

The Solent Devolution deal.

Is it right for the Island?

Anyone who takes the time to digest the 200 page report that went to Council will find more concerns than I will outline here. I will confine this paper to reminding us why the deal started in the first place and commenting on each of the 9 key "benefits" that are listed in the report which was presented to Council on 19th October and considered by Executive on 24th October.

The background to devolution.

Devolution has two main aims.

The first was, and is, to placate the very large authorities in England who saw additional powers handed to Scotland and Wales, but objected to Whitehall retaining all control in England, despite regional differences and them having legitimate claims to run more of their own affairs. The rationale for the process was part of George Osborne's "northern powerhouse" idea, and the route to achievement was paved by the Localism Act. The first deal signed was with Manchester. The ten constituent authorities were all metropolitan boroughs within the greater Manchester region. The combined population is around 3 million, about the same size as Wales.

Secondly, without being explicit, the Treasury were, and are, looking for ways of cutting government's own costs (certainly not to spend more) by devolving some of it's responsibilities.

Locally a deal was being considered which involved Hampshire, it's constituent Districts, as well as Southampton, Portsmouth and the Isle of Wight, together with the two Local Enterprise Partnerships, two National Park Authorities, the Hampshire and Isle of Wight Police Authority and the Hampshire and Isle of Wight Fire and Rescue Authority. Together, in scale and resources it was close to Wales and Greater Manchester.

Discussions on that proposal foundered when Hampshire expressed severe reservations about the governance arrangements, particularly having a single Mayor covering the whole. It would have been a bit like having a single Mayor for Wales!

Subsequently the idea for a different arrangement came, not from the three Councils in this proposed Solent MCA, but from Lord O'Neill, who was then the Minister responsible for devolution. Following differences between him and the present government he resigned last September. So we now have the strange arrangement of two crowded rival cities 14 miles apart and a rural offshore Island deciding that they have so much in common they ought to be bolted together. Really?

This is the deal about which there was a seriously flawed consultation. A consultation should present both sides of the argument equally, explaining both the potential benefits and the potential pitfalls. Once that has been given, then a recommendation can follow, leaving the reader to decide whether to reject or accept that recommendation. The information given in the consultation document was scandalously one-sided. Even so, about one in every three respondees was not convinced and wrote to oppose it.

Turning to the specific financing and responsibilities proposed for transfer outlined on page 6 of the report they are:

1. £900M funding for the New Mayoral Combined Authority.

The £900M is not all at once. It is simply the cumulative total of the annual amount of £30M pa. It is to fund, or part fund, the responsibilities which will be transferred from government. It's not to fund or support existing services. It is shared by the constituent authorities of the MCA. It is not to be used to fund existing services already under strain, such as Adult Social Care.

We do not know what the basis of sharing will be.

It may be according to need, though that would be a difficult exercise involving competing bids and making judgements of the risks and benefits to each constituent authority associated with each bid. It may be according to population. This would probably be easier and fairer. Depending upon the projects in hand and accepting that some years we may get a little more than our calculated share, other years a little less, it works out like this:

The population of the three Councils in total is about 660,000 comprising Portsmouth 270,000, Southampton 250,000, Isle of Wight 140,000. Our share of £30M based on this would be £6,460,000. Changes in population would increase or diminish this share. It's worth noting that Portsmouth is one of the fastest growing cities in the UK. It's population has increased by 65,000 in the last 5 years, which is equivalent to the populations of Ryde, Newport, Sandown, Shanklin and Ventnor combined.

Of the annual funding, 75% (c. £4.8M) would be capital and 25% (c £1.61M) revenue.

It has been suggested that we could borrow against this annual income to give us a greater amount immediately. This hasn't been the case in other areas. If government gave approval to all MCA's to do this, the UK public sector borrowing would escalate rapidly. Government wants to reduce, or at least stabilise borrowing, not increase it.

There are some critical unknowns:

No analysis has been done to determine whether this is the amount the MCA would likely need to manage these services. The amount offered is similar to that offered in other MCA deals with no attempt to fit the amount to an assessed requirement.

We don't know what government has spent on the devolved services over each year of, say, the last 5 years.

We don't know whether the funding is all new money or whether some will come by transfer from existing organisations. If so the 'new' amount will be a smaller offer than we have been led to believe.

The money is promised for 30 years, but no government can tie it's successor. If we go down this route how will certainty be delivered?

We don't know if the amount will be inflation proofed. And if so, for how long – the whole of the 30 years? If not, the amount on offer is trivial and almost certainly less than the costs of providing the new services.

The three Councils at present levels of spend have a budget of around £15 Bn, with inflation at 2% over the same period that will be closer to £30Bn.

This devolution money, in context, is small change.

If the amount of funding offered proves insufficient at some point over the next few years, the MCA will be able to precept from the constituent Councils to fund it's schemes. That will add to the rate burden.

If these uncertain financial promises were not on the table would we be the slightest bit interested in being a part of this new Local Authority, with a new elected Mayor ? I doubt that Islanders want that, and in discussions with colleagues it is apparent that when residents have had enough information to form a view, it is to object. As Councillors, we need to reflect their views.

2. Keeping all business rates generated in the area.

This was described by Chancellor Osborne as a devolution revolution. In the sense that what goes around, comes around, it is. Councils used to retain all business rates until in 1990 they were taken by government. Now they make a virtue of giving them back. A new MCA deal will allow 100% retention by the participating councils. At present we have 50% retention.

Any growth in business rates can be kept. The aim is that those councils generating more rate income, share the growth with those worse off. But we know that we will retain the whole of the business rate by 2020 anyway. I'm not convinced that for the Island Council this is a benefit. At the moment, because our business rate income is below the national average we get a top up from government. The proposed change to 100% retention is fraught with problems. A government Select Committee looked at the issues in June this year. They are analysed in the Committee's 74 page report.

Amongst other concerns they identified the problems arising from the recent change from zero to 50% retention. Businesses appealing against their rates bills have caused significant concerns, with refunds far exceeding the authorities income from the growth in rate income. Some form of transitional arrangement will need to be introduced. We don't yet know what that will be. Adding a further complication by sharing rate income growth (or losses from appeals or closure of business) with Portsmouth and Southampton seems unwise.

3. Powers over strategic planning, such as future spatial plans.

For those not familiar with the latter term, this is a label increasingly applied to what used to be called land-use plans. Spatial plans tend now to also include resource allocation and investment proposals within the plan. This is not a process which requires an MCA before it can be carried out.

Usually, when several authorities (not just councils) are preparing spatial or strategic plans the core areas within the plan are contiguous. When they are not it adds to the difficulty. Councils not in the plan area but affected by it will have to be consulted and will expect their interests to be taken into account. It is complex and quite costly to manage. Area and regional plans have in the past been prepared by authorities working jointly where they have a clear common aim. Usually these sort of plans cover a significant regional area. Managing that between two rival cities and an offshore Island will be the most unusual grouping for such a plan. The Island Council is of course responsible for strategic planning across the Island anyway and we don't have to consult with Portsmouth or Southampton to do it.

4. Increasing productivity, creating more and better jobs, simplifying and strengthening support for business growth, innovation, global trade and investment.

Reads like an advertisement doesn't it? Just as meaningless without a huge amount of research and investment. I don't think £6.4M a year will crack it even if the whole of the money could be devoted to this alone. But we'll probably get some excellent glossy reports.

5. Control of the budget for adult education and training in the areas, enabling a focus on the skills businesses want people to have.

Let's be clear, we don't get control of the budgets of Southampton City College, Highbury College or Isle of Wight College or any of the other smaller HE institutions. If any of those institutions thought they would be giving up their autonomy there would already be a huge row. The MCA will be able to consult, offer to support specific courses, work with business to achieve the kind of outputs it would like to see. We can of course do that now. But by far the best way of gaining influence is to fund specific arrangements. The combined annual expenditure of just these three institutions is already around £55M each year so what extra the MCA might offer will not buy much influence.

6. Development of a new programme to help the "hardest to help" claimants back into work and provide them with support.

A laudable ambition. But this is the most difficult area of unemployment to tackle. These programmes currently run under the "jobcentre plus" banner. So if we take over that responsibility do we commission them to keep doing it, or set up our own organisation? For sure it will soak up lots of funding. Do the cities have worse problems than us in this respect? Certainly just based on population size one would expect that. So it's likely that the share of the £30m devoted to this is likely to go more to them than us.

7. Delivering 50,000 homes in the area by 2026

Homes aren't the problem, affordability is. So is finding the sites when every site put forward, big or small, meets local opposition. What we really want from government is the freedom to use innovative ways of funding and delivery. At the moment we are hamstrung by rules. The Local Government Association has campaigned for greater freedom for councils to do this. We don't need a new authority, just a removal of restrictions on existing ones. Then we'll get on with the job. I welcomed Julia Baker-Smith's motion at the last Council meeting supporting innovative processes for housebuilding.

It's also worth looking at how the new authority would meet its housing target.

Southampton has a population of c 250,000 in 52 sq. km. Portsmouth has 270,000 in just 40 sq km. It's the densest populated city in the UK and still growing. We have 140,000 people in 384 sq km. The housing issues in the two cities are distinctly different from ours.

Will our space be looked at enviously? I think so. If we are expecting to share any growth in rate income there will be a quid pro quo.

8. Control of a dedicated transport budget, the opportunity to franchise bus services and control of the key network of local authority roads.

We already have a transport budget of £5m a year. Most is spent on statutory free bus passes. A House of Lords amendment to the Bus services Bill, if it is incorporated as an Act, will give Isle of Wight Council the ability to manage transport franchises. We will not need to be part of an MCA to do that. In any event, there has to be an appetite from bus companies to compete for a franchise. There's no sign of that for the Island. We are a rural community

with lengthy routes and few passengers. We have only a handful of routes that are profitable, unlike the cities with short routes and plenty of passengers.

It would help if government amended the Labour introduced (in 2008) law to exempt us from the requirement to fund free travel for non-Island residents - if you visit the Channel Islands you pay for your ticket, as you do if you cross the border into Wales. We spend about £1M a year on that alone. Puts the £1.6M revenue from this new offer into context doesn't it?

And control of our network of roads? We already have that. What might any new money be spent on? Portsmouth has already mentioned the idea of light rail joining the two cities.

Innovative and integrated approaches to public service reform -including health.

We are already beginning to integrate Public Health, CCG and NHS. It is taking time and it's hard work, but we will get there. I cannot see how we will integrate other public services with Portsmouth and Southampton.

We do already share service provision with other authorities, for Police, for Education, and for Fire -this latter originally with Surrey and now with Hampshire. We share a Treasurer with Portsmouth. Where it is more cost effective we outsource requirements and buy through competitive bidding with the private sector, Audit Services are good example of that, as is our Waste Contract.

We don't need an MCA to enable us to continue to do these things.

Finally, the new MCA has to have it's work done by existing Officers. It's not expected that it will directly employ its own staff, or have it's own premises. So where will it be based and who will do the work? The Island has no spare Officer capacity - especially in Planning which is cut to the bone. So if this comes from Southampton or Portsmouth there just might be a bit of bias? Do we even know if they have the capacity to do it effectively?

For all these reasons the time for talking about a governance structure on this particular deal is long past and we should cease now.

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