

Cabinet

5 March 2024

Devolution for Warwickshire

Recommendation

That Cabinet:

Supports progressing a Level 2 devolution deal for Warwickshire and authorises the Chief Executive, in consultation with the Leader, to negotiate and finalise a devolution agreement for Warwickshire, subject to any further Council approvals necessary in respect of legislative changes required to implement the deal.

1. Executive Summary

- 1.1 Following the publication of the Levelling up White Paper in February 2022 and its subsequent passing into law through the Levelling Up and Regeneration Act in October 2023, Warwickshire County Council has actively engaged in both the Levelling Up and Devolution agendas.
- 1.2 The White Paper and subsequent Act outlines the Government's strategy to "spread opportunity and prosperity to all parts of the country" by 2030, through twelve national missions, of which one, Local Leadership, encapsulates the Government's aspiration 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 and a simplified, long-term funding settlement".
- 1.3 In response to the White Paper, in July 2022 Cabinet approved the Countywide Approach to Levelling Up, supported by a series of local pilots and the creation of a £2.5m Social Fabric Fund (agreed by Cabinet in April 2023) to invest primarily in the 22 most deprived Lower Super Output areas in the county. Progress and achievements to date were reported in an annual progress review reported to Cabinet in January 2024, at which Cabinet agreed to bring the Levelling Up and Community Power agendas under the single *Creating Opportunities* identity.
- 1.4 Recognising the opportunities of devolution for the local levelling up agenda, devolution options for Warwickshire have also been actively considered:
 - the Leader of the Council wrote to the Secretary of State in March 2022 expressing the Council's interest in being invited to commence negotiations on a devolution deal for Warwickshire;

- a cross-party Member Working Group was established to develop and consider options for devolution in Warwickshire, reporting back to Cabinet in May 2023, concluding that without local support for a Level 3 deal and given the limited national interest at that time in Level 2 deals, we were not in position to pursue a devolution deal at that stage; and
- considering opportunities for closer working with the West Midlands Combined Authority (WMCA) as a non-constituent member and geographical neighbour. This closer working is most obviously being progressed on the West Midlands Investment Zone proposals, which include the Coventry and Warwick GigaPark site intended to go live in April 2024 and is subject to a separate paper on today's Cabinet agenda.

- 1.5 Following the Government's Autumn statement 2023, which set out the Government's intention to offer Level 2 devolution powers to councils that cover a functional economic or whole county area and meet relevant criteria, the County Council re-stated its interest in a Level 2 deal. Through the Department of Levelling Up, Housing and Communities, Government has responded with a potential standardised offer to seven Councils, including Warwickshire.
- 1.6 Given the timing of local elections and the impending national elections, Government currently intends to agree such standard Level 2 devolution deals by the end of March 2024, with the Deals coming into force from April 2025 once the necessary Regulations have been laid before Parliament and agreed by Council as necessary. Timescales are tight and there is no scope from Government to vary the content of the template deal. Government is positioning the template deal as a strong basis for subsequent negotiation of deeper and more tailored devolution deals into the future.
- 1.7 At this stage, the proposed deal requires Government and the Council to confirm that they are 'minded to agree a devolution framework agreement that will provide Warwickshire with new powers and funding to increase opportunities and living standards'. There are a number of governance requirements including maintaining a Leader and Cabinet executive governance model, scrutiny arrangements for the Level 2 Deal, and agreement that the Council will be subject to the English Devolution Accountability Framework.
- 1.8 In line with the provisions of the Levelling Up and Regeneration Act, the deal would be made with Warwickshire County Council. To support successful delivery of the deal the County Council will engage and continue to work closely with district and borough councils together with other public, private and voluntary sector leaders. Therefore, throughout this process effective engagement with District and Borough colleagues and wider stakeholders will remain paramount.
- 1.9 This report presents an outline of the proposed devolution deal arrangements to Cabinet for consideration.

2. Financial Implications

- 2.1 The nature of the Level 2 devolution deal being offered by the Government means that at this stage there is not expected to be any additional capital funding provision as part of the deal. This limits the impact when compared with the long-term investment funds, established on a gainshare basis as part of the Level 3 and Level 4 deals, typically worth around £15m pa. Securing such a long-term investment fund is a key devolution priority for Warwickshire in the next stage of our devolution journey beyond this Level 2 Deal.
- 2.2 The Government will devolve to the County Council, as the administering body, funding for the devolved activity. However, it should be noted that this is not new or additional funding; it is funding that would have been previously allocated for Warwickshire but administered through the mechanics of central Government at a national level. It should also be noted that the administrative costs to the County Council of administering the Level 2 Deal will need to be covered from the devolved funding. These costs are not expected to be significant.
- 2.3 The specific financial implications of securing this deal are set out below:
- The County Council would be directly responsible for the allocation of the Adult Education Budget from the financial year 2026/27 onwards. For the 2023/24 academic year, this funding is estimated to be £7.6m and so is likely to be a similar amount on an ongoing annual basis. Over time as the allocation of this resource is tailored to reflect Warwickshire specific needs and priorities discussion will be needed with providers and other stakeholders about the planned use of the funding and adaptations to current programmes of activity that may be required.
 - The planning and delivery of the UK Shared Prosperity Fund (UKSPF) for Warwickshire would become the responsibility of the County Council from April 2025 onwards, a responsibility currently held by the District and Borough Councils. The allocation across the five district and boroughs in 2023/24 is c. £10.9m and we would expect a similar amount going forward on an annual basis. This arrangement would also create the opportunity for 'double devolution' and access to funding and/or powers at a more local level, requiring engagement with the district and borough councils, and other local partners, to ensure the needs of partners can be effectively addressed.

3. Environmental Implications

- 3.1 Climate change and net zero are both featured within the proposed deal, providing the opportunity to secure closer working with central Government and a platform for further work going forward.

3.2 Climate change is an area where there is significant opportunity for Warwickshire to work more closely with the West Midlands Combined Authority and engage with its Deeper Devolution Deal which includes a number of elements relating to climate. A Level 2 devolution deal for Warwickshire would enable progression of a number of opportunities to support implementation of our Sustainable Futures Strategy, for example housing retrofit.

4. Supporting Information

4.1 Following the publication of the Levelling Up White Paper in 2022 the Government has agreed a number of devolution deals across the country.

4.2 These offer a variety of both devolved powers, functions and funding, based upon the level at which they agreed – ranging from Level 1 up to a new Level 4 deal (introduced in the Autumn statement 2023).

4.3 Deals at Levels 3 and 4 offer the highest levels and the greatest degree of devolution, but also require more substantial local governance arrangements, crucially including locally directly elected Mayors or Leaders, for which there is currently no appetite within Warwickshire. As a result, these have to date, largely only been secured by existing Combined Authorities or in areas where a Combined Authority will be established.

4.4 A number of devolution deals have progressed over the past 12 months, with a critical mass of devolution deals now agreed as set out in the table below:

Level	Executive	Area
3	Directly Elected Mayor - trailblazers	Greater Manchester Combined Authority, West Midlands Combined Authority (WMCA)
	Directly Elected Mayor	Greater Lincolnshire Mayoral Combined County Authority (MCCA), North of Tyne MCCA, East Midlands MCCA, Hull & East Yorkshire Mayoral Combined Authority (MCA), Suffolk County Council, Norfolk County Council, York & North Yorkshire MCA, West Yorkshire MCA
2	Combined County Authority (CCA) Board	Devon and Torbay (CCA), Lancashire (CCA)
	Existing Leader and Cabinet model	Cornwall Council

4.5 Most recently, a standardised offer has been made to Warwickshire County Council as one of seven Councils nationally. The key elements of the deal are set out below:

- a) Fully devolve the Adult Education Budget for Warwickshire to the County Council, along with funding for Free Courses for Jobs (Level 3 qualifications focused around key business sectors), from 2026/27;
- b) Strategic management of the Warwickshire allocation of the UK Shared Prosperity Fund (UKSPF) from 2025/26;
- c) Integration of Local Enterprise Partnership (LEP) functions into the Council;
- d) Devolution of Homes England compulsory land assembly/purchase powers to be concurrently held with and exercisable by Homes England;
- e) Access to bus franchising powers;
- f) Ability to input into the Local Skill Improvement Plan (LSIP) for Warwickshire; and
- g) Strengthen links between national and local work on climate change and energy planning, including the potential introduction of Environmental Improvement Plans at a local level and support to the Nature Recovery Strategy.

A fuller analysis of these elements of the deal, and an assessment of their potential benefit to Warwickshire, is set out in **Appendix 1**.

- 4.6 Whilst the deal does not go as far as the devolution options the Council's Member Working Group explored last year, the nature of the deal does mean there is very little risk involved for the County Council. The Council would take on the above functions and powers under arrangements that are tried and tested through other devolution deals.
- 4.7 Headline benefits largely relate to the ability to have greater control over funding and to operate devolved powers at a strategic scale to maximise impact, align with wider local activity and enable greater focus on local need.
- 4.8 The elements of the deal also complement a number of core strategies and key streams of activity either recently agreed or in development by the Council, including: the Sustainable Futures Strategy; Local Transport Plan; Economic Growth Strategy; and the overall approach to Creating Opportunity.
- 4.9 Adoption of the deal also provides Warwickshire with a platform for further devolution into the future and closes the gap with other areas who have already secured a Level 2 or 3 deal.
- 4.10 The deal will also potentially strengthen the County Council's ability to work with the WMCA and link to the different elements of the Deeper Devolution Deal notably for Adult Education, Skills and Climate Change.
- 4.11 On balance therefore, and in light of the above, it is considered beneficial to Warwickshire to pursue a Level 2 deal at this stage.
- 4.12 Specific governance requirements underpin the proposed deal, including:
 - maintaining a Leader and Cabinet executive model;

- scrutiny arrangements will need to be in place for the deal, utilising the Overview & Scrutiny Committee structure and providing a lens on the different aspects of the deal;
 - the Council would be subject to the English Devolution Accountability Framework, which applies to all English institutions with devolved powers;
 - the Council would need to work with Government to develop a full implementation plan for the deal, including work to give the public and stakeholders a clear understanding of the powers and funding that are being devolved.
- 4.13 Similarly, whilst the deal will be with the County Council as the upper-tier authority, significant effort will be necessary to engage and work with key stakeholders and partners to maximise the benefits of devolution to the whole County. Where possible this will be done through our existing mechanisms and forums, which will be enhanced as appropriate.

5. Timescales associated with the decision and next steps

- 5.1 Subject to approval by Cabinet, Government's intention is to agree broad principles for the deal before 31st March 2024, with both Government and the Council confirming their intention to agree a devolution framework agreement which will provide Warwickshire with new powers and funding to increase opportunities and living standards.
- 5.2 Thereafter the seven Councils would work with Government to finalise the detail of the agreement, following a standard template, with Government pursuing the required statutory process for passing secondary legislation to confer the devolved functions on the Council. It is envisaged that secondary legislation and further Council approvals would be required in respect of the devolution of the adult education budget and the Homes England compulsory purchase powers and further reports will be brought back for member decision making as appropriate. Due to the statutory process that needs to be followed, it is expected to take approximately 12 months to complete, meaning that the actual powers would come into force in 2025.
- 5.3 As set out in paragraph 4.12, an implementation plan for the next stage of the process would need to be agreed with Government alongside confirmation of governance arrangements for the deal within the Council, with partners and with Government.
- 5.4 It should be noted that the above timescales are indicative and may be subject to change as they will need to adapt to the requirements of the seven Councils and central Government.

Appendices

Appendix 1 - Assessment of the deal elements

Background Papers

1. Developing a Devolution Deal for Warwickshire – Cabinet, March 2022
2. Levelling Up and Devolution for Warwickshire, - Cabinet, May 2022
3. A Countywide Approach to Levelling Up in Warwickshire, - Cabinet, July 2022
4. Developing Devolution Deal for Warwickshire – May 2023
5. West Midlands Combined Authority and Devolution for Warwickshire – Cabinet, July 2023
6. Devolution for Warwickshire & West Midlands Combined Authority – Cabinet Sept 2023

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The report was circulated to the following members prior to publication:

Local Member(s):

Other members:

Appendix 1 – Devolution deal elements

Element	Analysis
<p>Funding</p> <p>Adult Education budget (the post-19 budget to support skills and training in Further Education or by training providers), excluding funding for apprenticeships.</p>	<p>This is considered beneficial to Warwickshire.</p> <p>Devolved control over the adult education budget would mean that skills provision can be better tailored to the particular needs of businesses and communities within the county, by taking a more granular and targeted approach than is possible through a national model of funding allocations. Devolved control would also enable more flexibility in delivery, enabling tailored provision to meet identified needs in an area.</p> <p>The WMCA have had control over the adult education budget for a number of years and have had considerable success in flexing delivery and achieving improvements in outcomes in key target areas. There would be opportunity for stronger alignment of skills with Coventry and the wider WMCA, which is important given that many training providers look to operate over a wider geography and the relative flexibility of funding available in the WMCA area compared to the current national approach in Warwickshire has led to some providers reducing activity in the county.</p> <p>The value of the adult education budget for Warwickshire is estimated to be c. £7.6m per annum. Warwickshire County Council would become responsible for the allocation and monitoring of funding, providing appropriate assurance to the Department for Education. This would require a level of resource to co-ordinate and manage effectively, but this can be funded through the devolved resources provided.</p>
<p>UK Shared Prosperity Fund (UKSPF)</p>	<p>While this does not necessarily bring additional funding into Warwickshire (as it is currently managed at the District/Borough Council level), it would enable a more strategic and coordinated approach to funding of activity, such as business support and employment & skills activity.</p> <p>Currently a range of agreements are in place that seek to co-ordinate and pool funding to enable this activity to be commissioned at a county-wide level, but this is not a particularly streamlined or efficient model. By having strategic control over the funding, resources could be better deployed and greater outcomes achieved. Local input would be critical and needed with respect to the place-shaping, double devolution and community elements of the UKSPF programme, and close working with the district and borough councils would be critical to this.</p>

	<p>The likely annual allocation of UKSPF moving forward is likely to c. £10m per annum. This is less than historic levels of funding for business support, employment and skills, and regeneration activities, so it will be essential that this is deployed in the most effective and efficient manner, ensuring alignment with wider activity. As such, it is considered beneficial to Warwickshire to have more strategic oversight of the funding, working closely with partners.</p>
<p>Functions</p>	
<p>Integration of Local Enterprise Partnership (LEP) functions</p>	<p>This is less relevant to Warwickshire than it might be for other counties.</p> <p>Coventry & Warwickshire are ahead of many areas in this regard and have already wound down the Coventry & Warwickshire LEP and integrated relevant functions to the WMCA and Warwickshire County Council respectively.</p>
<p>Ability to input into the Local Skill Improvement Plan (LSIP)</p>	<p>The ability to develop a Warwickshire focused LSIP is considered helpful.</p> <p>To effectively shape and inform a locally tailored use of the adult education budget, it will be important to have the feedback and input from the business community on their specific needs. An LSIP is a business-led plan which can help do this.</p> <p>Currently, Warwickshire is included within a much broader WMCA & Warwickshire LSIP. A specific, Warwickshire-focused LSIP would therefore be beneficial to the county, working with Coventry in particular and the wider WMCA to achieve sub-regional and regional benefits.</p>
<p>Climate change</p>	<p>This element of the deal would complement the direction and activity set out in the Sustainable Futures Strategy and provide a platform for what we know will be both a long-term and national-level challenge and so is considered beneficial.</p> <p>The devolution framework will offer the opportunity to adopt innovative local proposals to deliver action on climate change and the UK's net zero targets. This will include support for approaches in buildings & retrofit, local area energy planning: environmental planning, nature recovery and green jobs.</p>
<p>Powers</p>	
<p>Access to Bus franchising powers</p>	<p>Bus franchising is not currently a model that could be recommended for Warwickshire and it is unlikely that we would utilise such a power in the medium-term.</p> <p>With bus franchising powers, Warwickshire County Council would be able to directly set bus routes, services, timetables and frequencies, as well as any service quality standards; and receive the income generated. Bus services would be franchised via competitive procurement. While Warwickshire County Council, as the Local Transport Authority, has the existing ability to request bus franchising, this would require a number of significant steps to be undertaken and secondary legislation approved. This element of the devolution deal effectively helps accelerate this</p>

	<p>process and makes it significantly easier to establishing a bus franchise model in the county.</p> <p>However, bus franchising brings significant financial risks as the costs of operating a bus network across the county could well exceed the income that could be generated. These financial risks are likely to be too significant for bus franchising to be a viable option at this time.</p>
<p>Adoption of Homes England and Compulsory land assembly/purchase powers</p>	<p>This is considered to be beneficial to Warwickshire.</p> <p>These powers would potentially support work on regeneration schemes and work with district and borough councils relating to strategic planning. It should strengthen and accelerate our existing abilities to undertake Compulsory Purchases and enable stronger joint working with Homes England to support housing growth, regeneration and development of employment land. While this power is often a last resort option and may never be fully utilised, it does increase the Council's ability to influence and shape development in an area.</p>