

Title of meeting: Cabinet

Date of meeting: 8th January 2025

Subject: Hampshire & The Solent Devolution Agreement and Local Government Reorganisation (LGR)

Report by: The Chief Executive

Cabinet Member: The Leader

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

1.1 To seek approval from Cabinet for a letter to be submitted proposing that Portsmouth City Council should actively seek to be part of a Hampshire & The Solent Devolution Agreement with a Directly Elected Mayor as part of the Devolution Priority Programme (DPP) and that the Leader and Chief Executive should be given delegated authority to negotiate and provisionally agree matters related to devolution and priority options for Local Government Reorganisation (LGR).

2. Recommendations

2.1 Cabinet is recommended:

- a) To agree that Portsmouth City Council should seek to be a part of the Hampshire & The Solent Devolution Agreement thereby avoiding a Ministerial direction for what a devolved area will look like.
- b) Assuming recommendation a) is agreed, that Portsmouth City Council, alongside our partner upper tier authorities in Hampshire & The Solent, should seek to be part of the national Devolution Priority Programme (DPP) and submit a letter to Government to this effect.
- c) To note that in agreeing recommendations a) and b), and subject to the Government agreeing that Hampshire and the Solent should be part of the DPP, that Portsmouth will be asked to submit outline proposals for LGR in March 2025 and final proposals in the Autumn (rather than final proposals in May 2025).



- d) To give delegated authority to the Leader and to the Chief Executive to negotiate and take forward devolution and LGR discussions with other authorities and with The Government.
- e) To agree that further papers will come to Cabinet (and Council where appropriate) about progress in these policy areas.

3. Background

3.1 Devolution

3.1.1 Devolution in England, through the creation of Combined Authorities, is the delegation of powers, programmes and funding from national government in Westminster, to local government. While the Greater London Authority was created back in 2000 comprising the Mayor of London and the London Assembly, the process of English devolution in the current context began in earnest in 2014, when the then coalition government signed a deal with the Greater Manchester Combined Authority.

3.1.2 At the Cabinet meeting of 10th September 2024 a report was considered about a devolution deal for Portsmouth / Hampshire and the Solent ([Devolution deal for Portsmouth Hampshire and the Solent.pdf](#)). There have been several discussions between the four upper tier local authorities about devolution since this report was published but the publication, by the Government, of the English Devolution White Paper on 16th December 2024 changed many of the assumptions about what devolution would look like and what opportunities were available to the area. The White Paper's stated aims are to set out a more standardised direction of travel for devolution with an aim to help reset the relationship with local and regional government, empower local leaders and mayors to make the right decisions for their communities, and work together to grow an inclusive economy, reform public services and secure better outcomes.

3.1.3 The following is a summary of some of the key elements about devolution from the White Paper:

- The Government is planning to create in law the concept of 'Strategic Authorities'. These will include new Mayoral Strategic Authorities (alongside areas already with a Mayor and any non-mayoral combined authorities). The purpose of Strategic Authorities is for a number of local authorities to work together through formal structures to improve the economic and social well-being of an area. The Government wants there to be Strategic Authorities across the whole of England. The Government will legislate to allow for Strategic Authorities to change their structure following local government reorganisation taking place. A Strategic Authority should have a population of at least 1.5m and cover a 'sensible' economic geography with a sense of identity'. It needs to be contiguous for all of the constituent authorities (which

all have to be upper tier local authorities). The Government will not allow the creation of "devolution islands" for areas without a deal, with no natural partners or be too small "to go it alone". The geography needs to be of sufficient scale and reflect a functional economic identity and allow the effective delivery of key functions including Spatial Development Strategies and Local Transport Plans and should also be aligned with other public service boundaries where possible.

- The White Paper has an enhanced Devolution Framework which is available by default rather than by deal and the Government wants to see all of England 'benefit' from devolution. To achieve this there is a strong preference for a Mayor to lead a Strategic Authority. They want local areas to propose plans for devolution but they will use Ministerial Directives to force this to happen if places do not come up with appropriate proposals.
- Areas with a Mayor will have access to additional funding including a long-term investment fund, powers from an agreed framework, a pathway to unlocking higher levels of devolution, including an integrated settlement with a range of existing funding streams brought together into a single un-ringfenced pot with a single assurance framework. Areas will also have access to Government at the highest level.
- The Government has identified the following competencies for Mayoral Strategic Authorities with an opportunity for these to be enhanced over time:
 - 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
- While many of the listed areas of competence for strategic authorities are consistent with previous devolution deals, the inclusion of health, wellbeing and public service reform highlights the key role of strategic authorities in addressing the social determinants of health and moving to a more holistic approach, organised around service users with a new bespoke duty in relation to health improvement and health inequalities and looking to align public service boundaries where this will improve services.
- The Government has been clear that the local geography that meets their criteria for devolution is Hampshire and The Solent covering the four upper tier local authorities of Hampshire County Council, Isle of Wight Council, Portsmouth City Council and Southampton City Council. They have explicitly stated that they would not support a sole Solent geography and that it would not meet the criteria referenced above (e.g. there would not be contiguity

without undertaking Local Government Reorganisation, it would be too small without the inclusion of additional areas e.g. BCP and if it were to be created the rest of Hampshire would be a devolution island).

- The Government will oversee and run the consultation necessary for devolution to take place, although local areas will be expected to support it.
- Areas that are prepared to go quickly on devolution can become a Devolution Priority Place (DPP). A DPP area has to commit to have a Mayoral Strategic Authority with a plan to have the elections for the Mayor in 2026. There will be additional support and resources to support areas on the DPP and a longer time will be provided to develop final proposals for local government reorganisation in the areas covered by a DPP (see section 3.2 below).

3.1.4 To be part of the DPP authorities need to submit a letter to Government by 10 January 2025 and in this letter an authority has to commit to having Mayoral devolution with the election of the Mayor taking place in May 2026. County Councils can also request to postpone the elections due to take place in 2025 if they are part of the DPP. The Government has to approve the request to be part of the DPP. The Government has been clear that areas that do not engage with the devolution process, or areas that put forward proposals that do not align with the Government's criteria, risk being the subject of a Ministerial Direction that will force devolution on to an area. The four Hampshire and Solent upper tier local authorities, subject to relevant approvals within each Council, are keen to submit a letter asking that Hampshire and The Solent be part of the DPP. It is expected that Hampshire County Council and the Isle of Wigh Council will also request that County Council elections across Hampshire and the IOW, scheduled for May 2025, be postponed, as the timing of these will clash with the Government consultation period (i.e. during the pre-election period).

3.2 Local Government Reorganisation (LGR)

3.2.1 The White Paper also includes information about LGR. The White Paper states that LGR will produce a more effective, sustainable and efficient form of local Government. Council officers have been in discussion with civil servants about the implications of the White Paper in terms of LGR. The following is a summary of the relevant parts of the White Paper and the further discussions:

- The expectation is that all two-tier areas across England will have unitary authorities replacing the existing two-tier structure.
- Neighbouring unitary authorities, to the two-tier areas, will also be expected to be part of the LGR process and need to increase in scale and size where there is evidence of failure or where their size or boundaries may be

hindering their ability to deliver sustainable and high-quality services for their residents.

- As a neighbouring council to a two-tier area, Portsmouth City Council (along with Southampton and the Isle of Wight) have received a letter about LGR from the Minister. When pressed on why this was the case because PCC is not facing the same issues of sustainability as other councils, and is not failing, the view was expressed by a Government Minister that PCC is too small and needs to be part of the LGR discussions. This ignores that many London boroughs, and unitaries in other parts of the country are smaller than Portsmouth and are not subject to LGR.
- The Government are planning to run LGR and devolution in parallel with an expectation that the first Mayors will be elected in 2026 with new unitary authorities coming into existence in 2027 (shadow form) and 2028.
- New unitary authorities (including those created by merging existing smaller unitary authorities with areas that are currently part of a two tier area) should have a population of at least 500k (although some exceptions will be allowed, e.g. BCP with a population of 404k is a new unitary already and it would be unlikely that they would be expected to merge with a new area) and a 'special case' can be made for slightly smaller populations where this makes more sense.
- There is no stated maximum size although a Government Minister has said to the upper tier Hampshire authority Leaders, that in her view a population of 1.2m was far too big. Hampshire County Council has a population size of 1.4m which incorporates all of its districts and boroughs, however given the Ministers feedback this would be too big to be a stand-alone unitary authority along with the Hampshire unitary authorities being too small. On this basis the whole of the Hampshire area would need to be subject to local government reorganisation.
- Whilst there is no Ministerial Directive for LGR (unlike devolution), civil servants have been clear that Ministers would use powers to force LGR on areas which were not engaging with the process and therefore new boundaries would be forced on an area.
- The Government expects all councils in an area to work together to develop unitary proposals that are in the best interests of the whole area, rather than developing competing proposals (although they accept that there may be competing proposals which will require a ministerial decision). The Government will also expect all councils in an area to work with them to bring about these changes as swiftly as possible. It is important that any new unitary authorities are contiguous and allow for sensible geographies when considered as a totality.
- The Government would be prepared to postpone local elections where this will help to smooth the transition process.



- The Government will write to council leaders in January 2025 to formally invite proposals, setting out information on criteria for sustainable unitary structures, how and when to submit proposals and how the Government intends to respond to proposals.
- Areas will have to submit initial proposals by March 2025 and then if they are on the DPP (see above) they will have until the autumn 2025 to submit final proposals, otherwise they will need to submit final proposals by May 2025.

3.2.2 The Council will need to engage with our neighbouring authorities to work out sensible options for the design of larger unitary authorities with contiguous boundaries across a wider geography. If we are on the DPP we will have until the autumn to develop our final case, with partner authorities, for unitarisation otherwise our final case will need to be submitted in May. Under either scenario outline proposals will need to be submitted in March 2025.

4. Reasons for recommendations

4.1 The recommendations in this report do not constitute a formal proposal for either devolution or local government reorganisation. The process for these steps will be clarified by the Secretary of State if Hampshire & The Solent is accepted onto the Devolution Priority Programme.

4.2 The White Paper, and subsequent discussions, have been clear that the Government is prepared to use Ministerial Directives and equivalent powers to force both devolution and LGR on an area. Devolution also provides additional powers and resources to the local area to help improve outcomes for local people. On this basis it is recommended that we should look to be part of a Devolution Agreement for Hampshire & The Solent so that we have control over the delivery of our social and economic objectives for our area from the new powers and resources available.

4.3 Additionally there are benefits to being part of the DPP because there are additional Government resources available (capacity funding) to areas that are part of the DPP and an area can access the more significant devolution opportunities more quickly. On this basis it is recommended that we agree with our partner authorities to request that we be part of the DPP. This will also give us more time to develop considered proposals for LGR because areas that are on the DPP are given an extended deadline (from May to the Autumn 2025) to submit final proposals on LGR.

4.4 Finally it is important that the Leader and Chief Executive be given delegated authority to negotiate and take forward discussions, and take decisions on behalf of Portsmouth City Council, on both devolution and LGR. Progress will be reported back to Cabinet and on to Council, where appropriate, regarding devolution and LGR.



5. Integrated impact assessment

5.1 There is no need to undertake an integrated impact assessment at this stage in the process. If the Government agrees to Portsmouth being part of the DPP there will be a need to undertake a full impact assessment as the plans are made to implement devolution.

6. Legal implications

6.1 A combined authority (CA) is a legal body set up using national legislation that enables a group of two or more councils to collaborate and take collective decisions across council boundaries. This structure provides a more robust, statute based, approach to joint working than informal partnerships or joint committees, allowing member councils to take advantage of powers and resources devolved from the national government.

6.2 The Local Democracy, Economic Development and Construction Act 2009 introduced combined authorities in England outside Greater London. These authorities are created voluntarily, allowing a group of local authorities to pool appropriate responsibilities and receive certain devolved functions from central government to deliver transport and economic policy more effectively over a wider area.

6.3 The Levelling-up and Regeneration Act 2023 introduced a similar type of local government institution called a combined county authority (CCA). CCAs may only be formed by upper-tier authorities, such as county councils and unitary authorities. The members of a CCA are appointed by its constituent councils, and additional members may be appointed or nominated by other bodies, although these members are non-voting unless decided otherwise.

6.4 In summary, the creation of a combined authority currently (including as part of the Priority Programme described in this paper) involves:

- Voluntary collaboration between local authorities.
- Pooling of responsibilities and receiving devolved functions from central government.
- Formation under the Levelling-up and Regeneration Act 2023.
- Appointment of members by constituent councils, with the possibility of additional non-voting members.

6.5 A new English Devolution Bill will be introduced to Parliament in the new year and if approved, will enable wider powers for Government to introduce strategic and foundation combined authorities (with and without elected Mayors) and to tie the level of combined authority to the specific types of powers and funding they both receive and may exercise. This will require formal Statutory Designation Orders to bring such arrangements into effect for each area. These are likely to follow on from, and further develop, existing CA's and those introduced as part of the DPP.



- 6.6 There are no specific legal implications for making an Expression of Interest for being part of the DPP, however detailed consultation and Equalities Impact Assessments will be required if the Council moves forward onto the pilot programme together with supporting Orders from the Secretary of State to create any new Combined Authorities in time for elections in May 2026. The approval of both devolution and/or new structures in Hampshire and Solent region will require further committee and/or council decisions in due course.

7. Director of Finance's comments

- 7.1 There are no specific financial implications to the Council arising from the content of this report.
- 7.2 Devolution, more generally provides the opportunity for additional funding and responsibility to be passed down from Government, providing greater influence and decision making over social and economic objectives for the area.
- 7.3 Whilst not specific to existing unitary authorities, the White paper mentions that Local Government re-organisation has the potential to deliver significant efficiencies, it quotes:

A report from a PricewaterhouseCoopers (PwC) report in 2020, "Evaluating the importance of scale in proposals for local government reorganisation", for the County Councils Network, estimated that reorganisation of the then 25 two-tier areas to a single unitary structure would have a one-off cost of £400 million, with the potential to realise £2.9 billion over five years, with an annual post-implementation net recurring saving of £700 million".

- 7.4 The Government's stated intent is to commit to a comprehensive set of reforms to return the sector to a sustainable position. It states:

In future, the government will provide multi-year funding settlements, giving Local Authorities the certainty they need to plan ahead, and commission the long-term, cost-effective contracts for vital services. After years of delays to much needed funding reform, we will reform the Local Government Finance System to put councils on the road to recovery – building on the proposals set out in the previous government's Fair Funding Review

"The way local government is funded currently is outdated, inefficient, and poor value for money, based on funding formulas that have not been updated in a decade. The Fair Funding Review, launched in 2016, aimed to change this, but was abandoned in 2020. The link between need and funding was broken, and people in the most deprived parts of the country have borne the brunt, with vital services lost and resilience weakened".

- 7.5 In parallel with the devolution and LGR proposals the Government will now continue with the reform of Local Government Funding commenced under the previous Government and to take effect from 2026/27.

7.6 Should any financial issues arise as part of the ongoing process, these will be brought back to Cabinet to consider as part of an update report.

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Natalie Brahma-Pearl,
Chief Executive

Appendices: NONE

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Report to Cabinet in September 2024 on Devolution	Devolution deal for Portsmouth Hampshire and the Solent.pdf
English Devolution White Paper	https://www.gov.uk/government/publications/english-devolution-white-paper-power-and-partnership-foundations-for-growth/english-devolution-white-paper

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by: