

OPEN

Corporate Policy Committee

13 June 2024

Devolution – Update and Next Steps

Report of: Peter Skates, Acting Executive Director of Place

Report Reference No: CPC/19/24-25

Ward(s) Affected: All

Purpose of Report

- 1 The purpose of the report is to provide members with an update on the current state of play, progress nationally with regard to the devolution agenda and to seek agreement for the Council to engage proactively with Government, in order to assess and understand what sub regional options on devolved powers are achievable, with any proposal being reported back to Committee for review and consideration.

Executive Summary

- 2 In February 2022, the Government published the Levelling Up White Paper. This set out a new devolution framework, extending devolution beyond metropolitan areas for the first time.
- 3 The framework sets out a flexible, three level approach to devolution recognising that a one-size fits all model would not be suitable, with different powers and functions for each devolution level.
- 4 The three levels set out in the devolution framework in Feb 2022 are:
- 5 Level 3 – a single institution or County Council with a directly elected mayor across a functional economic area or whole county area;
- 6 Level 2 – A single institution or County Council without a directly elected mayor, across a functional economic area or whole county area;
- 7 Level 1 – Local authorities working together across a functional economic area or whole county area e.g. through a joint committee.

- 8 In June 2022, the Government published the Levelling Up and Regeneration Bill. This expanded on the devolution framework set out in the white paper and enables the creation of County Combined Authorities through new devolution deals.
- 9 In November 2023, Government announced a further 'Level 4 ' with a devolution framework for Mayoral Combined authorities such as Greater Manchester , and the West Midlands.
- 10 This paper sets out the background for sub regional working and devolution as promoted by the Levelling Up White Paper, the benefits that could support Cheshire East, as well as the opportunity costs of not considering a future proposal.
- 11 The paper seeks Committee's authority to engage with Government, to assess a beneficial proposal for Cheshire East, and the wider sub region of Cheshire & Warrington, and to bring back a decision report to Corporate Policy Committee for scrutiny and approval.

RECOMMENDATIONS

The Corporate Policy Committee is recommended to:

1. Authorise engagement by the Council with Government to discuss and explore the potential options and structure of a proposal that would be achievable under future sub regional working and a devolution platform.
2. Note that any final offer of a proposal from Government will be reported back to Committee for consideration, review and scrutiny.

Background

Legislation and direction

- 12 In February 2022, the Government published the Levelling Up White Paper. This set out a new devolution framework, extending devolution beyond metropolitan areas for the first time. The framework sets out a flexible, three level approach to devolution recognising that a one-size fits all model would not be suitable, with different powers and functions for each devolution level. In June 2022, the Government published the Levelling Up and Regeneration Bill. This expanded on the devolution

framework set out in the white paper and enables the creation of County Combined Authorities through new devolution deals.

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- 17 In terms of a focus for local devolution, the government set out a number of key Functions, namely;
 - (a) Strategic role in delivering services
 - (b) Supporting local businesses
 - (c) Local Control of sustainable transport
 - (d) Investment spending
 - (e) Giving adults the skills for the labour market
 - (f) Local control of infrastructure decisions
 - (g) Keeping the public safe and healthy
 - (h) Financing local initiatives for residents and businesses
- 18 Each function will have areas of focus to be considered, as shown in the table below, and the scope of benefit and opportunity will be assessed against the structure of the devolution deal and which ‘Level’ is appropriate.
- 19 The more requirement for local devolved powers will equate to a higher level of a deal.
- 20 In November 2023, Government announced a further ‘Level 4 ‘ with an improved devolution framework for Mayoral Combined authorities such as Greater Manchester, and the West Midlands. These are also described trailblazer deals.
- 21 At the time of the White paper (2022) the following table was produced and is indicative of the method of evaluating an appropriate level of devolution platform.

(NB : references to LEP no longer relevant)

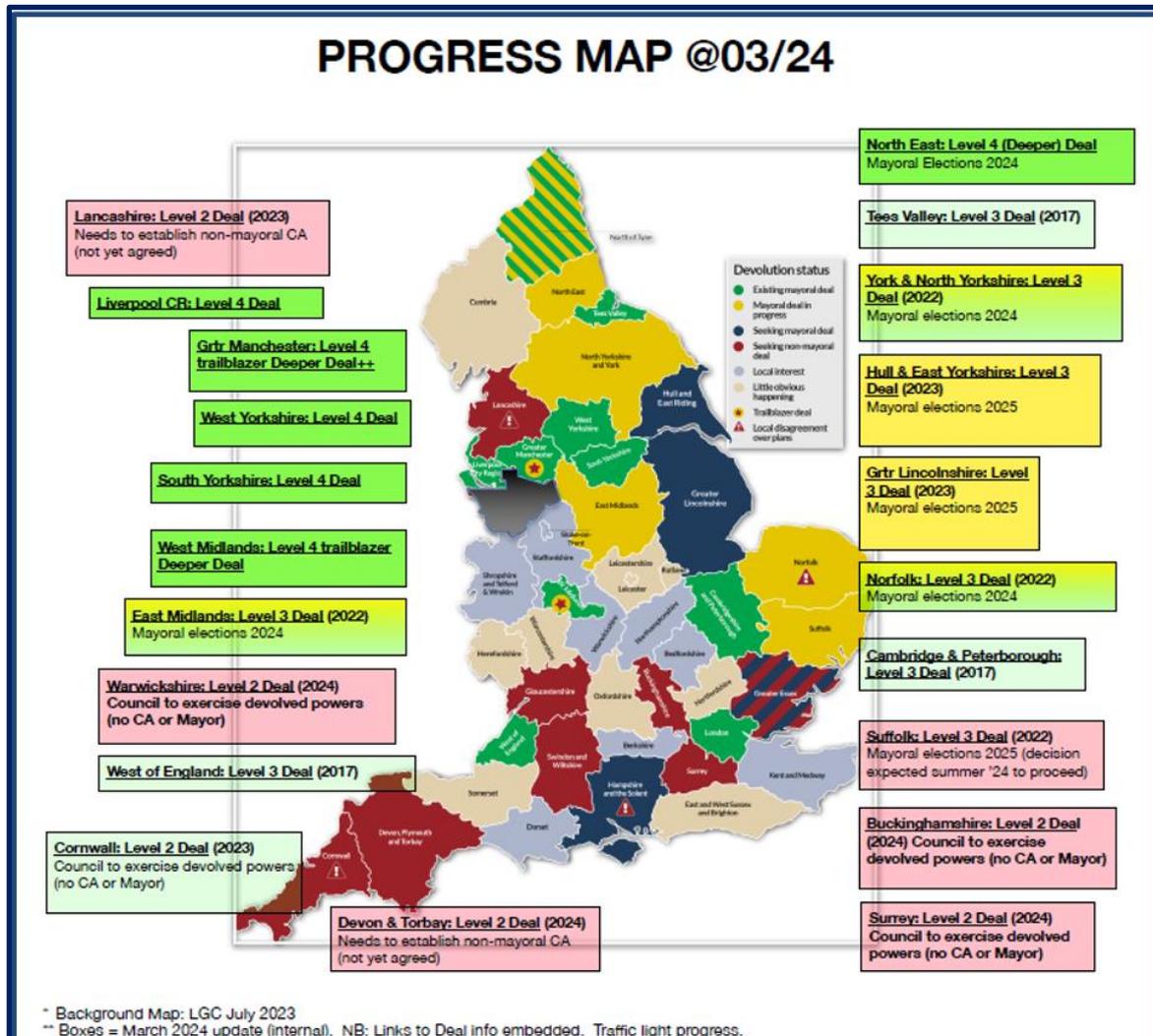
Function	Detail	L1	L2	L3
Strategic role in delivering services	Host for Government functions best delivered at a strategic level involving more than one local authority e.g. Local Nature Recovery Strategies	✓	✓	✓
	Opportunity to pool services at a strategic level	✓	✓	✓
	Opportunity to adopt innovative local proposals to deliver action 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 e.g. local transport plans*		✓	✓
	Defined key route network*			✓
	Priority for new rail partnerships with Great British Railways – influencing local rail offer, e.g. services and stations			✓
	Ability to introduce bus franchising		✓	✓
	Consolidation of existing core local transport funding for local road maintenance and smaller upgrades into a multi-year integrated settlement			✓
Investment spending	UKSPF planning and delivery at a strategic level		✓	✓
	Long-term investment fund, with an agreed annual allocation			✓
Giving adults the skills for the labour market	Devolution of Adult Education functions and the core Adult Education Budget		✓	✓
	Providing input into Local Skills Improvement Plans		✓	✓
	Role in designing and delivering future contracted employment programmes			✓
Local control of infrastructure decisions	Ability to establish Mayoral Development Corporations (with consent of host local planning authority)			✓
	Devolution of locally-led brownfield funding			✓
	Strategic partnerships with Homes England across the Affordable Housing Programme and brownfield funding			✓
	Homes England compulsory purchase powers (held concurrently)		✓	✓
Keeping the public safe and healthy	Mayoral control of Police and Crime Commissioner (PCC) functions where boundaries align*			✓
	Clear defined role in local resilience*		✓	✓
	Where desired offer MCAs a duty for improving the public's health (concurrently with local authorities)			✓
Financing local initiatives for residents and business	Ability to introduce mayoral precepting on council tax*			✓
	Ability to introduce supplement on business rates (increases subject to ballot)			✓

National update : Current position

- 22 The Levelling Up White Paper in 2022 also named ten areas which would be invited to start formal negotiations.
- 23 Cornwall; Derbyshire and Derby; Devon, Plymouth and Torbay; Durham; Hull and East Yorkshire; Leicestershire; Norfolk; Nottinghamshire and Nottingham; and Suffolk were invited to agree new County Deals. York and North Yorkshire were invited to agree a mayoral combined authority (MCA) and the North East were invited to negotiate and agree an expanded MCA deal.
- 24 In June 2022, the Government published the Levelling Up and Regeneration Bill. This expanded on the devolution framework set out in the white paper and enabled the creation of County Combined Authorities through new devolution deals.

25 Since then, the majority of England's Council's have been or are engaging with government on the proposals for devolved local government.

26 The list of deals progressed or under consideration is illustrated below :



27 Recognising the level of discussions concluded or ongoing with government cross England, there is a danger that Cheshire East, and therefore Cheshire & Warrington are being left behind, and there is a need to engage fully with Government to understand the opportunity, and the benefits financially and in terms of local control and decision making.

LEP Transition.

28 In August 2023 the UK Government confirmed that the functions currently carried out by LEPs would become the responsibility of Local Authorities and therefore Local Enterprise Partnership (LEP) functions would become the responsibility of Local Authorities from 1st April 2024.

- 29 A report was considered and approved by Corporate Policy Committee on 13th February 2024 that the Council should increase its shareholding in the company which is controlled by the three Councils across Cheshire and Warrington i.e. Cheshire East, Cheshire West and Chester and Warrington Borough Councils.
- 30 A new Joint Committee should be formed between the Councils with a new Board appointed alongside the creation of a new Business Advisory Board.
- 31 The decision of Corporate Policy Committee as further approved at Full Council on 27th February 2024.
- 32 Subsequently, the company was renamed as Enterprise Cheshire & Warrington, and the Joint Committee held its inaugural meeting on the 8th April 2024.
- 33 The structure of Enterprise Cheshire & Warrington, together with the Joint Committee, although having a subregional focus, it does not have any key decision making functions on any matters that would form part of a devolution settlement, nor any sub regional matter that would directly impact on any of the local authorities.
- 34 Therefore Enterprise Cheshire & Warrington cannot directly be the platform for future devolution, and that would potentially require the formation of another body, such as a Combined Authority.

What is a Combined Authority ?

- 35 Combined authorities are corporate bodies formed of two or more council areas, established with or without an elected mayor. They enable groups of two or more councils to take decisions across boundaries on issues which extend beyond the interests of any one individual local authority.
- 36 They are a legal body set up using secondary legislation (Combined Authority Orders) but are locally owned and must be initiated by the councils involved. Further detail can be found in the LGA's publication [Combined authorities: a plain English guide](#).
- 37 The Levelling Up and Regeneration Bill also sets out proposals regarding a County Combined Authority (CCA). These CCAs will be very similar to existing combined authorities, but can only be made up of county or unitary councils.
- 38 A combined authority is legally required to establish at least one Overview and Scrutiny Committee and an Audit Committee. The Overview and Scrutiny Committee has the power to 'call-in' decisions that have been

made but not implemented and can ask that these decisions be reviewed. The committee can also require members or officers of the Combined Authority to come before it and answer questions; any such request must be complied with.

- 39 For clarity, Members of the Combined Authority couldn't vote on something which involved budget/policy at Cheshire East as this would be Council decision.
- 40 In a circumstance where may be a Elected Leader or Mayor, they would have no power to agree anything without consent of the Local Authority Leaders, and therefore their respective Committee/Cabinet.

Why Consider Devolution?

Government encourages devolution

Local authorities are responding

The financial prize can be significant

Devolved powers increase control

Opportunity cost – funding , levelling up , is being channelled to those that have a County or Devolution Deal

CEC missing out

- 41 Looking forward, both major political parties are supporting an approach to devolution.
- 42 Following the general election, if a Conservative Government is re-elected, the policy on devolution is likely to be continued and accelerated.
- 43 Labour's policy document indicates that if elected it will "Turbocharge mayors with access to new powers over transport, skills, housing, planning, employment support and energy supported by integrated long term funding settlements". It also says that if elected a Labour Government would "Work to expand devolution further and faster, with local authorities coming together to take on new powers to boost their economies.
- 44 Devolution is structured to enable the transfer of powers and funds to local functioning economic areas, and to empower sub regional areas to take control and drive forward their local economies.
- 45 The opportunity now exists for officers to engage with government, alongside counterparts in Cheshire West & Chester Council and Warrington Borough Council, as well as support from colleagues at Enterprise Cheshire & Warrington

- 46 Looking at the variety of deals that have been negotiated over the past years, a devolution proposal could enable £20M-£30M funding per annum for up to 30 years.
- 47 The plethora of established deals already in place or being concluded, give officers a benchmark and a template for discussions with Government officials.
- 48 With any new government changes may evolve, and we await to see if the existing template is maintained or varied. By being in discussion with Government will mean we can adapt to any resulting approach.
- 49 The key areas of focus, discussion, negotiation would be :

Financial

- Single Investment Fund (SIF):(Cap/Rev %) (£30m per year)
- 100% Business rates retention
- Identified investments (inc. 5 year transport settlement and innovation)
- Investment/Innovation Zones (inc. £80m over 5 years)
- Support for Catapult (alternative fuels)
- Additional precept
- Innovative use of Pension Funds.
- Devolve Brownfield Land Release Fund
- Devolve Adult Education Budget (AEB)
- Devolve Apprenticeship Levy
- Devolve Environment Land Management Scheme (ELMS)

Devolved powers

- Transport: additional powers for local network
- Shared Homes England strategy for all of the sub region
- Development (Development Corporation)
- Land Assembly across public bodies
- Bespoke requirements for HMG schemes (including
- Net zero permitted development rules)
- Innovation Zone: ability to use funding flexibly to
- Provide incentives

Supporting next steps

- Revenue support for at pace capacity/development
- Departmental support to develop

- 50 Other opportunities could include:

- Investment zones – Alderley Park , Bentley, Hurdsfield
- Strategic Housing partnership with Homes England
- Further access to decarbonisation funding.

- 51 In understanding the potential benefits, it is also important to consider the 'opportunity cost' if Cheshire East, along with its partner local authorities, do not engage proactively.
- 52 In the past 3 years, Cheshire East has developed and submitted bids for significant investment in Macclesfield and Crewe under the process for 'Levelling Up' Funding. The Council was unsuccessful in receiving an award in Rounds 1 & 2. Subsequently, it didn't receive an allocation under Round 3. Combined Authorities and those areas engaged in advanced devolution discussions received a significant portion of funding and allocations.
- 53 In Autumn 2022, the Council submitted a bid for Investment Zones which included supporting Life Sciences. However, as a result of a subsequent change to the government's approach and policy, Investment Zones were then refocused and identified for the Mayoral Combined Authorities in Liverpool and Greater Manchester. The proximity of the Greater Manchester Investment Zone is likely to provide a negative competitive impact on those existing facilities in the Cheshire East borough.

Why Cheshire & Warrington

- 54 Current government policy sets a minimum population of 500,000 for a devolution settlement. None of three local authorities in Cheshire & Warrington are large enough to fulfil this requirement on their own.
- 55 Guidance from April 2024, government expects functions to be delivered over sensible functional economic areas or whole county geographies as a minimum. Where multiple upper tier local authorities operate across a whole county or function economic area, no upper tier local authority should be left out – there must be no gap in service provision across the area.
- 56 Additionally, government will not provide funding to areas that intend to deliver these functions at a lower-level geography (i.e., below whole county or functional economic area).
- 57 Government expects the delivery of government programmes – such as Growth Hubs and Careers Hubs – to be coterminous with the delivery of business representation and economic planning functions. This geography should be sustainable and maximise efficiency, with effective service delivery as well as enhanced democratic engagement.
- 58 Government guidance identifies that they will not support plans that lead to a fragmentation of approach or where it leads to unsustainable support services to business.

- 59 It is therefore implied, that as a single local authority cannot meet the 500,000 population criteria, then two local authorities would be the minimum , and that any decision to exclude one local authority would have to be with a majority agreement of local authorities.
- 60 If any of the three authorities wanted to join either Greater Manchester or Liverpool City Region, the Government would have to re-negotiate the devolution deal with the whole of the city region and change (secondary) legislation to permit the relevant Cheshire & Warrington authority to join that city region.
- 61 Furthering the application of Government guidance, the most sustainable and functional geographic / economic area would be the three local authorities of Cheshire East, Cheshire West & Chester, and Warrington.

Next Steps

- 62 Following an agreement of this report at Committee, the intention is to engage collaboratively with colleagues at Cheshire West & Chester and Warrington, and seek further discussions with government officials from Department of Levelling Up, Homes & Communities (DLUHC) with a view to shaping the structure of a proposal that will seek to optimise the benefits for Cheshire East, and the wider sub region.
- 63 Following receipt of the final proposal from Government, the proposal will form a report to Corporate Policy Committee for consideration, review, and scrutiny.
- 64 Corporate Policy Committee will then be able to consider the detail fully, and therefore evaluate :
- Financial benefits to Cheshire East and partner local authorities.
 - Extent of devolved powers and control.
 - Roadmap and timetable for any proposed change.

Set against government devolution requirements;

- Geographical / Functional Economic area.
 - Combined Authority structure.
 - Mayoral or Non Mayoral.
- 65 The timetable for discussions may take an extended number of months, which may be further extended with the pending general election and the formation of a new government.

Consultation and Engagement

66 Corporate Policy Committee considered a report on Sub Regional Working on 11th July 2023. Subsequently, All Member update presentations were held on 11th September 2023 and 14th September 2023. Relating to this report, a further All Member Briefing was held on the 11th June 2024.

Reasons for Recommendations

67 The reason the recommendation is to enable engagement with Government officials to explore the options achievable under a devolution framework.

Other Options Considered

68 The option not to engage with Government would mean that Cheshire East is likely to not establish what future allocations of funding and areas of increased regional control are available , and therefore potentially miss out or be excluded from future opportunities.

Option	Impact	Risk
Do nothing - not establish what future allocations of funding and areas of increased regional control are available , and therefore potentially miss out or be excluded from future opportunities.	Other areas may benefit from increased areas of funding and control. A funding gap and deficit could arise between Cheshire East and adjoining 'devolved' areas.	The current Government and main opposition parties support devolution. The risk of losing funding established for devolved areas is likely.

Implications and Comments

Monitoring Officer/Legal

69 There are no direct legal implications for this report, as it seeks authority to engage with Government, and bring back to Committee any final proposal for consideration, review, and scrutiny. Legal implications of any proposal will be assessed at that time.

Section 151 Officer/Finance

70 There are no direct financial implications for this report, as it seeks authority to engage with Government, and bring back to Committee any

final proposal for consideration, review, and scrutiny. Financial implications of any proposal will be assessed at that time.

Policy

- 71 There are no direct policy implications for this report, as it seeks authority to engage with Government, and bring back to Committee any final proposal for consideration, review, and scrutiny. The council will seek to engage with government recognising the objectives of the Corporate plan and council policies. Policy compliance of any proposal will be assessed at that time.

Equality, Diversity and Inclusion

- 72 There are no direct Equality implications for this report, as it seeks authority to engage with Government, and bring back to Committee any final proposal for consideration, review, and scrutiny. Equality and inclusiveness of any proposal will be assessed at that time.

Human Resources

- 73 There are no direct HR implications for this report, as it seeks authority to engage with Government, and bring back to Committee any final proposal for consideration, review, and scrutiny. Staffing impact and resources required for any proposal will be assessed at that time.

Risk Management

- 74 There are key risk implications for this report, as it seeks authority to engage with Government, and bring back to Committee any final proposal for consideration, review, and scrutiny. Risk profile and management of any proposal will be assessed at that time.

Rural Communities

- 75 Supporting the Rural economy and Rural communities will be a key focus for Cheshire East and the sub region in any discussions with Government.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

- 76 Supporting the wellbeing and education of our Children and Young People will be a focus in any discussions for Cheshire East , and the sub region. A skills development programme will provide future support and opportunity.

Public Health

- 77 There are no direct public health implications for this report, as it seeks authority to engage with Government, and bring back to Committee any final proposal for consideration, review, and scrutiny. Public Health support and opportunities of any proposal will be assessed at that time.

Climate Change

- 78 Supporting Net Zero and responding to Climate Change will be a focus for Cheshire East and the sub region in any discussions with Government.

Access to Information	
Contact Officer:	Peter Skates Acting Executive Director - Place peter.skates@cheshireeast.gov.uk
Appendices:	None
Background Papers:	n/a