



Government response to the Levelling Up, Housing and Communities Select Committee report on Progress on Devolution in England

Presented to Parliament
by the Secretary of State for
Levelling Up, Housing and Communities
by Command of Her Majesty

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Introduction

The Government welcomes the Housing, Communities and Local Government Committee's, now known as the Levelling Up, Housing and Communities Committee's report that was published on 1 October 2021 following its inquiry into progress on devolution in England. We are grateful to the Committee and all those that provided evidence to it.

The structure of this paper corresponds to the recommendations in the committee's report. The text taken from the Select Committee report is highlighted in bold.

Recommendation: There has been important progress with devolution in England since our predecessor committee's report in 2016. But further progress can and should be made over the course of this Parliament. The remainder of this report sets out our recommended next steps for extending devolution. (Paragraph 17)

Government's response:

Since the Committee's last report in 2016, some progress towards decentralisation has recently been made. Over 40% of the English population now live in areas with directly elected city region mayors, including 63% in the North of England.

Since the Select Committee's inquiry took place, the Government has published its Levelling Up White Paper on 2 February 2022. This sets out that Levelling Up requires:

1. Boosting productivity, pay and living standards by growing the private sector, especially in places where they are lagging;
2. Spreading opportunities and improving public services, especially in those places where they are weakest;
3. Restoring a sense of community, local pride and belonging, especially in those places where they are slipping; and
4. Empowering local leaders and communities, especially in those places lacking local agency.

Devolution is critical not just to empowering local leaders and communities but to delivering all of these activities. This Government has committed to devolution across England by setting itself a mission that, by 2030, every part of England that wants one will have a devolution deal, with powers at or approaching the highest level of devolution.

There is a need to extend, deepen and simplify devolution, building on recent success and empowering greater numbers of local leaders. For the general public, this will mean greater control and clearer accountability over who is responsible for what and more decisions that shape their area being taken closer to home.

Devolution will be extended by:

- Inviting Cornwall; Derby and Derbyshire; Devon, Plymouth and Torbay; Durham; Hull and East Yorkshire; Leicestershire; Norfolk; Nottingham and Nottinghamshire; and Suffolk to start formal negotiations to agree new county deals, with the aim of agreeing a number of these deals by Autumn 2022;
- Taking forward negotiations to agree a mayoral combined authority deal with York and

North Yorkshire and an expanded mayoral combined authority deal for the North East; and

- Encouraging other areas, particularly those with broadly similar circumstances to North Yorkshire and York, such as Cumbria, to take the opportunity to consider a mayoral combined authority devolution deal.

It will be deepened by:

- Opening negotiations for trailblazer deals with the West Midlands and Greater Manchester, which will act as the blueprint for other mayoral combined authorities to follow;
- Working with mayoral combined authorities, initially as part of the trailblazer deals, to explore options to streamline the funding landscape for mayoral combined authorities; and
- Inviting other mayoral combined authorities and the Greater London Authority to bid for sweeping further powers, through the new devolution framework.

It is being simplified by:

- Setting out the government's new devolution framework to provide greater clarity on the devolution offer across England;
- Establishing (subject to an appropriate legislative opportunity) 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; district councils can be non-constituent members and county councils will be expected to work closely with their district councils.

The role of central government

Recommendation: Devolution across the United Kingdom has been pursued for different purposes, and its scope, structure, and geography reflect this. There needs to be clarity on the most important purposes of English devolution. This can then guide discussions on the appropriate geography and institutions that are needed. The Government should clearly outline what it considers to be the purpose(s) of devolution and why those are the right ends for which devolution is the means. It should then consult widely with stakeholders and the public on its proposed purposes. Careful consideration should particularly be given to the purpose of combined authorities and the appropriate boundaries for them to have. (Paragraph 24)

Government's response:

While talent is spread equally across our country, opportunity is not. Levelling up is a mission to challenge, and change, that unfairness. Levelling up means giving everyone the opportunity to flourish. It means people everywhere living longer and more fulfilling lives, and benefitting from sustained rises in living standards and wellbeing. This requires us to end the geographical inequality which is such a striking feature of the UK.

Fundamentally, devolution is a means to an end. The government believes that strong and dynamic local leadership, that can understand how complex issues come together in a place, tailor policy to local priorities, attract investment and seize each area's opportunities, is critical to levelling up. Strengthening local leadership through devolution will give local politicians control of the levers they need to level up and deliver better outcomes and services for local residents.

The Levelling Up White Paper sets out a plan to extend, deepen and simplify devolution across England so that by 2030, every part of England that wants one will have a devolution deal. This will allow areas to build their institutional capital (for example, local leadership capacity and capability) and give local leaders the tools they need to build up the other capitals (physical, human, intangible, financial and social) that will help address regional inequalities and deliver levelling up. These deals will not all be with combined authorities but will also be with individual councils where they cover a whole county area.

The UK Government will embark on a process of sustained and systematic engagement and consultation with a wide range of stakeholders, including devolved administrations, on the White Paper. This engagement will be ongoing. The White Paper also committed to working with mayors and local leaders in the shaping of local growth strategy.

One of the four key principles of the new devolution framework set out in the White Paper is to deliver devolution across England at a sensible geography. It is important that new devolution deals are based on geographies that are locally recognisable in terms of identity, place and community as well as being sensible economic areas. On that basis, any future devolution deal should be agreed over a functional economic area or a whole county geography. To ensure decisions are taken over a strategic geography, for any tier of devolution, the council or group of councils seeking devolution must have a combined population of at least 500,000. The Government expects upper-tier local authorities with a population of less than 500,000 to collaborate with their neighbouring authorities to agree a sensible geography for a devolution deal.

Recommendation: To embed devolution at the heart of central government the new Secretary of State for Levelling Up, Housing and Communities should be responsible for vigorously driving forward English devolution and this should be explicitly stated as one of his responsibilities. Our predecessor committee's recommendation of permitting local authorities to report on their interactions with different government departments in the annual report on devolution should be adopted to drive a culture of positive and proactive support across the whole of Whitehall for devolution. Furthermore, a council of all areas with devolution deals should be established and hold meetings at least twice a year with the Prime Minister. (Paragraph 35)

Government's response:

To put spatial considerations at the centre of the Government's decision making, a new Levelling Up Cabinet Committee has recently been established. This is tasked with embedding levelling up across central government policy design and delivery. The committee will also work directly with local leaders to improve the clarity, consistency and coordination of policy. The new Cabinet Committee is chaired by the Secretary of State for Levelling Up, Housing and Communities and among its four key missions is to drive forward the new framework for devolution, by empowering local leaders and communities and improving accountability mechanisms.

Government believes that devolution should be made accessible to all, and not just areas that are large cities. Last year the Prime Minister set out the Government's intention to take a flexible approach to devolution, so that local leaders in our historic towns and counties are given the tools to make things happen for their communities. The Government has announced County Deals to ensure county areas are able to reap the benefits of devolution. They will offer the rest of England similar powers as metro mayors over things such as, transport, skills and economic support and allow communities to come together and feel pride for the place they live.

The Secretary of State has laid five annual reports on devolution dating back to 2016 before both Houses of Parliament under Section 1 of the Cities and Local Government Devolution Act 2016. The reports contain the significant financial resources provided to the mayoral combined authorities by different government department across Whitehall in each financial year. This financial support is paid to mayoral combined authorities to enable them to deliver for their residents, highlighting the Government's continued support for the metro mayors and devolution deal agreements.

The Government does not intend to ask all local areas to report on all their interactions with government departments, however, existing devolution deal areas are already part of the M10 group, which includes the Greater London Authority and the nine mayoral combined authorities. Both Mayors and their officers engage with government ministers and officials regularly.

Recommendation: The lack of transparency and public engagement in the negotiation of devolution deals have not been addressed since our predecessor committee's 2016 report. Both have remained minimal. We reiterate our predecessor committee's recommendation that there should be greater efforts to engage the public before as well as after negotiations, through consultations, citizens assemblies and better publicity. To ensure that local councils use their limited resources on compiling proposals with a chance of being accepted, the Government should also publish the criteria it uses to assess and agree proposals. (Paragraph 41)

Government's response:

The Government has committed to an extensive and comprehensive process of engagement and informal consultation across the whole of the UK on the proposals in this White Paper.

The Government has published a devolution framework, so that local partners are clear about the scope of our devolution offer, while retaining some flexibility to accommodate further bespoke devolution measures subject to a strong strategic case.

The Levelling Up White Paper sets out Government's offer of deeper and further devolution in exchange for commitments from local leaders to heightened scrutiny, transparency and accountability. High-profile, directly elected leaders (such as a mayor) provide a single point of accountability to local citizens, which is why the most comprehensive devolution package will only be available to areas with a directly elected mayor. In addition, Government will establish a new body focused on data, transparency and robust evidence to enhance the Government's understanding of place-based leadership, quality of local service delivery and organisational efficacy. By building a shared dataset that is universally accessible, quality assured, and

impartially produced, it will empower citizens with information about their local council and area – making it easier for them to hold leaders to account, input into service design and participate in making their area a place to be proud of.

All the devolution deals establishing mayoral combined authorities or agreeing further powers for them have been negotiated between Government and democratically elected local authority leaders (and, in the case of further devolution deals, directly elected mayors) who are accountable to their communities.

As required by statute all statutory instruments conferring functions must be consulted on before they are laid before Parliament. Government expects local areas to carry out the required governance review and scheme and lead consultation of these documents with their residents. Local areas are free to also consult in advance of negotiating further devolution deals.

Recommendation: We approve of the principle of a devolution framework. It will provide clarity as to what is available for devolution. The Government should work with local government and other stakeholders to produce a devolution framework. To succeed, the framework must provide flexibility and be grounded in a comprehensive consultation with stakeholders to avoid being a top-down imposition from central onto local government.

It should include a set of principles committing the Government to devolution as an evolving process with a forward direction. Devolution is not just about increasing the powers of combined authorities, but enhancing the powers of local government as a whole. A key principle should be that devolution is the default option unless there is a good and compelling reason why a policy area should not be devolved. The Government should consider following the model used for the devolved nations, where there is a list of reserved powers not available for devolution, with all other powers available for combined and local authorities. It should not be obligatory for any area to take on all of the available powers straightaway or at all. Furthermore, councils should also devolve to their local communities - devolution does not stop at the town hall door. (Paragraph 48).

Government's response:

The White Paper sets out, for the first time, a devolution framework for England. It provides a roadmap for places in England that wish to unlock the benefits of devolution, whether that is moving towards a London-style transport system to connect people to opportunity, improving local skills provision, or being able to act more flexibly and innovatively to respond to local need. The framework will help to drive progress towards our mission to achieve full devolution in England by 2030.

There is no one size fits all approach to English devolution and areas will want to choose the right model for them. However, while the framework is flexible, it does place a strong emphasis on the importance of high profile, directly elected local leadership, strong local governance, and joint working across sensible and coherent economic geographies. The framework indicates where places with stronger governance models will be able to access more powers. The powers described in the framework are not a guaranteed, minimum offer.

The framework is also designed to let areas deepen their devolution arrangements over time and at their own pace, recognising that, as institutions mature, they can gain greater responsibility.

The reserved powers model has been shown to work effectively for the devolved administrations who have legislative competencies, but it is not applicable to bodies, such as mayoral combined authorities, which do not have legislative power. Government does not believe there is public support for regional assemblies with legislative power and the priority of devolution is to empower local leaders at subregional level to deliver the missions of levelling up for their residents.

In order to deliver substantive and sustainable change, local places need the power to create and deliver solutions to local challenges. The Levelling Up White Paper sets out our plan to work with partners in local government and civil society on a programme to put in place a bold new approach to community empowerment.

Government will launch a review of neighbourhood governance in England. This will take evidence and ideas on the neighbourhood governance needed to help community leadership to grow and thrive. Government will look at how to make it easier for local people and community groups to come together, set local priorities and shape the future of their neighbourhoods. The review will also look at the role and functions of parish councils in England and how to make them quicker and easier to establish.

Recommendation: Instead of using Greater Manchester as a yardstick, all existing places with devolution deals should be offered the same powers as all others currently have. They may not choose to immediately take them up, but the option should be available. (Paragraph 50)

Government's response:

The Levelling Up White Paper sets out the Government's mission to extend, deepen and simplify devolution across England so that by 2030, every part of England that wants a devolution deal will have one with powers at or approaching the highest level of devolution and a simplified, long-term funding settlement. We recognise there is no one size fits all model for devolution. Our flexible approach to devolution and the framework we have set out in the White Paper give areas the scope and flexibility to progress their devolution ambitions at their own pace.

The devolution framework sets out an offer to all existing and future areas that agree devolution deals. Rather than being based on the powers of Greater Manchester, or any other mayoral combined authority, it provides a substantive, wide ranging offer which goes beyond that of any current area including new partnerships with Homes England and Great British Railways and a role in designing and delivering future contracted employment programmes. For the first time, non-mayoral devolution deals may have access to crucial functions such as bus franchising and control of the adult education budget.

The functions set out in the framework cover a broad range of policy areas including linking businesses and the workforce, shaping the places in which we live, work and travel and keeping the public safe and healthy. They represent real progress in devolving decisions and funds. And the framework is designed to be dynamic so that it can evolve and be informed by devolution deal discussions over the coming years.

The Government wants all areas to be able to access to the powers they need to drive levelling up locally. The White Paper includes plans to deepen the devolution settlements of the most mature institutions to give areas more autonomy and gaining greater competence in return for greater accountability and performance. The Government is looking forward to opening negotiations for trailblazer deals with the West Midlands and Greater Manchester Combined Authorities, which will provide a blueprint for other mayoral combined authorities to follow should they wish to do so.

Financial Devolution

Recommendation: We reiterate our recommendation from our recent report into local authority financial sustainability that the Government should allow councils to retain 75% of business rates from 2022, and that it should not impose commensurate cuts to grant funding. The additional funding should then be put towards equalisation in a separate grant designed for this purpose. As we also recommended in that report, in the longer term, the Government should consider options for wider reform of council tax and business rates, including possibly replacing them with a proportional property tax. (Paragraph 61)

Government's response:

In the interests of providing stability, the rates and system of business rates retention will remain as last year in 2022/23.

The Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The Government will work closely with local partners and take stock of the challenges and opportunities they face, before consulting on any potential funding reform.

At Budget 2021 the Government published the conclusions of the Business Rates Review, delivering both meaningful reform and cuts worth £7 billion to business over the next five years.

This included:

- Freezing the business rates multiplier for another year (22/23), saving ratepayers £4.6bn over the next five years.
- Providing a new temporary relief worth almost £1.7bn for eligible retail, hospitality, and leisure businesses in England to support local high streets until the next revaluation, building on over £16bn of support already provided to these high street sectors during the pandemic. This means over 90% of retail, hospitality and leisure businesses will receive at least a 50% reduction in their business rates bills in 2022-23 when taken together with Small Business Rates Relief.

Spending Review 2021 provided local authorities with a 3% average annual real term increase in their core spending power over the next 3 years to 2024-25. This sustained real-term increase in core funding gives local authorities the certainty to plan over the long term with the largest sustained rise in core funding in more than a decade.

The Government is giving local authorities flexibility to raise council tax to meet spending pressures across their budgets. Councils will need to judge themselves whether increases can be justified to their local electorates. The Government is consulting on the Local Government Finance Settlement which will confirm specific Council tax flexibilities.

Recommendation: Financial devolution is necessary to ensure the success of devolution through giving devolved authorities greater freedom from central government, enabling them to take longer-term decisions reflective of their strategic purpose, and enhancing their direct accountability to their electorates. It must be accompanied by redistributive measures to ensure areas with lower revenue raising potential do not lose out. We therefore recommend that the Government should, explore alternative ways in which revenue can be raised, which could reduce reliance on council tax and business rates; consider offering devolution of a tourism tax, possibly to combined authorities where the revenue can be redistributed as well as meet the costs incurred by tourists; follow our previous recommendation to explore how to level the playing field between bricks and mortar retailers and online retailers. Further financial devolution could follow these measures if they prove to be a success. (Paragraph 71)

Government's response:

As the Committee is aware, local authorities are funded through a combination of central government grants and local taxes and charges.

Council Tax and Business Rates are the primary sources of tax revenue for local government.

The GLA and most existing mayoral combined authorities have fiscal powers including the power to charge a mayoral council tax supplement and they and local authorities can levy a business rates supplement. The Levelling Up White Paper commits to explore with Combined Authorities further flexibilities to enable them to raise their own funding through the business rates system to fund local economic development.

The Government will continue to explore the arguments for and against an Online Sales Tax as a way of rebalancing the tax burden between in-store and online retail. The revenue from an Online Sales Tax would be used to reduce Business Rates for retailers in England. A policy consultation on an Online Sales Tax will be published shortly.

The Government's Levelling Up White Paper outlines plans to allow councils to charge up to double the standard council tax rate on any home left empty for longer than a year, rather than two. This will empower local leaders to encourage more empty homes back into productive use, while raising additional revenue to invest back into local communities.

The Chancellor keeps the tax system, including the local tax system in England, under review and welcomes suggestions for improving it.

Recommendation: The Government should commission research into how income tax or other national tax revenue could be allocated to local and combined authorities, or how a local income tax across a combined authority area could work, including details of tax

setting, funding equalisation, and how HMRC can better identify where taxpayers live. The Government should consider permitting other measures, including land value capture for local authorities, to help them raise additional money. (Paragraph 72)

Government's response:

The Government has no plans to hypothecate revenue from national taxes to local or combined authorities. Doing so would make it harder to pool and share our resources effectively. In contrast, the existing arrangement of funding local and combined authorities through grants, council tax, and business rates allows funding priorities to be more closely aligned with need, rather than depending on where the revenue is raised. This arrangement provides for significant redistribution through the Exchequer both to less prosperous areas and through the progressivity and proportionality of most taxes and reliefs.

Capturing the uplift in land value that comes with development is an important element of the planning system and helps to make sure new development brings benefits to local communities. Local planning authorities can use the Community Infrastructure Levy and Section 106 planning obligations (together called 'developer contributions') to capture a proportion of the increases in land value that occur as a result of planning permission being granted. These contributions help deliver affordable housing and the infrastructure that new homes and local economies require. Policies relating to developer contributions are set locally and should be reflected in the price paid for land.

The government has proposed significant changes to the planning system to make it simpler, quicker and more accessible for local people to engage with, and more certain for developers. And that is why the government is exploring the introduction of a new 'Infrastructure Levy' to replace both Section 106 planning obligations and the Community Infrastructure Levy and be set in a way which captures at least as much value as the existing system.

Recommendation: The Committee has persistently sought clarity from the Government about how the UK Shared Prosperity Fund will work. The Government has had over four years to design and bring forward a coherent alternative to the European Development Funds that will completely end in 2023. This delay has been unacceptable and requires an accelerated approach. The Government should bring forward as soon as possible its proposals for how the UK Shared Prosperity Fund will work, including the funding profile to be controlled by combined authorities or local authorities. The majority of the funding should be allocated as block grants with local and combined authorities empowered to allocate the funds within the general principles of bolstering regeneration and tackling unemployment and skill shortages already announced by the Government. The Government should confirm that the £1.5 billion, equivalent to that formerly provided by the EU, will be increased to retain its real value over time. It should also increase the total amount of funding for the UK Shared Prosperity Fund to ensure that English regions that would have been eligible for greater sums of structural funding had the UK stayed in the EU and if the Government had strictly followed the EU's former allocation of funds do not lose out by its guarantee to retain the existing amounts of funding for other parts of the UK. (Paragraph 82)

Government's response:

The UK Shared Prosperity Fund will support the UK Government's wider commitment to level up all parts of the UK by delivering on each of the four parts of Levelling Up:

- Restoring local pride
- Empowering local leaders and communities
- Growing the private sector and boosting living standards, particularly where they're lower;
- and spreading opportunity and improving public services, particularly where they are lacking

The Fund is a central pillar of the UK government's ambitious Levelling Up agenda and a significant component of its support for places across the UK. It provides £2.6 billion of new funding for local investment by March 2025, with all areas of the UK receiving an allocation from the Fund via a funding formula rather than a competition. This recognises that even the most affluent parts of the UK contain pockets of deprivation and need support.

Alongside commitments to support regional finance funds across the UK via the British Business Bank, this upholds the UK government's commitment to matching EU structural fund receipts for each nation.

The Fund's interventions will be planned and delivered by local authorities across England, Scotland and Wales, working closely with local partners. In Northern Ireland, UK Government will have oversight of the Fund; we plan to draw on the insight and expertise of local partners, including the Northern Ireland Executive, to target interventions where most appropriate.

The Government has also confirmed that UK Shared Prosperity Fund will be allocated to Local Authorities. It has allocated over £2.6bn to the UK Shared Prosperity Fund over this Spending Review period, rising to £1.5bn in 2024/25. Future funding allocations will be agreed at the next Spending Review.

Alongside the Levelling Up White Paper, the Government has published pre-launch guidance, which will be followed up by a Prospectus ahead of the launch of UK Shared Prosperity Fund in Spring 2022.

Recommendation: A sustainable approach to local government funding requires longer term budgetary arrangements and discretion for local authorities and combined authorities over how to spend. We therefore welcome that the 2021 spending review will be multiyear. This reflects the wider need for a long-term plan to support the finances of local government.

We recommend that the principle of devolution funding should be that grants are given on a block basis to cover all services of which local and combined authorities have oversight, without ringfencing or competitive bidding. (Paragraph 87)

Government's response:

The Government recognises that, despite progress through the Levelling Up Fund and UK Shared Prosperity Fund, the overall funding landscape is complex to navigate at the local level.

Local government and communities have repeatedly asked for a simpler system that reduces the number of competitive bidding pots and removes restrictive ringfences.

To deliver a more transparent, simple and accountable approach, UK Government will set out a plan for streamlining the funding landscape this year, which will include a commitment to help stakeholders navigate funding opportunities. This will be grounded in the following principles:

- Reducing the unnecessary proliferation of individual funding pots with varied delivery approaches;
- Streamlining bidding, and supporting greater alignment between revenue and capital sources;
- Ensuring places have robust ongoing monitoring and evaluation plans for the impact and delivery of investments and spending; and
- Tailoring investment and delivery to the local institutional landscape of each nation of the UK.

Devolution of other powers

Recommendation: We retain our predecessor committee's scepticism about whether health devolution accurately describes the current arrangements in Greater Manchester. It clearly does not in Cornwall and the Isles of Scilly. We support the recommendations of the Health Devolution Commission on the future of health devolution and the role that should be played by local and combined authorities in the new Integrated Care System. The Government should seek to implement these proposals. It should also explore the merits of establishing a London Health Commissioner to oversee all London health matters, and of devolving the London Ambulance Service. (Paragraph 102)

Government's response:

The Health and Care Bill will promote local collaboration, which will ensure that every part of England is covered by an Integrated Care System. This will remove the silos that exist within the NHS, while supporting the NHS, local authorities and wider system partners to join up healthcare, social care and public health services.

The Bill will create Integrated Care Boards. Each Integrated Care Board and their partner local authorities will be required to establish an Integrated Care Partnership, which will strengthen partnerships between the NHS and local authorities, and with local partners. This partnership will bring together health, social care, public health (and potentially representatives from the wider public space where appropriate and locally determined, such as social care providers or housing providers). Integrated Care Partnerships will be tasked with developing a strategy to address the health, social care and public health needs of their area, and promoting partnership arrangements.

Local authorities will be crucial to the success of local systems and will have clearly defined roles within the structures of both the Integrated Care Board and the Integrated Care Partnership. This will give local government a greater voice in NHS planning and allocation.

Integrated Care Boards will have sufficient flexibility to design structures that work best for them. This will mean that they can align with devolution arrangements, such as in Manchester, and in response to any future devolution arrangements.

Professor Kevin Fenton fulfils the duty of Statutory Health Advisor to the Mayor of London (this is a role that is set out in the Greater London Authority Act). His role does not currently cover London Ambulance services. This proposal would need to be carefully discussed with NHS England leaders and the Greater London Authority. Separation of such a vital service from core NHS acute service provision would require extensive planning, governance and quality assurance processes to be in place.

Recommendation: The devolution of the adult education budget should be part of the devolution framework, accompanied by transitional support and measures to mitigate differences in course options between areas. The same powers over adult education should be available to all areas with devolution deals. Further education, in particular FE colleges, should also be included in the framework. The Government should work with the Local Government Association to agree proposals as to how local authorities' oversight of schools and their funding should be strengthened. This should include devolving the functions of the Education and Skills Funding Agency to county councils and combined authorities; and the transfer of the powers held by Regional School Commissioners to local authorities. (Paragraph 108)

Government's response:

In 2021/22 approximately 60% of the Adult Education Budget is being devolved to 9 mayoral combined authorities and the Mayor of London, acting where appropriate through the Greater London Authority. These authorities are now responsible for ensuring adult education for their residents and the allocation of the Adult Education Budget to their providers. The Education and Skills Funding Agency is responsible for the remaining Adult Education Budget in non-devolved areas.

Government has committed to devolving adult education functions and the associated core Adult Education Budget to new areas as part of new devolution deals, providing the authorities cover functional economic areas, and have the required governance arrangements in place.

The Government will continue to work in close partnership with devolved institutions to support their undertaking of education functions and are committed to open dialogue on how best skills provision and reforms can be shaped to the needs of local areas.

The Department for Education and the Education and Skills Funding Agency play a vital role in allowing schools and academy trusts to deliver:

- Economic growth through improving the skills pipeline, levelling up productivity and supporting people to work;
- Levelling up education standards so that children and young people in every part of the country are prepared with the knowledge, skills, and qualifications they need; and
- Supporting the most disadvantaged and vulnerable children and young people through high-quality local services so that no one is left behind.

The Department for Education would encourage further Local Government Association engagement to discuss future funding and oversight and how devolution can play a role alongside the Department and the Education and Skills Funding Agency in meeting key delivery aims.

The Department for Education via the Regional School Commissioners and the Education and Skills Funding Agency will continue to play a vital role through:

- National-level frameworks, including the National Funding Formula that enable consistent funding and robust oversight of schools;
- Oversight and support to Multi-Academy Trusts. As more schools join strong Multi-Academy Trusts which span across Local Authorities and county councils; and
- Providing capacity to undertake vital supportive levelling up and regulatory functions for educational, safeguarding and financial performance of schools and academy trusts.

There are therefore no plans for the Department for Education to substantially change its functions or powers in relation to the recommendation from the Levelling Up, Housing and Communities Committee report.

Recommendation: The Devolution Framework should provide for the devolution to combined and local authorities of the spatial planning powers, call-in powers for planning applications, the powers to establish development corporations, compulsory purchase orders, consultation on strategic planning applications, and strategic infrastructure levies, currently exercised by some combined authorities. There should be greater transparency about the process. The Government should also consider further devolution of housing powers to London. There should there be a single pot for housing, with a requirement that a spatial plan be adopted beforehand. (Paragraph 113).

Government's response:

The Devolution Framework identifies that areas which agree to Level 2 or Level 3 devolution deals will typically get Homes England compulsory purchase powers, to be held concurrently with Homes England. Level 3 (mayoral) devolution deal will also typically be able to establish Mayoral Development Corporations. Decisions on what planning powers devolved areas could receive including strategic infrastructure levies will be addressed through forthcoming changes to the planning system'.

The Government recognises that devolution is a process, not a one-off event. While the initial trailblazers for deeper devolution are with West Midlands and Greater Manchester, Government plans to deepen the devolution settlements of all the most mature institutions, to support them in delivering further benefits for local residents. The Government notes that London already has substantially more housing and planning powers than other parts of the country.

As referenced in our response to recommendation 11, Government will set out a plan for streamlining the funding landscape which will include a commitment to help stakeholders navigate funding opportunities.

Recommendation: The Government should consider the case for extending powers for Transport for London-style oversight of local buses to all transport authorities, whether combined or local authorities. Where transport services cross local authority boundaries, joint working relationships should be encouraged between the local authorities affected. Similarly, Network Rail, Highways England and other comparable bodies should be required to organise joint working arrangements with transport authorities. Local government should ensure there is proper and transparent scrutiny of transport arrangements in their areas. (Paragraph 118)

Government's response:

Government has committed to introducing more mayoral and non-mayoral combined authorities which will allow more local authorities to develop strategic transport systems across local authority boundaries.

The 2017 Bus Services Act gave Local Transport Authorities the potential for much greater influence over bus services in their area –underpinned by new types of statutory partnerships with operators and the ability to franchise services. All Local Transport Authorities in England outside London have confirmed, as the National Bus Strategy asked, that they are developing either, or both, of these approaches.

Where appropriate, local authorities are already advised to collaborate across borders, including when developing Bus Service Improvement Plans and Local Cycling and Walking Investment Plans.

In 2019, Network Rail undertook a major reorganisation. It was designed to put passengers first and to make decisions as close as possible to the passengers, working with stakeholders and communities. As part of the shift to empowered regional businesses that work directly with their stakeholders, Network Rail is committed to working with local transport authorities to consider the impact of its decisions on local transport, including connectivity and connections with other transport modes, and to help deliver results collaboratively.

A new rail body, named 'Great British Railways' will provide strong unified leadership across the rail network. Bringing ownership of the infrastructure, fares, timetables and planning the network under one roof, it will consolidate the fragmented railways under a single point of operational accountability – ensuring the focus is delivering for passengers.

Great British Railways will be organised around regional divisions so that decisions are made closer to the places the railways serve. Cities and regions in England will be given greater influence over local ticketing, services and stations through new partnerships between regional divisions and local and regional government.

However, it is also up to Local Transport Authorities to ensure that the transport needs of the public are being met, and appropriate scrutiny arrangements should be reflected in their Local Transport Plans.

Recommendation: We have heard, both in this inquiry and our inquiry into local government and the path to net-zero, that local government can play an important role in policies relating to energy efficiency. The Government should strongly consider the case for devolution of further powers in this area. It should also examine how additional oversight can be given to local government of the environment, aspects of farming and forestry policies, and the takeover of public assets. (Paragraph 121)

Government's response:

Local authorities already have a combination of powers and responsibilities across housing, planning, transport, and procurement which gives them autonomy to deliver net zero. Most have passed local Climate Emergency motions, and many have set target dates for net zero and developed climate action plans.

The recent Levelling Up White Paper outlines that as part of the devolution framework there should be the opportunity to adopt innovative local proposals to deliver action on climate change and the UK's Net Zero targets

This government is developing a programme of Local Nature Recovery Strategies, working with partners to cover the whole of England with around 50 locally led environmental strategies. An appropriate local authority will be appointed by the Environment Secretary to lead its production, coalescing local partners to create a long-term practical strategy for their local environment. Each strategy will agree priorities for nature's recovery, map the most valuable existing areas for nature, and map specific proposals for creating or improving habitat for nature and wider environmental goals. This will create a significant new environmental leadership role for local authorities.

This government has also committed in the England Trees Action Plan to produce guidance for Local Authorities to develop their local tree and woodland strategies and supports their planting activity through several Nature for Climate Fund grant schemes. Alongside the Local Nature Recovery Strategies, these efforts will enable local authorities to take additional oversight and responsibility over local forestry policies.

NHS Trusts should have an estate strategy which identifies potentially surplus assets. Provided these assets are not required for optimisation of the estate value or reconfiguration of the estate. Local authorities can engage with the NHS Trust and seek to secure said surplus NHS property in the 40 working day period after the asset has been declared surplus.

Widening the geography of devolution

Recommendation: Devolution should not be restricted solely to urban areas. The Government must strive to ensure devolution deals are reached with rural areas. The Government must make pursuing devolution deals with non-metropolitan areas a priority. It should write to us with an update on its progress in this area no later than June 2022. The expansion of devolution should include sensitivity to local concerns about the requirement to have a directly elected mayor. The enhanced public consultation we have recommended should take place before and during the negotiations should including examining whether

there is support in an area for a directly elected mayor. If such support is lacking this should not prevent devolution from taking place. (Paragraph 129)

Government's response:

Last year the Prime Minister set out the Government's intention to take a flexible approach to devolution, so that local leaders in our historic towns and counties, including in rural areas, are given the tools to make things happen for their communities. County Deals will offer the rest of England similar powers as metro mayors over functions such as transport, skills and economic support and allow communities to come together and feel pride for the place they live.

A mayor will not be a pre-requisite for a new devolution deal although the Government does believe that high-profile, directly elected leaders (such as a mayor) will be most effective for levelling up: providing a single point of accountability to local citizens, acting as a champion for their areas and attracting investment and opportunity to their places. As such, the most comprehensive devolution package will only be available to areas with a directly elected mayor.

The Government will consider other governance proposals that increase stability and strengthen local leadership over a sensible geography. It will also look to allow mayors to use different titles, appreciating that alternative terms may feel more fitting particularly in more rural areas.

The devolution framework sets out different levels of devolution dependent on governance, in which devolution deals can be negotiated with areas who are not choosing a directly elected mayor.

Recommendation: There was a lack of consensus on the merits of moving to unitary authorities and resistance to making structural changes a condition of devolution. The combined authority model may not be appropriate in all places and should not be a condition of a deal. The Government should commission a review of the benefits and costs, in economic, democratic, local connection, and service delivery terms, that have resulted from previous moves to unitary authority structures. This review would help inform the on-going debate over the structures of local authorities. (Paragraph 139)

Government's response:

Local government reorganisation can help to simplify the patchwork of local government structures, creating institutions with both strong and accountable strategic leadership over an optimal geography for delivering high quality public services, and effective community engagement and leadership at the most local levels which places need. These reforms can increase the sustainability and resilience of local government and local public services, which make an essential contribution to the achievement of levelling up outcomes in places.

The Government's future approach is set out in the Levelling Up White Paper. It recognises that whilst there is a case for wholesale spatial and institutional reform, this could distract from the implementation of improved local government services and outcomes and delay the agreement and implementation of devolution deals. Hence, reorganisation remains a locally-led avenue available where there is broad local support, but will not be a requirement for a devolution deal.

The Government intends to follow an incremental approach, using existing legislation to work with areas which are seeking to establish reformed local governance structures.

There is not a one size fits all approach to English devolution and areas will want to choose the right governance model for them. However, whilst the devolution framework is flexible, it does place a strong emphasis on the importance of strong and accountable local governance, particularly high profile, directly elected local leadership, and joint working across sensible and coherent economic geographies. It also recognises that a Mayoral Combined Authority may not be appropriate for every area in England by providing for County Deals to support levelling up over a county geography.

Recommendation: The devolution framework should clarify the relationship of local authorities with combined authorities. As we have noted devolution is not just about increasing the powers of combined authorities, but enhancing the powers of local government as a whole. The Government should continue to ensure Local Enterprise Partnerships and combined authorities have the same boundaries and are effectively integrated. We reiterate our predecessor committee's calling in 2017 for scrutiny committees from local and combined authorities to monitor the effectiveness of Local Enterprise Partnerships. The Government should support organisations such as the Northern Powerhouse to foster cooperation, without imposing any further formal layers of government. (Paragraph 140)

Government's response:

The devolution framework places a strong emphasis on joint working between local authorities across sensible and coherent economic geographies. Level 2 of the devolution framework is available to single local government institutions without a directly elected leader, such as Combined Authorities or a single upper tier local authority covering the whole county area with the strong leader and cabinet model. The Level 1 offer is for devolution to authorities with looser joint working arrangements, such as the joint committee model. Government both encourages and would like to see cooperative working between all local authorities in an area where possible.

This Government would like to retain the key strengths of Local Enterprise Partnerships and better integrate their services and business voice with our plans for devolution. Government will therefore be including Local Enterprise Partnerships and their business boards as part of Level 2 of our devolution framework, so that they can integrate into mayoral combined authorities and county deals.

Government's ambition is to achieve devolution everywhere, fully integrating the business voice of Local Enterprise Partnerships and their services into devolved structures. Where a devolution deal already exists, Government will engage with them on the Local Enterprise Partnerships transition. Where a devolution deal does not yet exist, Government will continue to support Local Enterprise Partnerships to play their role in supporting the local economy. Where devolution deals cover part of a Local Enterprise Partnership, Government will look at it on a case-by-case basis.

The Levelling Up White Paper reiterated Government's support for pan-regional partnerships like the Northern Powerhouse and Midlands Engine, local private sector initiatives, and existing City

and Growth deal areas in Scotland, Wales and Northern Ireland. A key element of this support is empowering local decision-makers by providing leaders and businesses with the tools they need. For example, the new framework to extend, deepen and simplify local devolution in England will give existing bodies greater power and responsibility for local economic growth and provide a simplified route for collaboration between bodies.

The Northern Powerhouse and the Midlands Engine have provided an opportunity for partners to collaborate at scale and prioritise areas of common interest. Because these partnerships cover large populous regions, with distinct histories, strengths and challenges, they are an important partnership model for levelling up. That is why they have been supported, and will continue to be supported, by the UK Government.

Scrutiny in combined authorities

Recommendation: There is no consensus on the optimum structure for scrutiny in a devolved authority, including as to whether the London Assembly is superior to the existing combined authority structures. The new audit arrangements being introduced by the Government should consider the best way to conduct scrutiny and ensure greater transparency of the budgets of combined authorities. Scrutiny must be on a cross-party basis and scrutiny bodies should reflect this. We reiterate our predecessor committee's recommendation in 2017 that the Government ensure there is adequate funding of the scrutiny of the metro mayors. We reiterate our predecessor committees' recommendations in 2013 and 2016 that the London Assembly should receive a forward plan from the Mayor of London, receive call-in powers, and be able to reject the Mayor's Police and Crime Plan and appointments for deputy mayors. The Government should also examine the case for permitting the London Assembly to scrutinise other aspects of London governance beyond those areas overseen by the mayoral administration. (Paragraph 155)

Government's response:

The Government recognises that there are significant complex challenges facing the existing local audit framework. It is committed to strengthening the local audit system so that it works more effectively for both taxpayers and local authorities, including combined authorities. The response to the public consultation on the system leadership proposals is currently being developed. The government is also working closely with the Financial Reporting Council to establish shadow system leader arrangements for local audit from April 2022. This will enable a swifter and smoother transition towards the new local audit framework.

The Government acknowledges the Select Committee's recommendations and how they build on those made by predecessors in 2013 and 2016 but has no current plans to change policy in these areas.

Whilst requiring the mayor to publish a forward plan and providing the Assembly with further call-in powers these powers could strengthen the scrutiny of the Assembly, they also introduce additional bureaucracy and have to be balanced against the benefits of the strong mayoral model in London.

The Police Reform and Social Responsibility Act 2011 established a Police and Crime Commissioner for each police force area across England and Wales outside of London. The Mayor of London – as occupant of the Mayor's Office for Policing and Crime (MOPAC) – is required by law to produce a Police and Crime Plan setting out their strategic police and crime objectives. In 2011 it was decided that arrangements in London would be aligned with the arrangements for Police and Crime Commissioners. The London Assembly Police & Crime Committee has an important role in reviewing the Mayor's Police & Crime Plan, with the mayor being required to have regard to any report or recommendation from the Panel in relation to the issuing or variation of the Police & Crime Plan. This is consistent with the role and powers of Police & Crime Panels across England and Wales.

Government is not currently looking at changing the existing veto arrangements of the London Assembly in relation to deputy mayors.

At present the London Assembly is employed to scrutinise the London Mayor and this includes the scrutiny of police and transport through the Mayoral role. Other aspects of London governance are managed through London council governance arrangements.

Recommendation: Scrutiny committees for combined authorities has been hindered by strict quorum rules. The Government should consider whether the quorum for combined authorities could be made one-half of the membership rather than the present two-thirds. (Paragraph 157)

Government's response:

In the Levelling Up White Paper, the Government has committed to a new accountability framework that will apply to all devolved institutions in England. One of the focuses of this framework will be ensuring there are appropriate forums for local media, local councillors and local residents to review the performance of authorities and mayors with devolved functions - for example regular appearances of mayors and others responsible for decisions before local scrutiny and audit committees.

Government is aware that some Mayoral Combined Authorities have struggled to maintain quoracy for their committees and that there were examples of this pre-pandemic. We are keen to ensure that combined authorities' overview and scrutiny arrangements operate effectively and support transparent decision making by the authorities and mayors. As the Levelling Up White Paper sets out, deepening devolution will give areas more autonomy, with greater powers and flexibility being devolved in return for greater accountability and performance. We will consider how the new accountability framework can best address any issues about quorum rules.

Recommendation: The Local Government and Social Care Ombudsman expressed concerns about its oversight of combined authorities, pointing to uncertainties over its jurisdiction and a loss of oversight when unitarisation occurred. We agree that proper complaints procedures should be in place in all combined authorities. The Local Government and Social Care Ombudsman's jurisdiction should also apply to services such as passenger transport authorities which are integrated into combined authorities unless there are equivalent complaint procedures already in place. The Local Government and

Social Care Ombudsman should also be given jurisdiction over those powers which were formerly exercised by district councils which have been passed by unitary authorities to parish, town and community councils. (Paragraph 159)

Government's response:

The Local Government and Social Care Ombudsman have raised their concerns with the Department regarding their oversight of combined authorities and some town and parish councils. The Local Government and Social Care Ombudsman's Triennial Review contained proposals intended to address these concerns. The Department is working in partnership with the Department for Education and the Department for Health and Social Care to consider the Triennial Review's recommendations and will respond in due course.

Recommendation: There is a need for more data about combined authority and other sub-national areas. The Government, the Office for National Statistics, and the Chartered Institute of Public Finance and Accountancy should develop datasets to enable effective evaluation of combined authorities and other sub-national areas. The Government should also ensure there are resources to enable areas with devolution deals to undertake more thorough evaluation of their own work. (Paragraph 161)

Government's response:

The UK Government is establishing a new body focused on local government data and transparency to enhance the Government's understanding of place-based leadership, quality of local service delivery and organisational efficiency. Strengthening data will be the cornerstone of this body, demonstrating that robust data is required to achieve greater accountability and devolution. It will support councils to learn from one-another, be user-focused and self-identify areas for improvement.

The key objectives of the body will be to:

- Empower citizens with information about their local area, enabling them to hold leaders to account, input into service design and participate in building pride in their local place;
- Strengthen local leaders' knowledge of their services, share best practice, innovate and drive self-improvement; and
- Increase central government's understanding of the local government sector, measure efficiency and area variation and enable sector support to be better tailored.

Bringing together this data provides an opportunity for central and local government to work in partnership, with a shared lens on reporting to support local and national decision making. This will enable the identification and sharing of best practice.

This body will develop and publish data sets and other data tools that will assist local leaders in better understanding and evaluating their work. The new body will be iterative and will continually explore opportunities to incorporate additional data and analysis in response to the needs of its stakeholders.

Further accountability measures for areas with devolution deals will be explored to ensure

appropriate measures are in place and that local people can have confidence devolution is leading to improvements in their area. The focus of these measures will be:

- Setting out key roles and responsibilities for devolved institutions, central government and other stakeholders so they are clear to residents
- Ensuring that there are appropriate forums for local media, local councillors and local residents to review the performance of authorities with devolved functions (e.g. Mayor's Question Times, regular appearances before local scrutiny and audit committees)
- Allowing the public to make a clear judgement on the performance of mayors against key outcomes to allow comparisons between areas with devolution.