



‘Dorset Deal’: Think piece for further dialogue

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1. Context

The UK Government released its Devolution Framework¹ in February 2022:

Table 2.3 Devolution Framework

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

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

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

Function	Detail	L1	L2	L3
Strategic role in delivering services	Host for Government functions best delivered at a strategic level involving more than one local authority e.g. Local Nature Recovery Strategies	✓	✓	✓
	Opportunity to pool services at a strategic level	✓	✓	✓
	Opportunity to adopt innovative local proposals to deliver action on climate change and the UK's Net Zero targets	✓	✓	✓
Supporting local businesses	LEP functions including hosting strategic business voice		✓	✓
Local control of sustainable transport	Control of appropriate local transport functions e.g. local transport plans*		✓	✓
	Defined key route network*			✓
	Priority for new rail partnerships with Great British Railways – influencing local rail offer, e.g. services and stations			✓
	Ability to introduce bus franchising		✓	✓
	Consolidation of existing core local transport funding for local road maintenance and smaller upgrades into a multi-year integrated settlement			✓
Investment spending	UKSPF planning and delivery at a strategic level		✓	✓
	Long-term investment fund, with an agreed annual allocation			✓
Giving adults the skills for the labour market	Devolution of Adult Education functions and the core Adult Education Budget		✓	✓
	Providing input into Local Skills Improvement Plans		✓	✓
	Role in designing and delivering future contracted employment programmes			✓
Local control of infrastructure decisions	Ability to establish Mayoral Development Corporations (with consent of host local planning authority)			✓
	Devolution of locally-led brownfield funding			✓
	Strategic partnerships with Homes England across the Affordable Housing Programme and brownfield funding			✓
	Homes England compulsory purchase powers (held concurrently)		✓	✓
Keeping the public safe and healthy	Mayoral control of Police and Crime Commissioner (PCC) functions where boundaries align [^]			✓
	Clear defined role in local resilience*		✓	✓
	Where desired offer MCAs a duty for improving the public's health (concurrently with local authorities)			✓
Financing local initiatives for residents and business	Ability to introduce mayoral precepting on council tax*			✓
	Ability to introduce supplement on business rates (increases subject to ballot)			✓

* refers to functions which are only applicable to combined authorities

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

¹ P.140, [Levelling Up White Paper](#), February 2022: Devolution Framework



This provides an opportunity for areas with a ‘well-defined economic geography and a cohesive population of over 500,000’ to develop a rationale to pursue one of the Devolution Framework options – i.e. levels 1 to 3. The framework can be summarised in the following way:

- Preferred model: A prominent, accountable individual in an area. Ideally, this leader is directly elected.
- Where an area does not have a directly elected leader, devolution needs a clear decision-making structure.
- For a single, large local authority, this means a leader and cabinet system.
- Where there is a group of authorities, they will need to establish an appropriate institution.
- Where a group of authorities are seeking a non-mayoral combined authority, there needs to be clarity on how decisions will be made – for instance, by majority vote.

It should also be noted that devolution is a mechanism to support **levelling up**. Therefore, any ‘devolution deal’ will need to show how it addresses identified barriers to prosperity, including:

1. Boosting productivity, pay and living standards by growing the private sector, especially in places where they are lagging
2. Spreading opportunities and improving public services, especially in those places where they are weakest
3. Restoring a sense of community, local pride and belonging, especially in those places where they are slipping
4. Empowering local leaders and communities, especially in those places lacking local agency.

The government has highlighted the on-going role and retention of the key strengths of Local Enterprise Partnerships (LEPs), identifying the opportunity to align devolution, LEPs and an integrated business voice. Specifically, Government is including LEPs and their business boards as part of Level 2 of the devolution framework.

Following the confirmation of the new Prime Minister on 5/09/22 and subsequent cabinet changes, we can note the following:

- The new SoS at DLUHC has previously been a supporter of devolution and innovation in Local Government (although with a preference for less spending).
- Any financial asks around tax will need to align with HMG thinking on tax cuts.
- Targeting cost of living impacts within the levelling up agenda will be critical.
- The new SoS at BEIS may be ‘luke warm’ on renewable energy.
- Areas of policy detail will likely emerge over the coming weeks – with a critical date in early November 2022 and the Autumn Budget.



2. Current status - Dorset and BCP Council areas:

There are clearly a number of devolution options open to the Dorset and BCP Unitary Council areas, although given their current population size both will need to partner with another area which has an economic and community resonance.

To date, an indicative 'menu' of Dorset and BCP asks has been developed across the Devolution Framework 'functions' (see table above, 1st column).

It should be noted that this is an early set of 'asks', not yet fully tested and explored.

Over time any agreed suite of priorities for a Dorset/BCP Devolution Deal will need to be further refined to address the following:

1. How these address (specifically and with an evidential analysis) the **levelling up** priorities around productivity, pride, services and empowerment).
2. This is a detailed set of **asks only**. Any devolution deal will also need to indicate the devolution 'offers' from the area to support heightened delivery of Government policy (particularly linked to levelling up). To date a substantive list of local 'offers' has yet to be developed. Whilst there are a number of headlines against the 'asks' below, these outline how both Councils would use the additional powers or investment, rather than a clear set of new and innovative offers – and, crucially, leverage. Further work will need to be taken forward to create a compelling and clear offer from Dorset with which to 'negotiate' the emerging asks.

It should also be noted that for many of these initial asks, only areas seeking a Level 3 option will have the ability to negotiate for extended powers/investment. Dorset/BCP may need to pursue a more innovative set of governance options if they are to secure the asks alongside a level 1 or 2 option. This is explored further below (*section 4*).

Initial long-list 'asks' (summary):

FUNCTIONS	ASK	DORSET COUNCIL	BCP COUNCIL
Services	New 'local development' services across 2 Unitary areas – additional powers/time to plan for homes, employment, drive productivity and increase green space.		
	Creation of a statutory 'Local Data Authority'. Pilot concept to create a hyper secure place-based data model (part of Smart Place programme).		



Business	British Business Bank: Smart Challenge Fund		
	Local business support provision – focus on productivity/sector support		
	<p>Dorset/BCP as a national (or England) innovation lead for:</p> <ol style="list-style-type: none"> 1. 5G: <ol style="list-style-type: none"> a. Location for a Digital Catapult Networks Lab Accelerator 2. Defence innovation: <ol style="list-style-type: none"> a. Location for DASA @ BattleLab 3. Demographics research: <ol style="list-style-type: none"> a. Support creation of specialist UK 'Smart Ageing' Institute 4. Aquaculture: <ol style="list-style-type: none"> a. Aquaculture Centre of Innovation – could also include green skills centre. 		
	Creation of Tourism Improvement Zone (hybrid BID)		
	Extension of current Enterprise Zone (catalyst for specialist sector growth). E.g. BCP City Region Accelerated Economic Zone (Airport and Port)		
	Local Trade & Investment Agency (MIDAS approach)		
	City of Culture		
Transport	Local franchising for public transport/single ticketing (<i>query whether this can be done already</i>)		
Investment	Biodiversity investment fund (consolidation of agency funding)		
	Gap Funding Investment (to deal with cost/value gap issues preventing development)		
	Investment in grid infrastructure		
	Investment fund for priority (mixed) growth sites - extension and creation.		
Skills	Devolve Post 19 Adult Skills Budget		
	Enhanced local employment programme with DWP		



	Devolve apprenticeship funding (and Apprenticeship levy pro-rata)		
	Support a UK Digital Skills Partnership		
	Funding to develop local skills centres – based on priority sectors. Link local careers advice.		
Infrastructure & Planning	Housing Deal: <ul style="list-style-type: none"> • Retrofit Fund • Affordable housing provision 		
	Renewable Energy investment: <ul style="list-style-type: none"> • Offshore Wind capability 		
	Investment/aligned powers to enhance Strategic Transport Body. Prioritise delivery of physical transport connectivity (bike, rail & road). ‘London in 90’/ and North/South road		
	Increased local planning powers: <ul style="list-style-type: none"> • Local discretion of functional area based development planning (to accelerate growth). • Additional local planning powers linked to climate impact mitigation and water management issues. 		
Health and well-being/ Social Care	Support creation of specialist ‘Smart Ageing’ Institute		
Financing	Extension of current Enterprise Zone (Capture Business Rate Growth+) into BCP (freeport concept)		
	Explore innovative tax regimes across Councils		
	Carbon tax share – reinvested to deliver Carbon neutrality by 2030		
	Devolve powers to determine Fixed Penalty Notices charges – to mitigate town centre/seafront traffic impacts.		



3. Review of asks:

- i. **Services:** Whilst there are identified improved devolved 'service areas' in development/growth and data, there remains a lack of a clear rationale for improved local services as a result of devolution. For example, cost savings, increased efficiencies or improved services for local communities. An opportunity for a more innovative response could be further explored. It is recommended that thought be given to a devolved solution which gives local leaders the tools they need to build up their response to levelling up. In other words, how can devolved institutional capital across Dorset/BCP (local leadership capacity and capability) provide improvements in other 'capitals':
 - a. Physical
 - b. Human
 - c. Intangible
 - d. Financial
 - e. Social

Dorset and BCP have a good track record of collaboration to build-upon – and areas where perhaps learning could be taken for the future. It is recommended that more 'offers' to HMG are established in this context showing the added value to communities and place of an increased partnership approach to devolution linked to services.

- ii. **Business:** There are a stronger set of asks under this function, with some previously worked-up opportunities (see Dorset Investment Prospectus). In developing this proposition further it is recommended that Dorset and BCP partners review the opportunities in the UK Shared Prosperity Fund local investment priorities. HMG will almost certainly want to understand how the SPF local investment objectives/impacts align to these deal priorities before any consideration of further investment. Ensuring the support of local business to these priorities will also need to be secured. More specifically, the British Business Bank is already commencing a South West Fund imminently, so an early dialogue with the Bank is recommended. The recent investment from Dorset Council into the existing Enterprise Zone should be highlighted – and further work to align the BCP historic work to create a Freeport might be a useful means of giving more detail to this ask. A clear trajectory of expected growth (and impact on levelling up) will need to be undertaken for all elements. Is there a URC dividend to play here? The national lead opportunities are interesting – but maybe play for 1 or 2 and 'go for it' rather than 4? What will the Councils put on the table to achieve these? What's the 'inward investment case' to HMG? On the MIDAS concept – if you take this function out of DIT, you will likely lose any revenue support for it (HMG policy is the 'UK's new global position').
- iii. **Transport:** In any devolution ask for sustainable transport, additionality will need to be proven over and above existing powers. In a further HMG response to the Devolution Framework, the following was highlighted: "Where appropriate, local authorities are already advised to collaborate across borders, including when



developing Bus Service Improvement Plans and Local Cycling and Walking Investment Plans... Great British Railways will be organised around regional divisions so that decisions are made closer to the places the railways serve. Cities and regions in England will be given greater influence over local ticketing, services and stations through new partnerships between regional divisions and local and regional government". In other words, any devolution ask/offer will need to prove additionality over and above this – including current asks within the Western Gateway Transport Plan. Does latest local transport thinking on this remove the need for this ask?

- iv. **Investment:** The partners of any devolution deal looking to make the case for a one-off or rolling investment fund will need to set out a clear business case – ideally also confirming expected local leverage (from local public and, ideally, private sources). The importance of aligning the SPF Investment Plan to devolution has already been highlighted – and any ask will need to show additionality.

HMG has already made clear that local authorities should already be capturing the uplift in land value that comes with development, as a key element of the planning system to ensure new development brings benefits to local communities. HMG notes, “[L]ocal planning authorities can use the Community Infrastructure Levy and Section 106 planning obligations (together called ‘developer contributions’) to capture a proportion of the increases in land value that occur as a result of planning permission being granted. These contributions help deliver affordable housing and the infrastructure that new homes and local economies require. Policies relating to developer contributions are set locally and should be reflected in the price paid for land. The government has proposed significant changes to the planning system to make it simpler, quicker and more accessible for local people to engage with, and more certain for developers. And that is why the government is exploring the introduction of a new ‘Infrastructure Levy’ to replace both Section 106 planning obligations and the Community Infrastructure Levy and be set in a way which captures at least as much value as the existing system”.

To support an investment programme to deal with cost/value issues, local partners will need to show that they have already exhausted all local powers to support growth and diminish the cost of development. Making more of the Urban Regeneration Company role in BCP – and any equivalent activity in Dorset (such as additional capacity to support new settlement development) will be particularly useful. Identifying any other powers to support development (see infrastructure section below) will be key.

In relation to biodiversity, again, the additionality of any investment would need to be made clear – for example, showing that the Councils have exhausted the ability to derive positive net gain impacts from their planning process.

Finally, investment in the grid infrastructure and transport infrastructure are long-standing investment priorities for the area, but it is recommended that more is done



to understand how a devolution deal might 'land' this better with HMG. For example, could an innovative partnership with energy providers be established to offer a 'pay-back' model? How is this ask different to the asks within the Western Gateway Transport Plan – and what are the local offers? Where's the additionality?

- v. **Skills:** There are 2 primary responses to the current skills asks. First, there is unlikely to be much resistance to devolution of the adult education budget – indeed, HMG have already noted that, "it should be part of the devolution framework, accompanied by transitional support and measures to mitigate differences in course options between areas.... Further education, in particular FE colleges, should also be included in the framework". The critical part of any 'ask' is to explain in some detail, how a devolved budget would work in Dorset/BCP. Feedback from areas already in receipt of the devolved budget has not always been positive, as the budget comes with a rather prescriptive set of targets to deliver. HMG also expects a particular focus on:
- a. economic growth through improving the skills pipeline, levelling up productivity and supporting people to work
 - b. levelling up education standards so that children and young people in every part of the country are prepared with the knowledge, skills, and qualifications they need
 - c. supporting the most disadvantaged and vulnerable children and young people through high-quality local services so that no one is left behind

In relation to local employment programmes, the emerging Local Skills Investment Plan and 'people and skills' element of the SPF Investment Plan should already be targeting this as an area of priority. Any ask, as before, will need to show the additionality and innovation for Dorset/BCP more clearly. For example, any particular programmes linked to an ageing workforce or particular issues of peripherality.

Following their successful evaluation in September 2021, it is anticipated that Digital Skill Partnerships will be extended. Dorset/BCP are recommended to pursue this option – especially aligning it to the 5G programmes already being delivered.

- vi. **Infrastructure & Planning:** For level 3 (and partly level 2) devolution options, there is an expectation that devolution will include the opportunity to pursue additional spatial planning powers, call-in powers for planning applications, the powers to establish development corporations, compulsory purchase orders, consultation on strategic planning applications and strategic infrastructure levies. There is support for greater, local transparency across all these processes in relation to infrastructure and wider development.

It should be noted that there are changes linked to the wider planning process' impact on levelling up outlined in the **May 2022 Levelling Up and Regeneration Bill** - potentially including:

- Street referenda



- Scrapping S106
- New housing targets
- Digital planning
- Brown site investment

Decisions on what planning powers devolved areas could receive, including strategic infrastructure levies, will be addressed through these forthcoming changes to the planning system. **Any devolution asks will need to take account of the additionality beyond what may come through new legislation.**

In relation to the link between planning and climate change, Dorset/BCP will need to clarify the additionality beyond the England-wide development of Local Nature Recovery Strategies. HMG is already arguing the case that these will create a significant new environmental leadership role for local authorities. “Local authorities already have a combination of powers and responsibilities across housing, planning, transport, and procurement which gives them autonomy to deliver net zero. Most have passed local Climate Emergency motions, and many have set target dates for net zero and developed climate action plans”. Perhaps the role and success of the existing Dorset /BCP Local Nature Partnership could be used as a platform for further work here.

- vii. **Health, Well-Being and Social Care:** Whilst there is limited reference to the devolution of health or social care within the Devolution Framework, this is clearly a theme of opportunity for Dorset and BCP to set out an innovative response. There is an excellent track-record of collaboration and innovation to build on here with the establishment of ‘Our Dorset’/ICS, the One Health agenda and the Dorset Med Tech Science Park (including University Hospitals Dorset). HMG has separately outlined its support (via the Health Devolution Commission) on the future of health devolution and the role that should be played by local authorities in the new Integrated Care System. It is recommended that further work be undertaken to establish a set of health, well-being and social care offers and asks that tackle deep-seated issues in the area, including the economic impacts of demographics and health. The data authority function could be a really interesting dynamic to this...
- viii. **Finance:** Whilst the financing devolution functions are focused on level 3 devolution governance, there are potential opportunities to consider. As well as the extension of the Enterprise Zone (and its business rates growth impacts), re-visiting opportunities identified through BCP’s Freeport bid might be beneficial for key growth industries such as engineering and manufacturing.

Whilst the tax system was ‘under review’ by the previous Chancellor, given recent changes *at the top* and the new PM agenda on taxation linked to the cost of living crisis (i.e. cutting tax), it is recommended that aligning any alternative finance mechanisms is in line with this policy. Any Devolution Deal is unlikely to land well if it proposes local tax increases of any scale – or local tax regimes are seen to deter private investment/impact cost of living . There has historically been limited



appetite for full local retention (due to the issue of redistribution) on national taxation. The Government has previously been committed to explore local powers vis-à-vis local taxation – but this should be kept under review as Treasury policy under the new Chancellor becomes clearer (likely at the Autumn Budget Statement in early November 2022).

Nonetheless, finance devolution flexibilities could consider increased local funding via business rates – reinvested back into local economic growth and development. Innovation around local taxation of on-line business (particularly retail) is also an area that might have resonance for a local innovation financing opportunity. Although business impacts should be considered in light of energy cost likely to increase financial strain - and additional Government support recently announced for the next 6 months.

Finally, Dorset/BCP could consider the link between local financing (Council tax) and a ‘Housing Deal’ where second homes or empty homes incur additional Council tax costs to be re-invested back into new homes for local residents.

4. Governance

In considering a set of ‘asks’ - and ideally ‘offers’ - from and to Government, clarification on the proposed governance is critical.

The devolution framework is explicit in linking the extent of devolved powers and investment to the level of governance proposed by local areas.

Whilst this paper won’t go into detail on the governance options for Dorset and BCP, it is recommended that examples from other agreed or proposed Devolution Deal areas be considered and reviewed.

If an elected Mayor is not the preferred route, Dorset and BCP might consider an innovative ‘front-runner’ model which builds on their long history of collaboration and partnership (and builds on the relatively recent Local Government Reorganisation process).

It is recommended that a review of previous work during Local Government Reorganisation (2014 Dorset Combined Authority Report, Annex 1) be undertaken to better understand governance implications of the devolution model for Dorset and BCP.



5. Recommendations/next steps:

- A. Undertake a joint review (at pace and desk-based) of the current Dorset/BCP evidence base to clarify shared priority levelling-up issues to address via devolution. NB: This data is likely to already be in place as a result of UKSPF work and other recent studies (e.g. Covid impacts). *Dorset LEP may also support additional work if required via the developing economic insight function.*
- B. Identify a set of 'offers' as well as 'asks' across the 2 areas. I.e. what can be done better? (...In terms of meeting community need/aspiration for levelling up/cost of living).
- C. Align the implementation of the Dorset and BCP UKSPF Investment Plans with agreed devolution priorities. These could be portrayed as 'quick wins' or 'catalyst' opportunities. (Links to all functions across place, business and skills).
- D. Each ask (and offer) would benefit from a light touch 'outline business case' - identifying need/opportunity, costs, deliverability, governance and outputs/impacts.
- E. In parallel, clarify the agreed governance proposition between Dorset and BCP. Taking forward realistic asks without this clarification will prove very difficult. (I.e. clarifying levels 1 to 3 – or potential innovative hybrid).