



Department for Levelling Up,  
Housing & Communities

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My Lords,

## **LEVELLING UP AND REGENERATION BILL - DEVOLUTION**

At the Second Reading of the Levelling Up and Regeneration Bill on 17 January 2023, I committed to writing to you with answers to any points raised that I did not get the chance to respond to during my closing speech. Please find these below.

I have written separately on the key themes of levelling up, planning, housing and the environment. There is also a letter picking up miscellaneous topics. This letter focuses on devolution.

### Devolution deals: approach

Devolution deals are individually negotiated between local areas and the Government. The Levelling Up White Paper sets out the devolution framework, which builds on our work on devolution so far, presenting a clear menu of options for places in England that wish to unlock the benefits of devolution. The framework does not set out a minimum or guaranteed offer; not every area will have the same powers, and we want to continue to hear from areas on their priorities and innovative ideas. The funding package for any individual devolution deal will be considered on a case-by-case basis.

### Local leadership of devolution

Devolution is locally-led; Government does not impose devolution, nor is it a top down approach. Devolution is also not a one-off process. The Government trusts local leaders to deliver but there must be appropriate local and central accountability alongside greater autonomy and responsibility. We are committed to deepening the devolution settlements of the most mature institutions, particularly where local leaders stand ready to move quickly. We opened initial discussions with Greater Manchester and West Midlands Combined Authorities for trailblazer deeper devolution deals. Both have demonstrated ambition and readiness to deepen their devolution settlements.

### The combined county authority model

The combined county authority model is not the right model for every area. That is why it is a new model which sits alongside the existing combined authority model and the ability to devolve to an individual local authority, so that there are a variety of models which will suit all

areas of England. Powers and funding are agreed in individual devolution deals with individual areas, and given to areas via the implementing secondary legislation.

### Fiscal devolution

This Government trusts local government and its strong and accountable local leaders. ‘Level 3’ devolution deal areas can look to finance local initiatives for residents and businesses through a mayoral precept on council tax, and supplements on business rates, as set out in the Levelling up White Paper. We are exploring further fiscal devolution, initially through the trailblazer devolution deals with Greater Manchester and West Midlands Combined Authorities, and will consider putting additional power in the hands of local people through greater fiscal freedoms.

### The role of parish and town councils

The Levelling Up White Paper outlines the UK Government’s plans to remove barriers to community organisation and neighbourhood governance, supporting community leadership to take root and thrive. We will review the effectiveness of current neighbourhood governance in England, including the role and functions of parish councils and making them quicker and easier to establish. We will make it easier for local people and community groups to come together to set local priorities and shape the future of their neighbourhoods. This will include further exploration of the models of pop-up parishes and community improvement districts which have been recommended by the Kruger Review.

### Mayoral accountability

It is vital that devolution is accompanied by sharper and clearer accountability; overview and scrutiny committees are a powerful tool for empowering communities and enabling local people – through their democratically elected representatives – to hold mayors and other decision makers to account, and hence have a say in decisions which affect their daily lives. The Bill provides that combined county authorities must, as combined authorities and local authorities have to, establish such committees thus ensuring appropriate accountability.

The Government will also be publishing a new Devolution Accountability Framework to ensure that all devolution deals lead to local leaders and institutions that are transparent and accountable, work closely with local businesses, seek the best value for taxpayers’ money and maintain strong ethical standards. This framework will be part of the broader Local Government Accountability Framework. Further reforms are planned for this framework including the introduction of the Office for Local Government.

### Directly elected leaders

A directly elected leader – such as a mayor – over a single institution is the strongest, most transparent and most accountable form of local government leadership. In the case of a combined authority and a combined county authority, directly elected mayors are the clearest and lightest-touch way to provide the single point of accountability which supports greater risk taking in decision making. In the case of a local authority, a directly elected mayor or leader increases the visibility of leadership and helps create greater convening power to deliver place-based programmes. Areas which do not choose a governance model with a directly elected mayor or leader will be able to negotiate the types of powers and functions as set out in Level 2 of the devolution framework.

## Bespoke devolution deals

Devolution deals are individually negotiated between local areas and the Government, including the specific powers, functions and funding the local area will take on. These are then implemented via secondary legislation. The devolution provisions in the Bill are enabling legislation, rather than relating to specific areas or deals. Devolution deals can include skills, transport and health elements. For example, new devolution deals agreed in 2022 will see, once elected, mayors and their combined authorities given greater local control over transport budgets, economic development and skills delivery.

## What are 'associate members'?

An associate member is an individual person – such as a local business leader or an expert in a local issue – that a combined authority or combined county authority can appoint. This enables the associate member to be at meetings to input their specific local knowledge into proceedings. We have seen combined authorities appoint commissioners with specific expertise to focus on a challenging local policy area and drive change. For example, the Greater Manchester Combined Authority have appointed Dame Sarah Storey as a Commissioner on Active Travel. The associate member arrangement provides a more formal structure for bringing in such expertise. Combined authorities and combined county authorities will be expected to undertake a fair and transparent recruitment process to appoint an associate member.

## Devolution geography

For devolution to be most effective, institutions need to be responsible for an area of strategic scale. In city regions with devolution deals to date, this had necessitated the establishment of a mayoral combined authority covering the whole functional economic area. Recently agreed devolution deals with Cornwall, Norfolk and Suffolk are for a deal with the existing upper tier local authority, as it covers the whole county geography. The Levelling Up White Paper sets a minimum population threshold of 500,000 to ensure these institutions have sufficient economic and operational scale to be effective in driving levelling up.

## Private hire licensing

The Government is exploring transferring the responsibility for licensing taxis and private hire vehicles from lower-tier and unitary authorities to upper-tier and combined authorities as we believe that there may be significant benefits from this change for the sector and passengers. These include greater consistency in licensing requirements; increased efficiency; and reduced cost for the sector, whilst helping to resource the compliance activity that protects not just the public, but the sector itself. The Department for Transport plans to comprehensively engage stakeholders on this proposal, exploring the potential benefits and challenges in due course.

## Mayors of combined authorities and combined county authorities with police and crime commissioner functions

Constituent councils, combined authorities and combined county authorities (once established) have no role in the exercise of police and crime commissioner functions, which, if transferred, are exercised by the mayor of the authority. The change proposed in the Bill (clause 59) brings combined authorities into line with clause 31 for combined county authorities. It removes the unnecessary existing consents to the transfer of these functions, with only the consent of the mayor being required. Where there is no existing authority, the

transfer of functions to a future combined or combined county authority mayor would be considered as part of the devolution deal as a whole. Police and crime commissioner functions can only be transferred to a combined authority or combined county authority mayor where the authority's and policing area's boundaries align.

The single employer model is one option available to mayors with both police and crime and fire and rescue authority functions, which allows the area's chief constable to run both operational services. Combined authority and combined county authority mayors could seek to utilise the model if they felt this would deliver more effective services. Of the current combined authority mayors, the Mayor of Greater Manchester Combined Authority has both police and crime commissioner and fire and rescue functions but chose not to use this option in exercising these functions. The Mayor of the York and North Yorkshire Combined Authority (when established) will also have police and crime commissioner and fire and rescue functions so the single employer model will be an option available to them, although it is not currently used by the police and fire crime commissioner in North Yorkshire.

### York and North Yorkshire devolution deal

The Government and York and North Yorkshire agreed and signed a devolution deal on 1 August 2022. The deal provides the area with new powers and funding to drive growth and take forward local priorities over the longer term. The area will have control of a £540m investment fund over 30 years to deliver their local priorities, along with the governance arrangements that will be put in place around this, including the creation of a mayoral combined authority. Since August, York and North Yorkshire councils have ratified the deal; undertaken and published a governance review and scheme; and held a public consultation. It is now for the councils to consider all responses to this consultation and submit a summary of the consultation responses to the Secretary of State, who will then reach a decision as to whether the statutory tests have been met, and whether to bring forward the required secondary legislation to implement the deal and establish the new mayoral combined authority. The secondary legislation requires local consent and Parliamentary approval. The combined county authority model being established via the Bill is a different structure, designed for areas with two-tier local government, and is not an appropriate model for York and North Yorkshire as, from 1 April 2023 there will be only two unitary councils within the area.

### Business rates

A number of noble Lords raised questions regarding the impact that business rates have on the viability of our high streets and town centres and the need for reform.

The Chancellor recently announced a package of support for business ratepayers, worth £13.6 billion. This included freezing the multipliers (tax rates) for a third successive year; scrapping downwards transitional relief so that businesses see the immediate benefit of falling valuations; and additional support for the high street through a 75% relief up to a cash cap of £110,000 per business for businesses in the Retail, Hospitality and Leisure sectors, and a Supporting Small Business scheme.

This is on top of considerable existing support, including Small Business Rates Relief which ensures that over a third of properties (around 700,000) pay no business rates at all.

I recognise that there are concerns about online businesses facing a lower property tax burden. The recent Business Rates Review concluded that a tax on commercial property remains a vital component of a balanced tax system, providing a stable source of income to fund local

services which is relatively easy to collect. The upcoming revaluation will shift the burden of rates to reflect relative growth since 2015. One effect of this redistribution will be that property types dominated by online retailers, such as large distribution warehouses, will pay more. That is the tax working as it should to reflect growth in a particular sector. Separately, while HM Treasury has considered the case for an online sales tax, the recent consultation, as announced at the Chancellor's Autumn Statement, concluded that there was no clear consensus for how such a tax could be effectively targeted.

Further reform of the business rates system, including more frequent revaluations to ensure the tax keeps pace with the property market, is something this Government committed to through the Business Rates Review. We will bring forward the necessary legislation to deliver this when Parliamentary time allows.

On the matter of our wider support for the high street, this Government is fully committed to supporting the businesses and communities that make our high streets and town centres successful and has provided a comprehensive package of around £400 billion of direct support, including business grants, coronavirus loan schemes, the Coronavirus Job Retention Scheme, and income tax payment deferral.

This builds on long-term investment in our high streets and small businesses including through the £3.6bn Towns Fund, the Future High Streets Fund and the 4.8bn Levelling Up Fund. In addition, the High Streets Task Force has been supporting local leaders by providing expert advice to help town centres and high streets adapt and thrive for over five years.

Finally, the Levelling Up and Regeneration Bill would introduce High Street Rental Auctions to empower places to tackle decline by bringing vacant units back into use and encouraging cooperation between landlords and local authorities, making town centre tenancies more accessible and affordable for SMEs, local businesses and community groups.

#### The law on local council funding for parish church buildings

I should firstly make clear that the department is unable to give an authoritative interpretation of the legislation concerned, as only the courts are empowered to do so.

It is also worth clarifying that the Local Government Act 1894 was intended to provide a clear separation between parochial church councils and newly created civil parishes. As such, there was an expectation that the church congregation, supplemented by the Church of England, would provide for the maintenance and upkeep of church property including grounds maintenance. It may be the case that the 1894 Act would prevent parishes from directly providing grant assistance.

The Local Government Act 1972, as amended by the Local Government (Religious etc. Observances) Act 2015, states that a Local Authority (whether at county, district or parish council level) is permitted to contribute towards the maintenance or repair of adaptations of churches on the basis that the expenditure would be in the interests of, and bring benefits to, some or all of the inhabitants of the area and can also support and facilitate religious events.

At present there is limited quantitative evidence available to us regarding how prevalent the issue is and how it is affecting places of worship. Officials have been working closely with the sector to gather this evidence. This will then enable the Government to make evidence-based decisions about the next steps. At present, because of the limited evidence, we cannot support legislation or any amendments to the Bill,

I hope these responses help. I look forward to continuing to work with you as the Bill progresses through the House. I will be holding an engagement session on the devolution aspects of the Bill, which all noble Lords are invited to. For details of this and other sessions please get in touch with my private office.

Yours ever,

A handwritten signature in blue ink that reads "Jane". The signature is written in a cursive style with a large initial 'J' and a period at the end.

**BARONESS SCOTT OF BYBROOK**