sub National Transport Body (SNTB) of which the 3SC would be a member.*

*The revolving investment fund will invest in measures*

- *that support and extend the network benefits of the strategic investment in corridors and gateways including supporting the resilience of the network*
- *that will directly support new housing and commercial development and*
- *that accommodate the needs of a growing population and workforce.*

*On that basis, through the delivery plan, the Combined Authority will work with Government and its agencies to co-invest in new homes, unlock barriers to growth, and plan and prioritise investment in associated infrastructure (including transport, schools and healthcare, utilities and broadband).*

*Specifically for delivery of major strategic transport infrastructure which extends beyond the 3SC area; the 3SC authorities, Brighton and Hove and neighbouring areas will bring forward proposals for the establishment of a SNTB for the South East which will develop a transport strategy for its area. Working with the LEPs, this body will be the main mechanism to influence the prioritisation of investment by the major national transport agencies including Highways England and National Rail in improvements to strategic transport infrastructure which have been identified within the 3SC Infrastructure Strategy. The SNTB will also engage our international gateways (ports and airports) serving the South East on improved access to support economic growth for the area.*



## 4. Skills and Learning

The 3SC partners commit to the development and implementation of a new Employment and Skills Strategy. This will be informed by an evidence base which includes findings from the Area Based Reviews of post 16 provision, local labour market intelligence and qualitative employer feedback. The Strategy will present an overarching framework for delivering devolved responsibilities, and will focus on the priority and growth sectors of the 3SC economy. The Strategy will cover the 3SC area, but will also take into account the broader geography and priorities of the three LEPs, and the interrelationship with adjoining city areas such as Greater Brighton.

The overarching aim of the Strategy will be to ensure that providers at all levels are delivering the skills that local employers require to grow and prosper and that local residents need in order to thrive. It will work with businesses of all sizes to identify common employment and skills shortages, common employability issues that are best addressed collectively, as well as gaps in provision at a regional level and will outline activities to address these needs. The 3SC benefits from areas where our economic base is relatively highly skilled, and higher level apprenticeships could help to unlock significant further potential.

The 3SC partners will create appropriate mechanisms to oversee the delivery of the Strategy and to manage associated funding allocations. The 3SC partners will work with Government to devolve the Adult Education Budget to a new Combined Authority which will be overseen by an Employment and Skills Board which builds on existing relationships between local authorities, businesses, LEPs and providers. Where required, specific sector focused task groups will be established.

Our Board will collaborate with LEPs and local Employment and Skills Boards and partnerships (such as Skills East Sussex and Surrey ESB) to ensure that there is synergy between strategic priorities so as to enable the delivery of joint initiatives. It will work to ensure that skills and employment priorities are integrated into local growth plans so that the relationship between 3SC plans and current and future local employment opportunities is clear. *The 3SC partners will provide better co-ordinated support to Further Education (FE) colleges and other providers in developing funding bids, particularly on capital and existing EU funding, to develop an asset based focus on developing skills provision in key sectors. 3SC will work with Government to identify and secure new emerging funding sources to replace outgoing EU funds.*

### 4.1. Careers Education Information Advice and Guidance (CEIAG)

The 3SC partners will work with Government to ensure that the economic priorities identified in the Strategy inform the regional provision of careers advice, through direct involvement and collaboration with Government in the design of local careers and enterprise provision for all ages, including collaboration to shape the work of the Careers and Enterprise Company and of the National Careers Service. By supporting the coordination of, and by *co-commissioning this provision*, devolution arrangements will enable central funding for Careers Information Advice and Guidance to be directed strategically, so that it supports growth within the 3SC economy.

The 3SC Strategy will provide a framework for the 3SC Employment and Skills Board to work with Government to:



- Encourage better quality employer engagement with schools to support key areas of curriculum delivery and Careers, Education, Information Advice and Guidance (CEIAG);
- Improve the quality and coordination of (CEIAG) across the 3SC area;
- Improve the understanding of the skills needs of employers by providers, and the opportunity to include a consistent approach to delivering improved work readiness and work experience within secondary and FE education; and,
- *Work with OFSTED and the Regional Schools Commissioner to ensure that school careers guidance is aligned to the needs of the 3SC.*

## 4.2. Apprenticeships

The 3SC partners commit to working with Government in order to maximise the opportunities presented by the introduction of the apprenticeship reforms (including the apprenticeship levy).

There are several emerging areas to this work:

- Working with employers within our priority and growth sectors to ensure that they are aware of the reforms, understand the value of apprenticeships in driving productivity and make use of their apprenticeship grants.
- Ensuring that apprenticeships are promoted to young people (via effective CEIAG and bespoke campaigns) as an equally valuable progression route to academic pathways for all individuals who are leaving school or college.
- Identifying how public sector apprenticeship levy payers in the 3SC could collaborate to support new ways of working to ensure that their levy allocations (apprenticeship grants) are used to stimulate the development of skills at all levels to the benefit of our priority sectors.
- Exploring potential uses of unspent levy receipts, from both the public sector and private sector employers in the 3SC area, to support the delivery of our Employment and Skills Strategy activities.

## 4.3. Employment

The 3SC partners will also work with Government to co-design future employment initiatives that will affect the 3SC, such as support for the hardest to help claimants via the Work Programme or Work Choice. Activity to reduce unemployment in specific geographic areas of deprivation, and amongst specific groups of residents, in a way that simultaneously supports economic growth, will be at the heart of this work. *Over and above these main areas of focus, we anticipate that our Employment and Skills Strategy will facilitate an expansion of the variety of Further Education (FE) and Higher Education (HE) provision, supporting national programmes such as the University Technical College (UTC) development programme or through the development of Higher Apprenticeships.*

*3SC will work with the HE sector to build on existing smart specialisation provision, and explore ways of commercialising of the extensive knowledge base across the 3SC.*



## 5. Public Service Reform

The 3SC's aim for public service reform is to redesign public services to remove duplication, shift to preventative services and reduce costs in order to improve outcomes for residents. Transformative work is already underway in the 3SC area, with a strong track record of working with wider public sector partners in a whole system way.

The 3SC area faces demographic challenges that are likely to put pressure on public resources in future years. For example, the population of Surrey, East and West Sussex contains more residents over the age of 75 than the average for England. This group is expected to continue to grow significantly, along with more complicated care needs. While many residents in the 3SC experience a good quality of life, there are communities, families and individuals with high levels of complex needs, including mental health problems, drug and alcohol abuse, homelessness and offending behaviours.

The 3SC partners will address the underlying social problems that continue to be prevalent in local areas – and hold back economic growth - as well as the duplication and disconnection between services that hamper effective delivery of better outcomes for residents.

The 3SC approach to public service reform is to continue to build on the strong local innovation and best practice that already exists. Using data and understanding of place, public sector partners will develop locally relevant, evidenced-led approaches and evaluate to understand better what works. As different spatial levels make sense for different policies, the 3SC partners will operate at the right geography for effective delivery and ensure that the good local practice is enhanced not hindered. Local partners will collaborate as a system to share learning and best practice, accelerate progress and scale up where that provides the greatest impact and value for money.

Central government will work with the 3SC partners to support this process and enable faster and more extensive transformation. This is through a range of means: removing legislative and regulatory barriers where they hamper integrated working; enabling better access to data; providing greater local influence over nationally commissioned services; joining up government policy and funding to align better to local priorities; providing access to government transformation funding to pump-prime whole system change.

## 6. Housing and planning

### 6.1. Infrastructure

*The 3SC partners will work together to manage a simplified funding stream for infrastructure planning and delivery. A key component of this will be forward funding infrastructure to support planned housing development.*

Currently funding for infrastructure comes from many sources: CIL/S106, Sports England, DoT, DfE and all the utilities. Each of the Government departments, agencies and utility companies have different priorities and funding cycles which can introduce risk and delay into the timely provision of infrastructure to support housing development. For authorities securing resources is complicated and administratively burdensome.

Planning for effective housing growth will proceed more smoothly if infrastructure delivery does not lag behind housing development. Therefore:



- *Working with Government, 3SC will use the proposed rotating investment fund to deliver strategic infrastructure to support delivery of planned development.*
- *In addition, the 3SC wishes to secure greater influence/direction over the funding priorities of the utility companies in order to ensure they do not slow or halt development.*

Both these proposals will reduce the risk for authorities and developers, which in turn bring pace to the delivery of planned development.

## **6.2. Maximizing the potential of brownfield land**

In order to maximize the potential of brownfield sites throughout the area the 3SC partners are keen to work across the area to *identify packages of public sector owned land (including Government owned surplus land) and develop a programme to bring them forward. The 'One Public Estate' initiative may provide one means of doing this. We will also make better use of existing staff skills to share expertise and identify the interventions needed to bring the sites into use. Sites may be packaged in order to ensure economies, best use of resources and a scale that is attract commercially.*

## **6.3. Best use of sites and tenure mix to match the needs of our population**

We also need to ensure the right tenure mix for local people and to ensure the availability of the right skills for our economy. *Therefore, the 3SC will work collaboratively and with registered providers and developers to develop partnerships/vehicles to enable a wider tenure mix to be provided on land in the ownership of the partners.*

Over the last five years, councils and registered providers delivered 8,800 affordable houses (an average of 1,700 pa) across the 3SC's area. It is anticipated that this will dramatically slow down. Affordability is a huge issue in the 3SC area with average rents for all property sizes being well over the Local Housing Allowance (LHA). For example for three bedroom properties rents are on average £500 over the LHA.

Similarly, buying homes is out of reach for some families in the 3SC area e.g. on average to secure a three bed starter home a household would require a joint income of £58k pa and a deposit of £21k in the 3SC area.

The most extreme manifestation of this is increasing pressure on temporary accommodation with 205 families in bed and breakfast accommodation and 1,525 in temporary accommodation as at March 2016.

- *The Combined Authority shall be entitled to exercise powers in part II Housing Act 1985 concurrently with the Constituent Authorities (irrespective of whether any land would be held for the purposes of Part II) and the Local Authorities (Land) Act 1963.*
- *We ask the Government to support a more proactive partnership with the HCA (excluding regulatory powers) in order to accelerate the release of brownfield land in public ownership and bring it forward for development.*
- *More flexibility for stock and non-stock owning authorities to manage supply of tenure mixes available on key sites throughout the area through the establishment of delivery vehicles.*
- *Flexibility on the cap of the value of starter homes, the age limit, the level of discount available and the proportion of starter homes as a ratio of other forms of affordable housing in order to make starter homes more accessible to those on average*



*incomes.*

- *Greater flexibility on use of RtB receipts and freedom to develop a 3SC Local Housing Allowance to suit the unique circumstances in the area.*

#### **6.4. Enhance capacity of Local Planning Authorities (LPAs) and development industry to deliver in a timely way**

The local authorities across the area will work collaboratively to share resources and expertise in order to build capacity to support the housing delivery planned and develop the specialist skills needed.

Many authorities are already experiencing difficulties recruiting to disciplines like planning, property and building control. Working collaboratively across local authority areas will help to build capacity and spread best practice. We will develop links with colleges and universities in order to develop a pipeline of skills at entry level.

We request:

- more discretion to flex planning fees locally in order to ensure we can tailor services to the needs of the development industry and support the scale of housing delivery planned.
- *freedom for our building control services to trade freely in the market rather than being constrained by the requirements of cost recovery only.*

This will build capacity and flexibility to respond to the considerable increase in building activity that will take place across the 3SC in the future.

#### **6.5. Balancing jobs and homes**

*LPAs need discretion and flexibility to tailor the current permitted development regime on commercial space such as exemption zones. We would use this power discriminately; not to restrict the conversion of office space to residential but to protect key employment space where there is clear evidence that its loss will damage local economic productivity.*

Local authorities understand how their local economies work and where retention of employment space is important to protect and support the local economy.

### **7. Connectivity: Transport and Digital**

#### **7.1. Transport**

To support better integration between local and national networks, the government and the 3SC Combined Authority Shadow Board will enter into joint working with Highways England and Network Rail on operations, maintenance and local investment through a new Memorandum of Understanding, which will be established by the 3SC.

*Supplementary 3SC Issues:*



- *Government and the 3SC partners will discuss the options for a devolved and consolidated local transport budget with a multi-year settlement, to be agreed at the Spending Review, including all relevant local highways and integrated transport funding, and with associated devolution of functions to the Combined Authority.*
- *The 3SC partners will consult on and develop a new over-arching bus strategy for the 3SC area which will set out new standards of quality and service integration, thereby offering service users the attractiveness of a network of bus services promoted as a single entity. The Bus Strategy will be a new blue-print for coordinated and targeted infrastructure investment, designed to improve the capacity and connectivity of the overall transport network.*
- *The 3SC partners will work with Government to implement new powers in the Buses Bill to facilitate the delivery of the bus strategy through a comprehensive partnership arrangement across the whole 3SC area. This would be achieved through the development of the Enhanced Partnerships model for local bus services, including integrated ticketing schemes. A major aim will be to improve access to employment areas.*
- *3SC will work with Government to contribute to the development of the specifications and subsequent award of rail franchises serving the 3SC area, and will seek direct engagement with Network Rail on Control Period 6 (2019-2024) funding through the proposed Sub National Transport Board for the South East. As part of the engagement, 3SC will seek to address issues around the effective integration of bus and rail services across the area.*

## **7.2. Digital**

*The 3SC recognizes the importance of digital in unlocking the economic potential of the area. We will drive emerging digital innovations to support the economy and wellbeing of our communities.*

The Government agrees to continue to develop and deliver, in collaboration with the 3SC Combined Authority, the joint programme to drive commercial rollout of superfast broadband, particularly in rural areas of the region. Government will support the Combined Authority to reinvest funds into creative solutions to supplying superfast broadband to the last 5%.

Government and the 3SC Combined Authority will agree a joint programme to create the right environment to drive the commercial roll out of ultra fast broadband.

*Working with Government, the 5G Innovation Centre and other partners, the 3SC will also seek to further extend the coverage of the fibre network by addressing the technical, financial and regulatory issues that limit the current arrangements for commercial roll out.*

*An extended fibre network will mean that Surrey, East and West Sussex have the necessary infrastructure in place for:*

- *enhanced and extended provision of ultrafast connectivity,*
- *improved options for providing digital connectivity in rural and other currently poorly served areas.*

*Longer term, the wide coverage of the fibre network would enable the 3SC to develop a genuine 5G network.*

*The 3SC will also work with the 5G Innovation Centre at the University of Surrey and other partners to develop demonstrators of potential commercial applications of 5G technology.*

n.b. text in italics unique to proposed 3SC deal



*The 3SC will also examine the opportunities for accelerators in the use of digital data capabilities.*

*In particular the 3SC will seek to develop an applied 5G rural exemplar focusing in particular on agricultural and veterinary sectors.*

*The 3SC will also explore the potential for an accelerator in the use of data and 5G technology to support the provision of health and social care.*

## **8. Governance**

The 3SC partners and Government will agree appropriate and proportionate governance arrangements for the functions that are to be exercised, including the powers and resources that are to be transferred from Government, as set out in this document.

The proposal for a Combined Authority is subject to the final formal consent of the 3SC Combined Authority Shadow Board, the constituent councils and agreement of Ministers. This agreement is also subject to the statutory requirements including parliamentary approval of the secondary legislation implementing the provisions of this agreement. This agreement protects the integrity of the 26 existing Surrey and Sussex local authorities.

Any transfer to the 3SC Combined Authority of existing powers or resources currently held by the constituent authorities must be by agreement with the relevant authorities, as set out in this document.