



Meeting: **Cabinet**

Date/Time: **Friday, 25 November 2022 at 11.00 am**

Location: **Sparkenhoe Committee Room, County Hall, Glenfield**

Contact: **Miss. G. Duckworth (Tel. 0116 305 2583)**

Email: **gemma.duckworth@leics.gov.uk**

Membership

Mr. N. J. Rushton CC (Chairman)

Mr. B. L. Pain CC Mrs H. L. Richardson CC
Mrs D. Taylor CC Mrs. P. Posnett MBE CC
Mrs. C. M. Radford CC Mr. R. J. Shepherd CC
Mr. O. O'Shea JP CC Mr. P. Bedford CC
Mr. L. Breckon JP CC

URGENT REPORT

| <u>Item</u> | <u>Report by</u> | |
|----------------|--|----------------|
| 9. County Deal | Chief Executive, Director of Corporate Resources and Director of Law and Governance | (Pages 3 - 14) |



This page is intentionally left blank

CABINET – 25 NOVEMBER 2022**COUNTY DEAL****REPORT OF THE CHIEF EXECUTIVE, DIRECTOR OF CORPORATE RESOURCES AND DIRECTOR OF LAW AND GOVERNANCE****PART A****Purpose of the Report**

1. The purpose of the report is to provide an update on the County Council's bid for a County Deal and to recommend a response to the consultation on what is known as "East Midlands Devolution" on the consultation website.

Recommendations

2. The Cabinet is recommended to agree that:
 - (a) Confirmation that the only County Deal currently on offer to Leicestershire is a combined county authority for Leicestershire, Leicester and Rutland (LLR), with level 2 devolution, be noted, a much reduced set of opportunities and benefits from those proposed by the County Council in its expression of interest in a County Deal which was welcomed by the Government;
 - (b) The possibility of a combined transport authority for LLR, under existing legislation, be noted;
 - (c) The Secretary of State for Levelling Up, Housing and Communities be requested in the context of levelling up the East Midlands with the West Midlands to consult on one or more other options in addition to the current consultation on the misleadingly named "East Midlands Devolution", recognising that the East Midlands in the Government's own definition includes areas other than Derby, Derbyshire, Nottingham and Nottinghamshire, and that public, private and organisational views on the best devolution option for the region should inform the Government's response; and
 - (d) The Chief Executive, following consultation with the Leader of the County Council, be given delegated authority to submit a County Council response to the "East Midlands Devolution" consultation in light of the Cabinet's consideration of this report.

Reasons for Recommendation

3. A Cabinet decision puts the County Council's position on the record.

Timetable for Decisions (including Scrutiny)

4. The consultation period for “East Midlands Devolution” closes on 9th January 2023.

Policy Framework and Previous Decisions

5. The matter has not previously been considered through the Council’s formal decision making process.

Resource Implications

6. Comments of the Director of Corporate Resources on existing devolution deals and the proposed “East Midlands” deal are included in Part B of the report, paragraph 15.

Circulation under the local Issues Alert Procedure

7. This report is circulated to all members of the County Council.

Officers to Contact

John Sinnott, Chief Executive
Tel: 0116 305 6000
E-mail: john.sinnott@leics.gov.uk

Chris Tambini, Director of Corporate Resources
Tel: 0116 305 6199
E-mail: chris.tambini@leics.gov.uk

Lauren Haslam, Director of Law and Governance
Tel: 0116 305 6240
E-mail: lauren.haslam@leics.gov.uk

PART B

Background

8. The County Council's bid for a County Deal has previously been reported directly to meetings of the Council by the Leader in his Position Statements, viz:

29th September 2021

"On the 15th July 2021 the Prime Minister, Boris Johnson, outlined his vision to deliver further funding and powers to counties, to deliver on his promise to "level-up" all regions of the country and complement the Government's existing programme of devolution to cities, towns and combined authorities (<https://www.gov.uk/government/news/pm-sets-out-new-county-deals-to-devolve-power-to-local-communities-in-levelling-up-speech>).

He invited those areas who had not yet agreed a deal with the Government, in the main the English county councils, to submit outline expressions of interest to the Government by 13th August 2021.

A bespoke County Deal for Leicestershire will mean the devolution of funding and powers from the Government to allow us to build and shape our communities locally, without having to continuously bid into an ever-increasing number of national funding pots, which limits our ability to work with our partners strategically and stifles growth and prosperity.

In brief, our County Deal bid calls for a £25 million per annum funding settlement over 30 years, allowing Leicestershire greater freedom and opportunities to deliver its own local priorities, such as being able to fund infrastructure to support development, drive economic growth, skills and prosperity, and taking effective action on climate change and carbon reduction, but all in line with the Government's agenda.

We want to unleash Leicestershire's full economic potential, raising living standards across the county, maximising every opportunity to increase our contribution to the UK economy. Our housing growth rate over the last 20 years is 21% compared to 16% in England and the number of homes over the last 5 years has grown by 6.7% compared to 4.7% nationally - 40% above the national average.

At present, there is inadequate funding to support the local planning authorities with their Local Plans and deliver infrastructure to support sustainable communities. The bid calls for an integrated £50 million per annum fund for five years, consolidating 11 separate national funding pots, to enable the creation of multi-year transport plans, to reduce excessive

bidding costs by ending an inefficient process, and enable greater funding certainties to support future growth and development in the county.

Let me be clear, this is not local government reorganisation by the back door, it isn't a bid for a unitary council and it is certainly not a "county takeover" of existing local government services. Successful deals may be dependent on the Government asking for an elected mayor, in return for powers and funding. It is also recognised that it will require working closely with district leaders, government departments, MPs and agencies such as Highways England, Network Rail and Homes England.

To this end, we have submitted an early expression of interest and I'm very grateful to all Leicestershire MPs for their help and advice with our outline bid. We have secured the support of all the county's MPs and I would urge all members to get behind our bid to ensure Leicestershire is in the vanguard of county deals invited to negotiate with Government."

1st December 2021

"I am grateful to all members for their support for our County Deal bid to the Government. I am particularly grateful to the Opposition group leaders, who have outlined their thoughts and expressed support for whatever brings extra investment into Leicestershire. It is also backed by all of Leicestershire's MPs, the leaders of the seven district councils in the county, the City Mayor and Oliver Hemsley, the leader of Rutland County Council.

Along with the deputy leader, Deborah Taylor and my senior leadership team, we were recently invited to a ministerial call to make our pitch for a county deal. It was a very positive meeting and we were well received. We stressed the strong local support and buy in that we have achieved by working closely with local stakeholders. I believe we are the only county council pitching a directly elected mayor, with other leaders pitching "strong county leader" models. We know Michael Gove is supportive of mayoral-led bids, so this puts us in a strong position. The next stage will be to await to hear from DLUHC [Department for Levelling Up, housing and Communities] to negotiate further on our bid, which, if successful, will allow us greater local flexibility and certainty of funding, to deliver on our strategic priorities.

As and when we have any more information, I will ensure that everyone is updated. As far as district leaders are concerned, I have put this on the agenda when I meet them on 16th December in the Members Advisory Group."

23rd February 2022

"I welcomed the publication of the Levelling Up White paper three weeks ago and the news that our bid for a County Deal was announced as one of the first 9 areas to be invited to enter talks with Government.

The Conservative Group agreed that our bid would propose an Elected Mayor for Leicestershire and this would give us the best opportunity of maximising new powers and new funding available from a County Deal. We were grateful for the support of the Opposition Group Leaders, the County's MPs and the seven District Council Leaders.

Discussions with representatives from Government have confirmed what I took from the White Paper, that the Deal for which we bid is only available over what Government calls a 'functional economic area' or FEA. In our case the FEA could not be Leicestershire only – it could be Leicester and Leicestershire, or Leicester, Leicestershire and Rutland.

The fact is that there is an Elected Mayor for Leicester already and he will not accept having another Elected Mayor over him.

I have discussed the situation with the City Mayor, and with the Leader of Rutland County Council. They are both really interested in seeing what can be negotiated with Government which, as leaders of neighbouring unitaries, the White Paper encourages.

At their invitation, we have started to discuss with Government what the White Paper calls 'a new form of combined authority model to be made up of upper tier local authorities only'. This is from the stand-point that we want to try everything possible to get additional funding and a greater say over capital funding for highway schemes.

We want to get a Deal which in White Paper terms is as close as possible to Level 3, unlocking the powers, funding and opportunities that Levelling Up envisages. I am doing everything I can with the Deputy Leader to get MP support for this.

If we do not succeed, we will be negotiating a combined authority model for Level 2, which would be second best in terms of powers and funding, but could give the opportunity to negotiate further powers in future. As an Administration, we will not be turning down an offer from Government of a County Deal."

9. Following the Council meeting on 23rd February, discussions took place with civil servants to try to find a way to accommodate in a deal what had been regarded on the ministerial call as ambitious and attractive elements of the County Council's expression of interest:
- an efficient and effective bidding process and funding model for highway capital schemes; the opportunities for gainshare or investment funding arising from such a model. [The County Council identified the potential to replace 11 existing funding pots.]
 - a pilot scheme to demonstrate the benefits of the White Paper's objective of 'streamlining the funding landscape', i.e. reducing the number of Government revenue grants and funding regimes/initiatives.

- delegation of funding to help maintain a viable local bus network.
- the retention of additional growth in business rates to influence and shape both housing and commercial/industrial development.
- a Better Care Fund for Children and Young People.
- working with agencies such as the UK Health Security Agency and NHS England, taking a lead local role in health protection.
- the retention of speeding fines from fixed camera sites.
- the retention of a proportion of the Aggregate Levy, ringfenced for environmental improvements.
- the acceleration of Project Gigabit funding.

This had the working title of level 2.5, offering at least some of the benefits of level 3 without being required to have an elected mayor. The feedback was that was not acceptable to ministers and all that was on the table for negotiation was a deal for a non-mayoral combined authority for Leicestershire, Leicester and Rutland under level 2 of the Devolution Framework in the Levelling Up the United Kingdom White Paper (as set out in the Appendix to this report).

10. It was also made clear to the County Council (and to Leicester City Council and Rutland County Council) that the first stage in the negotiation would be restricted to governance and not the content of a deal, that being prescribed by the Devolution Framework.
11. A first meeting in regard to governance was arranged for the end of March but postponed. Further dates were canvassed, agreed, but then postponed. A meeting with civil servants finally took place on 16th November, attended by the Leader of the County Council, the Deputy Leader, the City Mayor and the Leader of Rutland County Council, with senior officers. Outline proposals in respect of governance were shared.

“D2N2”

12. On 30th August the Government published details of a proposed “East Midlands Devolution Deal”:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1100741/East_Midlands_devolution_deal.pdf. At the same time the Government referred to a “proposed agreement for a devolution deal between the Government and four of the local authorities in the East Midlands (Derby, Derbyshire, Nottingham and Nottinghamshire)”. That is the area covered by the D2N2 Local Enterprise Partnership.

13. Consultation on that proposed deal (www.eastmidlandsdevolution.co.uk) began on 14th November, to run to 9th January.

Leicestershire, Leicester and Rutland (LLR)

14. The meeting on 16th November with civil servants clarified/advised that:
- The only option for LLR which the Government will consider is a non-mayoral combined county authority level 2 deal.
 - There is the possibility of a combined transport authority being set up for LLR under existing legislation.
 - Legislation to enable devolution deals (D2N2, LLR and other places) is making its way through Parliament.
 - The timescale for a LLR deal is unknown – a matter for the new DLUHC ministerial team.
 - The County Council if it wished (and the City and Rutland Councils) could respond to the D2N2 consultation. Draft legislation suggests responses are restricted to coming from the D2N2 geographical area.

Financial Implications of a County/Devolution Deal

15. Whilst there is a degree of variability in the devolution deals that have been agreed over recent years, the core financial features tend to be similar. Using the proposed “East Midlands” deal as an example the main features expected are:

| Feature | Implication | “East Midlands” |
|--|---|---|
| Formation of a combined county authority and the election of a directly elected mayor | Costs for the creation and operation of the mayor and combined authority structures | Government to cover 2023/4 (£0.5m) and 2024/5 (£1m); expected that future running costs will be met by Government or the constituent councils |
| Investment funding over 30 years to be invested to drive growth and take forward priorities over the longer term | Subject to five-yearly gateway reviews to confirm funding has contributed to economic growth and levelling up | £38m p.a. currently equivalent to £17.27 per person p.a. |
| Consolidated transport budget | Co-ordination at mayoral level, not new funding | Local highways maintenance funding and the Integrated Transport Block |
| Funding for new homes | Subject to agreement | £17m brownfield |

| | of business cases | £18m housing priorities |
|--------------------------|---|---|
| Council tax precept | Pay for mayoral budget | Granted all three powers, no commitment to use at this stage. |
| Business rate supplement | Economic development projects (subject to ballot) | |
| Powers to borrow | | |

16. The headline financial benefit is the investment fund although, as it does not inflate or grow with population, the impact will diminish over time. The proposed “East Midlands” deal is equivalent to the average of other deals, on a population basis, although the variation between deals is significant.
17. If the “East Midlands” £17.27 per person was repeated in a LLR deal the annual fund would be £19m, with £12m for Leicestershire County, assuming it was spent on a population basis. Whilst welcome, such funding would be of marginal help in supporting the County Council’s financial position, as expenditure needs to deliver economic growth, whereas our main funding challenge is supporting vulnerable people and delivery of other essential public services. The main benefit of the investment fund is likely to be the delivery of infrastructure that is not covered by developer funding. Government’s 5-year gateway process to continue to receive the investment fund is a feature of all deals.
18. The additional funding for new homes does not appear in the majority of devolution deals, reflecting some variety in focus. The funding awarded in the proposed “East Midlands” deal remains subject to Government-approved business cases. Homes England would retain an interest in appraising opportunities.
19. The devolved funding powers have not been widely used to date. Only Liverpool City Region and Greater Manchester have introduced a mayoral precept, with some other authorities preferring to provide additional funding through the constituent authorities. Similarly, only three combined authorities have used their borrowing powers. The inclusion of tax raising and borrowing powers in all devolution deals does suggest an ambition, on the part of Government, for combined authorities to become increasingly locally funded.

“The East Midlands”

20. Although the Government have to some extent qualified that the proposed deal is only for D2N2 as part of the region, the headline of a deal for “the East Midlands” is misleading. The Government’s own definition of the East Midlands includes the county areas of Derbyshire, Leicestershire, Lincolnshire and Nottinghamshire; the cities of Derby, Leicester and Nottingham; Rutland; and still the county area of Northamptonshire.

21. If the Government is intent on offering devolution to “functional economic areas”, particularly in the context of comparison with the West Midlands, there is good reason to consider a meaningful definition of the East Midlands and not limit devolution to the D2N2 area.
22. The following is an extract from the “East Midlands Devolution Public Consultation Toolkit”:

“Why is it being called the East Midlands Combined County Authority, when parts of the East Midlands - Leicester, Leicestershire, Lincoln, and Lincolnshire - aren’t included?”

Although it doesn’t include every area in the East Midlands, the proposed Combined County Authority is referred to as the East Midlands Combined County Authority because it is the only devolution proposal being considered which covers any part of the East Midlands.

Why isn’t devolution across the whole of the East Midlands an option?

At some point in the future other cities and counties in the East Midlands - Leicester and Leicestershire, or Lincoln and Lincolnshire - could decide to join a new combined authority area. For this to happen there would need to be local consensus and agreement, and a desire to take part, as joining is entirely voluntary.

From a local perspective the door is always open for other areas to join later, subject to agreement from national Government.

This consultation is to get opinions about the devolution proposal as it currently stands, which covers Derbyshire, Nottinghamshire, Derby and Nottingham, as that’s what’s on the table from the Government right now.”

Government officials have been advised that it would not currently be the intention of the County Council’s leadership to consider joining a D2N2 combined authority at a later date, i.e. after a mayor has been elected, structures have been established, funding allocations determined and a ‘regional headquarters’ set up and recognised. It would be a matter for the County Council to determine if it came to a possibility of joining.

23. Other concerns have been expressed about the appropriateness and efficacy of a D2N2 deal, e.g. from the Centre for Cities (<https://www.centreforcities.org/blog/the-east-midlands-devolution-deal-will-make-levelling-up-more-difficult/>).

Conclusion

24. Th D2N2 proposed deal has progressed in a way which was not open to the County Council once the criterion of a functional economic area, introduced without notice in the White Paper, stopped Leicestershire pursuing a level 3 deal. The City Mayor of Leicester will not support a bid for a level 3 deal which would create a separate elected mayor. It is, however, open to the

County Council to put on the record its concerns about the D2N2 deal and to request the Government to consider if devolution to the East Midlands is best served by its current proposals.

Equality and Human Rights Implications

25. There are no equality or human rights implications arising from the recommendations in this report.

Background Papers

Position Statements by the Leader of the County Council at Council meetings -

29th September 2021 - <https://bit.ly/3VlcSkj>

1st December 2021 - <https://bit.ly/3gvuLhD>

23rd February 2022 - <https://bit.ly/3tSFDcD>

Appendix

Levelling Up the United Kingdom White Paper – Devolution Framework

Table 2.3 Devolution Framework

Level 3 – A single institution or County Council with a directly elected mayor (DEM), across a FEA or whole county area

Level 2 – A single institution or County Council without a DEM, across a FEA or whole county area

Level 1 – Local authorities working together across a FEA or whole county area e.g. through a joint committee

| 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) | | | ✓ |

** refers to functions which are only applicable to combined authorities*

^ refers to functions which are currently only applicable to mayoral combined authorities