

Devolution within England

Purpose

For discussion and direction.

Summary

At its meeting on 17 September, the LGA Executive discussed devolution in light of the negotiations underway as part of the Spending Review process. Members expressed the strong view that the LGA had a key role to play in maintaining momentum towards ambitious and widespread devolution, including support to councils as they make the case for and assume new responsibilities. This paper provides an update on recent policy developments to inform members' discussion of the next stage of the LGA's campaign for devolution.

Recommendation

That the LGA Leadership Board provides a steer on the devolution work currently being undertaken and the next stage of the LGA's campaign for devolution.

Action

Officers to take any actions as directed by the Leadership Board.

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Background

1. At its meeting on 17 September, the LGA Executive discussed devolution in light of the negotiations underway as part of the Spending Review process. Members expressed the strong view that the LGA had a key role to play in maintaining momentum towards ambitious and widespread devolution, including support to councils as they make the case for and assume new responsibilities. This paper provides an update on recent policy developments to inform members' discussion of the next stage of the LGA's campaign for devolution.

Cities and Local Government Devolution Bill

2. The Cities and Local Government Devolution Bill completed the Committee Stage in the Commons on November 17. Members' steer has been to ensure that the Bill facilitates the most flexible, locally-led negotiations. Our numerous briefings to Parliamentarians has been based on this steer. One disappointment has been that the Government removed the "devolution test" that we had successfully pressed for in the Lords, which would have required Ministers to demonstrate that any new piece of legislation was consistent with the principles of devolution. However, we were pleased that the Government accepted the amendment related to transparency that was passed following our lobbying. This provision requires the Secretary of State to lay an annual report about devolution before Parliament. New amendments relating to "consent" to Combined Authorities were tabled by the Government in early December (just before this report was drafted). An oral update on this issue will be provided to the Executive.
3. A new clause was added to allow groups of councils such as Transport for the North to set up statutory Sub-National Transport Bodies to advise transport ministers on investment priorities and strategic transport schemes in their own areas. The LGA supports this provision but we also emphasised that areas should be able to come forward with proposals for their own constitutional arrangements without central prescription. The Report Stage of the Bill is scheduled for December 7 and, as usual, the LGA will be providing a briefing to MPs ahead of the debate. Royal Assent is expected by the end of December.

Devolution deals and Spending Review

4. Since September, 5 more devolution deals have been announced:
 - 4.1 Sheffield City Region
 - 4.2 North East
 - 4.3 Tees Valley
 - 4.4 West Midlands
 - 4.5 Liverpool City Region
5. The Chancellor also announced further devolution of powers to Greater Manchester in the Spending Review. Summaries of the deal announcements are available on the LGA's [DevoNext hub](#).

6. Although each deal has bespoke elements, a consistent pattern has emerged in the city region deals. In all these deals, the governance arrangement that has been agreed is a mayoral combined authority, with the first elections for directly-elected mayors set for May 2017. Broadly speaking, the common elements of a city region deal can be considered as follows:
 - 6.1 A single investment fund enabling pooling of central and local funding streams for economic growth, “seeded” with an annual allocation of central government funding for 30 years.
 - 6.2 Full devolution of the 19+ skills budget by 2018/19.
 - 6.3 Co-design with Department for Work and Pensions of future employment support for harder-to-help claimants.
 - 6.4 Intermediate Body (IB) status for the European Regional Development Fund and European Social Fund.
 - 6.5 Power to pursue bus franchising.
 - 6.6 Pooled and devolved local transport funding allocated as a multi-year settlement.
 - 6.7 Introduction of smart ticketing across local modes of transport.
 - 6.8 Devolved approaches to business support.
 - 6.9 Greater tailoring and engagement of city regions on UK Trade and Investment services.
7. Several of the elements above reflect the strength of the sector’s collective lobbying through the LGA. For example, the LGA has long campaigned for localisation of EU funds, devolution of skills funding, powers over bus franchising and greater local influence over trade and investment programmes.
8. There is a pipeline of negotiations with a number of other places, particularly in two-tier areas, with the likelihood of further announcements in the new year. The LGA has been working with a number of places that opted not to submit proposals in September and further bids are expected to be submitted in the coming months. In our response to the Spending Review, we emphasised that the full benefits of devolution must be extended to all areas of the country. We will be keeping up the pressure on Government to ensure that progress on delivering deals is sustained in the New Year and beyond.
9. The Spending Review confirmed that by the end of the Parliament local government will retain 100 per cent of business rate revenues to fund local services, giving them control of £13 billion of additional local tax revenues. The Government also indicated in the Spending Review that additional responsibilities will be devolved to local authorities, with three specific areas of responsibility being considered for transfer to local government:
 - 8.1 Administration of Housing Benefit for pensioners.
 - 8.2 Transport for London’s capital projects to local government.
 - 8.3 Public health funding.
10. The Government will consult on these and other additional responsibilities in 2016. We were pleased that the Government listened to the LGA about the need for more detailed work and consideration to go into determining what extra responsibilities councils should take on and how the transition to a new system should be managed to ensure we get the best outcome for local communities. Officers have already started to discuss these issues with Treasury and DCLG officials.

LGA support offer for devo deals

11. There has been very good take-up of the LGA's support offer. Andrew Campbell (LGA Associate Director, currently on secondment to the LGA from his position as a Director General in CLG) has met with groups of councils in every part of the country and his connections have been particularly valuable in helping local areas gain insight into the thinking of Whitehall departments as they refine their pitches. Over the past few weeks, he has been helping places prepare for their challenge sessions with Ministers.
12. Our DevoNext hub continues to receive positive feedback from the sector and we have added a number of new features in the past few weeks, including:
 - 12.1 A short video to explain what combined authorities are.
 - 12.2 Links to the September bids and summaries of the devolution deals that have been announced.
 - 12.3 Links to useful resources developed by local authorities.
 - 12.4 Links to research and analysis to bolster the evidence base for bids.
 - 12.5 Infographics illustrating the benefits of devolution for businesses and what could be gained by devolving skills and employment support.
13. The LGA has also organised several well-attended events on devolution including:
 - 13.1 A national conference on communicating about devolution in Birmingham on October 21st.
 - 13.2 A joint national conference with SOLACE on governance in a new world on November 27th.
 - 13.3 Two events for elected members to explore place-based leadership in the context of devolution as part of the LGA's Leading Edge and Leaders' Programme.

Future considerations and next steps

14. Whilst many new deals are expected to be announced Over the next few months, (including more non-met deals), other areas will be beginning their implementation phase. Given this work in councils, both the City Regions and the People & Places Board have considered the focus of LGA work as we move into the next phase of English devolution and members are asked to reflect on the areas of focus which are suggested below.
 - 14.1. **Support and building capacity in councils:** The scope of the LGA's support offer has been set out in detail above. This service can be provided within current resources. It will be particularly important to ensure the innovative work that councils are developing in areas which have been newly devolved is shared and communicated widely. Member may also wish to comment on the support that councils may require from the LGA over the next year.
 - 14.2. **Creating new boundaries for devolution deals.** The boundaries of devolution deals tend to expand by a variety of factors including the ambition and negotiation of individual councils and combined authorities, collective representation by the LGA and pressure from independent research and think tanks. Both the City Regions and People and Places Boards have held discussions about the most effective work that the LGA could achieve in the future in this space. There are three areas which are under consideration to ensure that the LGA helps create new

boundaries in English devolution policy. Firstly, there is a need to renew the debate on the benefits of devolution in the reform of public policy. Whilst many devolution deals have focused on growth and economic development, there is a need to ensure that there is an enhanced evidence base demonstrating that better outcomes can be achieved in public and social policy from a devolved approach. Secondly, there are specific policy areas where the pace of work on devolution needs to be increased. Skills policy is a particular concern of both Boards. Finally, there are distinct urban and non-met issues which need to be addressed. For example, the People and Places Board is developing work to ensure the devolution of broadband delivery becomes a feature of future deals.

- 14.3. **Wider constitutional issues:** As devolution deals are implemented in England, we do need to consider the wider constitutional issues of local reform. The reshaping of English local governance raises a number of questions for all four nations of the UK. Currently, the All Party Parliamentary on Reform, Decentralisation and Devolution in the UK has convened a groups of experts from across the UK to consider the wider constitutional and long-term issues resulting from devolution in all four nations. This experts group is led by the LGA President, Lord Kerslake, and the LGA is providing the secretariat for the Group. Their report is expected in March 2016 and will help create a public debate in this area.

Devolution deals and the LGA

15. As devolution deals initiate changes to English local governance, the LGA will need to consider how it works with Combined Authorities and other groupings of councils in the future. LGA services will need to be provided to member councils both individually and through their sub-regional alliances, combined authorities and mayoral models. Our governance structures should also reflect these new arrangements.
16. Much LGA work has already undertaken to support councils leading these changes. The City Regions and People and Places Board are lobbying and developing forward thinking policy and we have a comprehensive support offer in place (funded through RSG).
17. At the LGA Executive meeting in September, members asked for the LGA to consider its own structures and services as more devolution deals are achieved. Group Leaders have discussed this issue in more detail and have examined ways in which Combined Authorities and Mayors can be supported within the LGA. However, the Chairman and Group Leaders felt that it was important that the detail of how the LGA adapted to changing English governance should be developed by those at the front line of such changes. As a result a working group with a representative from each of the Groups is to be convened in order to assess how the LGA develops to address these issues.