

Public Document Pack

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03 January 2025

Dear Member,

Cabinet - Thursday, 9 January 2025

Please find enclosed the following documents for consideration at the meeting of the Cabinet on Thursday, 9 January 2025 which were unavailable when the agenda was published.

Agenda No	Item
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3.	Local Government Devolution and Reorganisation (Pages 3 - 16)
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The papers were delayed to enable the dialogue with neighbouring authorities to be completed to ensure a coordinated and agreed approach to the proposals for consideration.

Yours sincerely

Tony Kershaw
Director of Law and Assurance

To all members of the Cabinet

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Key decision: Yes
Unrestricted
Ref: CAB08 (24/25)

Report to Cabinet

9 January 2025

Local Government Devolution and Reorganisation

Report by the Chief Executive and the Director of Law and Assurance

Electoral division(s): all

Summary

The Government, on 16 December 2024, published a White Paper providing detailed proposals for English devolution that would involve the creation of new mayoral combined authorities. The paper includes proposals for local government reorganisation aligned with the implementation of the devolution plans based on the geography of upper tier local authorities comprising a new combined authority.

The ministerial letter accompanying the White Paper invites upper tier local authorities to work together in their area to develop combined authority proposals in line with the criteria set out in the White Paper and to submit those proposals to the Government for consideration by 10 January 2025. For areas which cannot reach agreement on a proposal the White Paper explains that the Government will bring forward legislation to establish strategic authorities at a later stage.

Should the Government determine that the proposal for an area should proceed as part of a priority programme of devolution the Government would be expected to exercise its powers to postpone local government elections planned for May 2025 for one year, to allow for the development of more detailed proposals during 2025.

This paper explains the proposals being developed by the County Council and neighbouring upper tier local authorities in response to the invitation, including a request to use the power to postpone county council elections in May 2025.

Due to the need for this matter to be determined as soon as possible the Cabinet has secured agreement from the County Council Chairman for this key decision to be taken without prior notice in the Forward Plan of key decisions (Part 4, Section 1, Standing Order 3.57) (Regulation 11) because delay would prejudice the County Council's interests.

Recommendations

Cabinet is asked to approve that the Leader writes, jointly with the leaders of East Sussex County Council and Brighton and Hove City Council, to the Minister of State for Local Government and Devolution:

Agenda Item 3

1. Confirming the County Council's commitment to devolution and local government reorganisation as part of the Government's Devolution Priority Programme, based on a proposal for the devolution of powers to a new combined authority for Sussex covering the areas of the three upper tier authorities (West Sussex, East Sussex and Brighton and Hove).
 2. Confirming the County Council's commitment to developing proposals for unitary councils across the area including West Sussex to be included in the proposed combined authority for Sussex.
 3. Inviting the Government to postpone the County Council elections due in May 2025, for a year, to enable the proposals for local government reorganisation to be developed and to enable the early implementation of the proposed devolution arrangements.
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1 Background and Context

- 1.1 The Government has issued a White Paper for English devolution. It contains details of proposals for the extension across the whole of England of combined authorities led by a directly elected mayor to carry responsibility for a defined set of devolved strategic powers. The combined authorities would be established to cover areas with a minimum population of 1.5m.
- 1.2 The combined authorities would be given strategic powers in relation to planning, housing and economic development, expected to be followed by the inclusion of other strategic powers currently exercised by established mayoral combined authorities in England. Legislation to enable the devolution plans to be implemented is expected to be brought forward early in 2025.
- 1.3 In letters from the Minister of State for Housing Communities and Local Government (MHCLG) all upper tier and neighbouring unitary councils in areas currently without combined authorities are invited to discuss and prepare proposals for their area based on the criteria set out in the White Paper. Those proposals are to be submitted no later than 10 January 2025. The Government will then consider whether to include a proposal in its Devolution Priority Programme (DPP) which would mean the proposal would be available for implementation by May 2026 with elections for a mayor.
- 1.4 The intention in the White Paper is for the councils comprising a combined authority to have a minimum population of 0.5m. In those areas where current local government arrangements do not meet the prescribed population size, the Government intends to introduce arrangements for the reorganisation of local government to align the delivery of combined authorities and devolution of new powers with those where strategic combined authorities are established. Local government reorganisation would, if approved by the Government, follow in the two years after the establishment of the new combined authority.
- 1.5 The English Devolution White Paper makes four fundamental changes to earlier approaches to devolution:

- Introduction of Mayoral Combined Authorities to all areas of England and associated move to unitary government replacing two tier local government where it exists.
 - Clarity about the powers available and the conditions for accessing them replaces an approach based on negotiation.
 - Clarity about the size of authorities (unitary councils at least 0.5m population and Mayoral Combined Authorities at least 1.5m population)
 - Clarity about the role of a mayor in relation to current local government responsibilities for strategic planning and housing and, in time, for wider public services including Police, Fire and Rescue, Probation, skills and employment support, environment and climate change, business support, health and health inequalities.
- 1.6 The White Paper sets out the Government's ambition for rebalancing power from central government with more emphasis on visible local leadership and accountability, with a stated intention to establish Strategic Authorities (SAs). These will be either a Foundation Strategic Authority (a non-mayoral combined authority or county combined authority) or a Mayoral Strategic Authority. The Government's preference is for all parts of the country to eventually have a Mayoral Strategic Authority. Having established the Council of Nations and Regions and the Mayoral Council, the policy places mayors "front and centre" as critical partners to the Government.
- 1.7 The White Paper sets out in detail a proposed list of areas of competence where Strategic Authorities should have a mandate to act strategically to drive growth and provide support on shaping public services. These include:
- Transport and local infrastructure
 - Skills and employment support
 - Housing and Strategic Planning
 - Economic development and regeneration
 - Environment and climate change
 - Health, wellbeing and public service reform
 - Public safety
- 1.8 The White Paper contains a Devolution Framework summary table which explains the two forms of strategic authority – Foundation and Mayoral as well as the further ambition to 'established' Mayoral SAs after a prescribed period. The differences in powers and functions between these are set out in **Appendix A** to this report. In two tier areas the Government will initially establish Combined County Authorities. District and borough councils will not be constituent members although the Government expects that constituent members would work collaboratively with their districts and boroughs. This would accord with our view about how the new arrangements could work most effectively.
- 1.9 The Government has committed to a simplified funding landscape for SAs with Mayoral Strategic Authorities receiving a consolidated funding pot covering local growth; place; housing and regeneration; non apprenticeship adult skills and transport. Foundation Strategic Authorities (non-mayoral) will have less flexibility, receiving dedicated local growth allocations decided by formulae.

- 1.10 In terms of the area covered by SAs, the White Paper sets out that the default assumption is for SAs to have a combined population of 1.5 million or above. The areas must cover a sensible economic geography with a focus on functional economic areas, travel to work patterns (which may be multiple areas) and local labour markets. The area must be contiguous across its constituent councils and the Government's strong preference is for more than one Local Authority to form a partnership over a large geography.
- 1.11 To enable the proposals to be brought forward in more detail and to enable the establishment of combined authorities at pace, to include the inaugural election of directly elected mayors to lead the combined authorities, the Government would intend to exercise its power to postpone local government elections scheduled for May 2025 for one year. The need to postpone elections beyond May 2026 would depend upon the progress made in developing and securing approval for the devolution proposals for an area and any associated Government plans for local government reorganisation.

2 Detail of proposals

- 2.1 Given the clear intent and timetable presented by the Government the leaders of the three upper tier authorities across Sussex have considered how best to respond to the invitation for a devolution proposal. It is intended that the three authorities propose that a Strategic Authority be established for all of Sussex, comprising the administrative areas of West Sussex County Council, Brighton and Hove City Council and East Sussex County Council, with a combined population of about 1.7 million. It is considered that this meets the criteria set out in the White Paper.
- 2.2 The Government seeks to promote alignment between devolution boundaries and other public sector boundaries. The proposed area would be coterminous with Sussex Police and the Integrated Care System (ICS). The White Paper emphasises that a successful devolution must include the ability of local residents to engage and hold the SA to account. It is felt that close partnership working across the geography of Sussex has been increasingly effective in recent years and that there is more likely to be alignment with community connection and accountability than with a larger geography.
- 2.3 It is proposed that a letter is sent by the Leader, jointly with the leaders of East Sussex County Council and Brighton and Hove City Council to the Minister of State MHCLG by 10 January for the establishment by May 2026 of a mayoral combined authority for the whole of Sussex, comprising the areas of West and East Sussex and Brighton and Hove.
- 2.4 The Government's direction of travel is towards unitary status for two-tier areas and its expectation is that all two-tier areas will develop proposals for reorganisation. The White Paper sets out that the Government will work closely with authorities to understand what support is needed to develop robust proposals and implement new structures. There will be various options for the make-up of councils which could comprise a strategic authority across Sussex guided by the Government's expectation of a minimum population size of 500,000. The parameters in the White Paper mean that reorganisation to three new unitary councils in Sussex would be the most suitable approach to the government's aims. The strong county

identities of West and East Sussex, along with the City of Brighton and Hove provide a good starting point for strong and recognisable identities around which to build this model. It will require wider engagement and review to refine and finalise any proposal but that will be the basis on which we will enter discussions around the future of local government in West Sussex

- 2.5 It is therefore too early to describe what form the reorganisation would take in Sussex, and we will wait for the formal invitation from the Government should the request to join the priority devolution programme be accepted. Proposals to be worked up in response to that invitation would be informed by the assessment of community connections, the identity of places and effective service delivery as well as how best to address the need to reconfigure service provision, transfer liabilities and plan funding whilst also creating a new unitary structure for the area. The implications for the three areas of Sussex may be different but the critical issue is collaborative working with partners, stakeholders and communities to secure the best outcome.
- 2.6 It is proposed that the letter includes proposals for the reorganisation of local government for Sussex to ensure that the areas of the upper tier local authorities which would comprise the new combined authority meet the Government's principles. At this stage this would only be part of the expression of interest in response to the Government's invitation. It is then for the Government to set out its proposals and arrange consultation and engagement. If change is ultimately approved, it is expected that this would be implemented for April 2027 or 2028. The initial combined authority would operate across current local government arrangements for Sussex. A shadow authority would be expected to be elected in May 2027.
- 2.7 It is also proposed that the Government be invited to exercise its powers to postpone the elections for the County Council scheduled for 1 May 2025 whilst the proposals are developed in greater detail and to enable the broader engagement and consultation the Government's scheme will require.
- 2.8 The decision whether to postpone the election will be for the Government. It would mean delaying for one or, depending on progress with reorganisation plans, two years, the opportunity for the local electorate to determine the make-up of the Council. This needs to be weighed against the significant resource and member involvement which will be needed to manage the demands of planning and delivering devolution alongside reorganisation with potential Mayoral elections in 2026 and shadow authority elections in 2027. It would prove significantly more challenging to successfully complete such an ambitious project while at the same time holding County elections and inducting new members who would be standing for election again less than two years following their election.

3 Consultation

- 3.1 The Government has led on the consultation with local government associations and with local government leaders across England, including the leaders of upper and lower tier councils across Sussex.
- 3.2 The Leader and Chief Executive have actively engaged in discussions with their counterparts in the other upper tier councils of Sussex to discuss

options for the development of devolution plans for the area and the benefits of the early adoption of devolved strategic powers for the benefit of communities across Sussex by requesting to be included in the Devolution Priority Programme.

- 3.3 Community engagement in the plans, benefits and challenges of reorganisation will follow should the proposals be approved by the Government for further development. In January the Government will launch consultations on mayoral devolution with a view to Ministers taking a decision on whether statutory tests have been met and start the legislative process work to establish a Combined Authority. It is expected that a consultation will run for 6 to 8 weeks.
- 3.4 Devolution is a collaborative process which will require continuous engagement and collaboration with neighbouring Sussex local authorities, public sector institutions including the NHS, Police and East Sussex Fire Authority, businesses, and further and higher education providers and other key local organisations and businesses
- 3.5 There will be inherent challenges to ensuring connections with local communities are maintained and the needs of those communities properly understood and represented. Any proposal for a unitary council would need to set out how local connections are maintained. The Local Government Boundary Commission for England Guidance sets out requirements to have the right number of elected members to adequately provide strategic leadership, accountability and community leadership. The County Council and its partners in the proposal would work with the Commission to put in place the appropriate division constituency areas prior to the election. Should this not prove possible the councils would discuss with the Government the appropriate number of Councillors for an interim period before an appropriate Commission Review as has happened in other places.

Next Steps

- 3.6 The expected timeline is:
- Submission of proposals for Strategic Authorities by 10 January.
 - January - Government's response and decision on inclusion in priority programme for devolution.
 - A formal invitation to submit reorganisation proposals will be issued to authorities in January.
 - In March 2025 areas will submit indicative reorganisation plans.
 - The results of the devolution consultation will be assessed in the Spring 2025 following which a Ministerial decision will be taken as to whether to proceed with a Mayoral Combined County Authority (MCCA - prior to unitary re-organisation). The Spending Review will then confirm future mayoral investment funds for new mayoral areas.
 - In the Autumn 2025 areas will submit their re-organisation proposals. At this time relevant legislation will be laid before Parliament in relation to the creation of MCCAs.
 - At the end of 2025 and in early 2026 Ministers will consider unitary proposals and delivery phasing with statutory consultations being undertaken on the first tranche of proposals.

- In March 2026 notice of mayoral elections will be given for a Mayoral election in May 2026. A decision whether to move to a Mayoral Combined Authority under the reorganised arrangements would follow.

3.7 Timelines for the remainder of the reorganisation process will be subject to the proposals received. It is expected that elections for a shadow authority will be in May 2027 with new unitary councils going live in 2028.

4 Other options considered

4.1 The options for devolution proposals are entirely set by the criteria within the White Paper. It is not possible for the County Council to bring forward proposals which are outside the parameters set out in the White Paper. Nor is the Government interested in competing proposals for a particular area. This means that a joined-up and agreed approach by those making the proposal is important.

4.2 The White Paper is clear that the Government intends that all of England be devolved by default and is committed to ending the deals-based approach. The Government will also legislate for a ministerial directive, which will enable it to directly create Strategic Authorities in any places where local leaders have not been able to agree how to access devolved powers. Therefore, there is no option to “do nothing” for progressing devolution.

4.3 It would be possible to decline the invitation to join the priority programme of devolution proposals, but this would delay the devolution to locally elected bodies of the significant strategic powers other English regions currently enjoy and that others will acquire through the priority programme.

4.4 It would be possible to discuss proposals with other upper tier councils across the south east but there are natural limits to the benefits of devolution being exercised across a wider geographical and economic area and they would require more complex changes to local government areas to accommodate the criteria set out in the White Paper.

5 Financial consequences

5.1 There will be immediate financial implications for the resources required to being forward more detailed proposals, but it is not expected that these will be significant or require costs additional to those contained within current budgets. This would need to be reviewed further should the proposals be approved for inclusion in the priority programme. Should the Council be successful in gaining a place on the Devolution Priority Programme this will be reviewed, and the Council will need to take advantage of the Government’s offer of capacity funding which will flow from the year prior to the mayoral election (May 2026).

5.2 The postponement of county council elections would mean that the costs of the scheduled County Council elections would not need to be incurred at least until 2026. The expected cost for May 2025 is around £1.5m. There would remain the possibility of by-elections during the additional year of the County Council, but the costs of a small number of bye-elections are currently budgeted for. Postponement to 2027 would also bring the benefit of coordination with other elections and so lower the cost of county council elections.

- 5.3 There are no currently definitive assessments of the financial benefits of local government reorganisation although various reports are available of those councils that have made the change to unitary from two tier. It is very clear from the White Paper that the government expects that there will be savings arising from reorganisation which can be 'reinvested in local services'. The detailed financial impact and benefits analysis will only be possible once the detailed proposals and the transition arrangements in relation to current liabilities and commitments and the transfer of financial provision for these are fully understood. The primary financial benefits of moving into the new configuration of unitary and Mayoral Combined Authority would be the access to funding and flexibility of use of an integrated pot that a combined authority model would bring.
- 5.4 The areas identified in the White Paper will, in time, provide significant opportunities to work across councils and the local public sector to tackle more effectively, as at local level, the drivers of demand and the ability to align efforts across organisations to secure greater financial effectiveness.

6 Risk management

- 6.1 The County Council would not wish to miss the opportunity to respond positively to the Government's invitation and through positive collaboration with neighbouring authorities. The Government makes clear in the White Paper its intention to implement combined mayoral authorities across the whole of England and it is preferable for this to happen through arrangements led by the local councils rather than in response to Government imposed proposals at a later stage. There is also a need to respond to the expectations of the other responsible authorities across Sussex who have a similar obligation for meeting the interests of their communities and securing the significant benefits of devolution.
- 6.2 Not to respond positively to the invitation to join the first wave of English devolution would be to miss the opportunity for the acquisition of significant strategic powers from the Government for the better development of economic growth and coordinated planning across the whole of Sussex.
- 6.3 The decision to postpone council elections will be for the Government. It will mean the loss of an opportunity for local electors to decide the political make-up for their local upper tier councils for one year. This is the democratic cost of the opportunity to secure additional strategic powers locally within a short time. Mayoral elections would take place in May 2026 and so the opportunity for democratic engagement by residents in the governance of those significant additional powers would be available then.
- 6.4 Local government reorganisation brings complex matters into play as, where boundaries are significantly changed and functions transferred, current employment, contractual, financial and accountability arrangements fall away and need to be re-aligned to meet the new boundaries of responsibility. These changes will inevitably cause disruption which will need to be carefully managed. The business case for the plan, expected to be developed should the proposal secure approval, will address these matters in detail.

7 Policy and other implications

- 7.1 There are significant benefits to the County from the acquisition locally of strategic powers over transport, planning and economic growth. This would bring direct benefits to the ability of the County Council to deliver its current and planned priorities.
- 7.2 There are no equality impact, legal, Human Rights or Climate Change implications as the proposal is to respond to the Government's invitation to express interest in devolution for the area of Sussex. These considerations will need to be covered in the more detailed working up of the proposals as part of the next phase.

8. Conclusion

- 8.1 The Devolution Priority Programme is aimed at places ready to come together under the geographical criteria set out in the White Paper and wishing to progress quickly to realise the benefits of devolution. Joining the programme will have many clear benefits for residents and businesses of the County, including:
- Taking a seat at the Council of the Nations and the Regions and the Mayoral council to feed into national policy making.
 - Starting the clock on getting to Established status (requires a mayor being in place for 18 months). If reached this unlocks the single settlement.
 - Backing from government, including Ministerial support and engagement to meet timescales for May 2026 and capacity funding to start flowing the year before the election.

Leigh Whitehouse Chief Executive

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Appendices

Appendix A - Summary of different Strategic Authority responsibilities
(extract from White Paper)

Background papers

Letters from the Minister of State Housing Communities and Local Government

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Appendix to Cabinet Report on Devolution

Framework of functions for different Strategic Authorities.

Detail of function or power available	Foundation	Mayoral	Established (18 months mayoral)
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Funding and Investment

Access to a multi-departmental, long-term integrated funding settlement			X
Long-term investment fund, with an agreed annual allocation		X	X
Removal of gateway review from investment fund, after Gateway One complete			X
Ability to introduce mayoral precepting on council tax		X	X
Consolidation of local growth and place funding in a single pot	X	X	X

Strategic Leadership

Statutory duty to produce Local Growth Plan		X	X
Membership of the Council of Nations and Regions		X	X
Membership of the Mayoral Data Council		X	X

Transport and local infrastructure

Local Transport Authority and public transport functions, including bus franchising and responsibility for an area-wide Local Transport Plan	X	X	X
Simplification and consolidation of local transport funding	X	X	X
Removal of certain Secretary of State consents, e.g. on lane rental schemes		X	X
Duty to establish a Key Route Network on the most important local roads		X	X
Mayoral Power of Direction over use of constituent authority powers on the Key Route Network		X	X
Priority for strategic rail engagement (including mayoral partnerships) with Great British Railways	X	X	X
Statutory role in governing, managing, planning, and developing the rail network		X	X
Option for greater control over local rail stations		X	X
A 'right to request' further rail devolution			X
Priority for support to deliver multi-modal ticketing			X

Detail of function or power available	Foundation	Mayoral	Established (18 months mayoral)
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A clear, strategic role in the decarbonisation of the local bus fleet	X	X	X
Active Travel England support for constituent authority capability	X	X	X
Formal partnership with National Highways		X	X

Skills and employment support

Joint ownership of the Local Skills Improvement Plan model, with Employer Representative Bodies	X	X	X
Devolution of the core Adult Skills Fund	X		
Devolution of non-apprenticeship adult skills functions through a consolidated skills funding pot		X	X
Central convening of youth careers provision including greater flexibility for Careers hubs		X	X
A clear role in relation to 16-19 education and training		X	X
Responsibility for developing local Get Britain Working Plans	X	X	X
Devolution of supported employment funding	X	X	X
Co-design of future employment support that is additional to core Jobcentre Plus provision		X	X
Delegated delivery or commissioning of employment support that is additional to core Jobcentre Plus provision			X
Alignment of Jobcentre Plus boundaries with Strategic Authorities			X

Housing and strategic planning

A duty to produce a Spatial Development Strategy	X	X	X
Strategic development management powers (once the Spatial Development Strategy is in place)		X	X
Ability to raise a Mayoral Community Infrastructure Levy to fund strategic infrastructure (once the Spatial Development Strategy is in place)		X	X
Ability to make Mayoral Development Orders		X	X
Ability to establish Mayoral Development Corporations		X	X
Homes England compulsory purchase powers (held concurrently)	X	X	X
Devolution of wider grant funding to support regeneration and housing delivery		X	X

Detail of function or power available	Foundation	Mayoral	Established (18 months mayoral)
Ability to set the strategic direction of any future programme to support affordable housing provision in their area			X
Strategic Place Partnership with Homes England		X	X
Support to establish a public sector land commission			X

Economic development and regeneration

Partnership working with Department for Science, Industry and Technology and UK Research and Innovation to explore opportunities for closer long-term collaboration in strengthening local research and innovation capacity	X	X	X
Develop joint innovation action plans with Innovate UK to shape long-term strategies and investments		X	X
Embed UK Research and Innovation lead points of contact for enhanced collaborative working on innovation with Mayoral Strategic Authorities that are committed to work collaboratively on innovation		X	X
Responsibility as the accountable body for the delivery of Growth Hubs	X	X	X
Devolution of Growth Hubs funding			X
A Strategic Partnership with the Department for Business and Trade focused on domestic growth, exports, investment, and delivery of local growth priorities.		X	X
Partnership working with Department for Culture, Media and Sport Arm's Length Bodies to maximise culture, heritage, and sport spending in place	X	X	X

Environment and climate change

Devolution of retrofit funding this parliament subject to a successful transition period			X
Heat network zoning coordination role	X	X	X
Coordinating local energy planning to support development of regional network energy infrastructure	X	X	X
Green jobs and skills coordination role	X	X	X
A strategic role on net zero in collaboration with government, including on Great British Energy's Local Power Plan and Warm Homes Plan	X	X	X

Detail of function or power available	Foundation	Mayoral	Established (18 months mayoral)
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Responsibility for coordinating delivery and monitoring of Local Nature Recovery Strategies^	X	X	X
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Health, wellbeing and public service reform

A bespoke statutory health improvement and health inequalities duty^	X	X	X
Mayors engaged during the Integrated Care Boards chair appointment process		X	X
Mayors as members of local Integrated Care Partnerships, and consideration for position of chair or co-chair		X	X
A role in convening partners and driving cross-cutting public service reform, including looking at areas such as multiple disadvantage	X	X	X

Public safety

Mayors accountable for the exercise of Police and Crime Commissioner functions where police force and mayoral boundaries align^		X	X
Mayors accountable for the exercise of Fire and Rescue Authority functions where fire and rescue service and mayoral boundaries align		X	X
A clear and defined role in local resilience, working with the Local Resilience Forum to embed resilience into broader policy and delivery^	X	X	X