

Levelling Up and Devolution

Purpose of report

For direction.

Summary

Following the recent publication of the Levelling Up White Paper this paper proposes four issues for the People and Places Board to consider as part its work programme over the remaining political cycle: county deals and the devolution framework; the UK Shared Prosperity Fund; neighbourhood governance; and, the expected levelling up and devolution bill. It also asks for members' views on the emerging work related to the government's commitment to streamline growth funding.

Is this report confidential? Yes No

Recommendation/s

Members are asked to provide a steer on the following issues:

1. To agree next steps in relation to the devolution framework; the UK Shared Prosperity Fund; neighbourhood governance; and the levelling up and devolution bill.
2. To consider whether to receive a future report on streamlining growth funding.

Action/s

Specific actions relating to the recommendations above are set out at paragraph 33.

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Levelling Up and Devolution

Background

1. The Government's long-awaited Levelling Up White Paper was published on 2 February 2022.
2. As detailed in the [LGA's briefing note](#) the White Paper details the Government's ambition to pursue 12 national missions across four broad areas: boosting productivity and living standards by growing the private sector; spreading opportunities and improving public services; restoring a sense of community, local pride and belonging; and, empowering local leaders and communities.
3. It also sets out proposals relating to a new devolution framework, a plan to streamline growth funding, a new independent data body, the establishment of a new levelling up advisory council and the prospect of a new Bill on levelling up and devolution.
4. On 10 March the LGA Executive Advisory Board [considered a report](#) setting out the Implications of the Levelling Up White Paper for local government. This recognised the People and Places Board's strong interest in the extension of devolution to non-metropolitan areas of England and proposed that the Board continue to lead policy on this issue.
5. Within this context this paper sets out four issues for the People and Places Board to consider as part its work programme over the remaining political cycle: county deals and the devolution framework; the UK Shared Prosperity Fund; neighbourhood governance; and, the expected levelling up and devolution bill.
6. Board members' views are also sought on the other issues mentioned in paragraph 3 as part of the LGA's wider work on devolution, particularly, plans to streamline growth funding. Officers are part of early conversations with DLUHC officials and will keep members updated on progress; at this stage we are able to work from our well-established policy lines and evidence base.

Issues

County Deals and the Devolution Framework

7. The White Paper outlines a new devolution framework for England. This seeks to extend devolution beyond the metropolitan centres by setting out pathways to a devolution deal for every area that wants one by 2030.
8. While the Government's preferred model of devolution is still a directly elected leader covering a defined economic geography, the White Paper recognises that this approach

may not suit all areas and proposes a three-tier approach underpinned by four principles: effective leadership; sensible geography; flexibility; and, appropriate accountability.

9. In essence, despite the Prime Minister's [commitment to 're-write the rulebook'](#), this approach clarifies the rules of the game without fundamentally altering the deal-based model employed by the Government since 2014. It validates the hard work and effective leadership of existing devolution deal areas, but it retains several aspects of a process led by the centre. This can be seen in the table below, taken from the White Paper:

Function	Detail	L1	L2	L3
Strategic role in delivering services	Host for Government functions best delivered at a strategic level involving more than one local authority	✓	✓	✓
	Opportunity to pool services at a strategic level	✓	✓	✓
	Opportunity to adopt local innovative local proposals to deliver on climate change and the UK's Net Zero targets	✓	✓	✓
Supporting local businesses	LEP functions including hosting strategic business voice		✓	✓
Local control of sustainable transport	Control of appropriate local transport functions		✓	✓
	Defined key route network			✓
	Priority for new rail partnerships with Great British Railways – influencing local rail offer			✓
	Ability to introduce bus franchising		✓	✓
	Consolidation of existing core local transport funding into a multi-year integrated settlement			✓
Investment Spending	UKSPF planning and delivery at a strategic level		✓	✓
	Long-term investment fund, with an annual allocation			✓
Giving adults the skills for the labour market	Devolution of Adult Education functions and the core Adult Education Budget		✓	✓
	Providing input in Local Skills Improvement Plans		✓	✓
	Role in designing and delivering future contracted employment programmes			✓
Local control of infrastructure decisions	Ability to establish Mayoral Development Corporations			✓
	Devolution of locally-led brownfield funding			✓
	Strategic partnerships with Homes England across the Affordable Housing Programme			✓
	Homes England compulsory purchase powers		✓	✓
Keeping the public safe and healthy	Mayoral control of Police and Crime Commissioner functions where boundaries align			✓
	Clearly defined role in local resilience		✓	✓
	Where desired offer MCAs a duty for improving the public's health			✓

Financing local initiatives	Ability to introduce mayoral precepting on council tax			✓
	Ability to introduce supplement on business rates			✓

10. Each of the powers and functions listed in the table above is assigned to a particular level of governance:
- 10.1. Level 1: Local authorities working together across a functional economic area or whole county area e.g. through a joint committee
 - 10.2. Level 2: A single institution or county council without a directly elected mayor, across a functional economic area or whole county area
 - 10.3. Level 3: A single institution or county council with a directly elected mayor, across a functional economic area or whole county area
11. That this approach continues to incentivise the creation of new governance structures in exchange for new powers is perhaps not surprising. However, it does raise the question that given the relatively limited ‘hard powers’ enjoyed by the existing Mayoral Combined Authorities whether there might some scope for re-examining the justification for insisting on a mayor, particularly in areas where one is neither desired nor appropriate.
12. The powers listed also contain some noticeable gaps, both in terms of existing LGA asks in areas such as housing, skills and employment, health and fiscal decentralisation and also when set against the scope of the 12 Missions, which go far beyond the emphasis on economic development that has characterised devolution to date.
13. The framework is therefore something to be welcomed, but it is not the end of the story. Not least because areas not included on the initial list of nine places invited to negotiate with Government (Cornwall; Derbyshire and Derby; Devon, Plymouth and Torbay; Durham; Hull and East Yorkshire; Leicestershire; Norfolk; Nottinghamshire and Nottingham; and Suffolk) will have to wait for capacity to be made available at the centre to begin their discussions.
14. During the previous metropolitan-focused round of devolution, negotiations between individual areas and national Government led to something of a patchwork of powers being passed down to mayoral combined authorities. As set out in the [LGA’s report published last year](#), while some of this variation was a product of different areas seeking different powers there is also a strong sense that over time the process of negotiating devolution agreements became more difficult and less innovative as the Government lost enthusiasm and capacity became constrained.
15. And while the Government has made clear that there will be no requirement for areas to embark on a process of local government reorganisation the White Paper also states

that devolution deals can only be agreed by county and unitary authorities, that no authority will have a veto over the progress of its neighbours and that a council or group of councils seeking devolution must have a combined population of at least 500,000.

16. The Minister for levelling Up, the Constitution and the Union has since clarified, in [evidence to the LUHC Select Committee](#), that “just because we are saying that there should not be a veto for the districts does not mean that we do not want them to be involved...we are very keen for districts, boroughs and lower-tier authorities to be engaged and contributing to the devolution agenda.”
17. There are two broad areas of activity that arise from this context.
18. First, we need to work with Government and devolution deal areas to expand the Devolution Framework. Immediately after the publication of the White Paper, the Secretary of State [expressed his interest](#) in deepening the devolution framework, for example looking at skills, further education, careers; policing, and powers over business rates. We can support this interest by identifying powers areas have asked for that aren't currently on the table and looking in more detail at the 12 Missions to understand where new functions and resources are going to be needed for these to be successfully delivered. As part of this we might also want to work with existing mayoral combined authorities to understand their list of 'core competencies' both functional and financial and the extent to which 'county deals' will provide these from the get-go.
19. Second, we will need to support local areas to make the best possible success in their negotiations with Government and, in so far as possible, optimise the process of devolution so that deals are agreed quickly and without 'departmental burnout' impeding the ambitions of local areas looking secure devolution as part of future waves. The LGA currently has an extensive range of tools and resources made available as [part of our devolution hub](#) and supported by Government. Over the next year we will need to work to enhance and expand this programme, both to strengthen local capacity and increase the opportunities for policy development and knowledge transfer.
20. Throughout both pieces of work we will explore the implications for equalities, diversity and inclusion arising from the Government's approach to questions of governance and deal making and reflecting the high-level commitment of the broader levelling up agenda to provide power, resources and opportunities to those people and places that have 'fallen behind' over the last few decades.

Levelling up and Devolution Bill

21. The White Paper sets out a commitment to strengthen devolution legislation in England: to expand devolution to more places, deepen current devolution deals and enable the devolution process to be simpler and more transparent.

22. As part of this ambition the White Paper states that the Government is seeking to legislate to establish a new form of combined authority model to be made up of upper-tier local authorities only (e.g. a county council and its associated unitary councils), providing a single, accountable institution across a functional economic area or whole county geography.
23. At a [recent session of the levelling up select committee](#), the Minister of State, Neil O'Brien indicated that the Government also plans to prevent district councils from vetoing the establishment of a combined authority, citing "deficiencies" in the Local Democracy, Economic Development and Construction Act 2009, the legislation that currently underpins the creation of combined authorities.
24. As it stands, Section 110(1) of the 2009 Act states: *The Secretary of State may make an order establishing a combined authority for an area only if— ... (b) the constituent councils consent.*
25. This is further defined at Section 110(3) which states: *In this section "constituent council" means— (a) a county council the whole or any part of whose area is within the area for which the combined authority is to be established, or (b) a district council whose area is within the area for which the combined authority is to be established.*
26. While we will have to wait for the publication of the draft Bill to understand the precise changes the Government wishes to make it seems clear that the Board will have an interest in any legislative changes the Government seeks to make and, potentially, ideas to further strengthen and the expand the devolution of powers and resources to the local level. LGA policy and public affairs teams will maintain a watching brief on this issue and report back to the Board once a firmer sense of timelines and legislative scope has emerged.

Neighbourhood Governance

27. The Government has indicated that it is keen to work with partners in local government and civil society to develop a new approach to community empowerment. It will launch a review of neighbourhood governance in England, which will include looking at the role and functions of parish councils and how to make them quicker and easier to establish. The White Paper also proposes to test Community Covenants in response to [Danny Kruger MP's Report: 'Levelling Up Our Communities: Proposals for a New Social Covenant'](#).
28. The People and Places Board has a good track record of engaging with town and parish councils, overseeing last year's well received publication [Local service delivery and place-shaping: A framework to support parish and town councils](#). With an eye on the forthcoming approach by Government it would make sense to take the initiative and work with representatives from the town and parish sector to set out some key principles for engagement and policy development.

UK Shared Prosperity Fund

29. The pre-launch guidance for the UK Shared Prosperity Fund (UKSPF) was published at the same time as the Levelling Up White Paper. The funding will be allocated and will deliver three priorities: Communities and Places; Local Business Support; and People & Skills. The first two priorities will commence from 2022/23, but the People & Skills priority will commence in 2024/25, leaving a potential gap as the European Structural and Investment Programme (ESIF) finishes in 2023. The LGA will continue to lobby to ensure there is not a gap in funding of employment and skills provision and that the UKSPF will meet the longevity and quantum of funding it is replacing.
30. Councils and combined authorities have been given a leading role to develop local investment plans as outlined in the Government's [delivery geography](#). This means lead authorities will be mayoral combined authorities, the Greater London Authority and lower-tier or unitary councils. Local UKSPF allocations are expected to be aligned with any future devolution deals with local areas and lead authorities will be encouraged to collaborate with counties for the People & Skills priority. However, there is not yet detail of how this will operate in practice.

Implications for Wales

31. Wales has long been on its own devolution journey and the proposals for further devolution in the White Paper are primarily focused on English devolution. However, as work to detail the scope and scale of powers needed to deliver the 12 Missions at a UK level unfolds the LGA will continue to look for opportunities to work with Welsh local government.

Financial Implications

32. Devolution is a business plan priority for the LGA and any policy and improvement work relating to proposals contained in this paper will be met from core budgets and supported by the communications and public affairs teams.

Next steps

33. Members of the People and Places Board are asked to consider this report and comment on the proposed next steps:
- 33.1. Review the devolution framework contained within the white paper and expand the list of powers that might be devolved, drawing on existing LGA policy asks, existing and emerging devolution deals and, the wider scope of the 12 Missions.
- 33.2. Develop and circulate an improvement and support offer for existing and emerging devolution deal areas, drawing on the expertise and experience of the Board to ensure this offer meets the needs of non-metropolitan areas.

- 33.3. Begin a process of engagement with the wider community sector, including town and parish councils to explore areas of agreed priority relating to devolution and levelling up.
- 33.4. Work with the LGA's public affairs team to maintain a watching brief on activity relating to the 'levelling up and devolution bill'
- 33.5. Continue to engage on arrangements relating to the UK Shared Prosperity Fund
- 33.6. If the Board agrees, bring a paper back to a future meeting with policy proposals in relation to commitments to streamline growth funding.