

East Midlands Devolution Deal

Subject to ratification of the deal by all partners and the statutory requirements referred to within this document, including, public consultation, the passage and coming into force of the combined county authority provisions in the Levelling Up and Regeneration Bill, the consent of the Constituent Councils affected, and parliamentary approval of the secondary legislation implementing the provisions of this Deal.



Department for Levelling Up,
Housing & Communities



Derby City Council



Nottingham

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Introduction

1. With a population of 2.2 million residents and a GVA of over £50.5 billion, the East Midlands area offers enormous potential. It has over 88,000 businesses providing over 930,000 jobs. It is a coherent economic area and has a number of significant sectors with potential for growth, including advanced manufacturing, engineering, clean energy, logistics, creative and digital, and health and pharmaceuticals, health and education, wholesale and retail trade.
2. Sizeable parts of the East Midlands area enjoy the benefits of having two cities, large towns and rural areas, and being home to gems of industry, such as Toyota UK, Rolls Royce, Alstom, and Boots, with expertise in aerospace, rail, life sciences and strong transport links. It contains three world class universities, which provide centres of research excellence. It is home to major tourist attractions such as the Peak District National Park, the National Forest, and Sherwood Forest. There are ambitions to maximise strategic opportunities presented through the East Midlands Freeport and the East Midlands Development Corporation, and to capitalise on announcements in the Integrated Rail Plan on HS2.
3. But the East Midlands area also faces challenges which impact on productivity levels and the ability to grow. Productivity lags behind the UK average, requiring a 14.6% increase to close the gap, and public spending per person has historically been below the UK average. There are places within the East Midlands area with high levels of poverty and poor social mobility. Greater local powers are needed to level up, to tackle the challenges facing the East Midlands, and to harness its huge economic opportunity for the benefit of the people in the East Midlands area and for the whole of the UK. In recognition of this, Government has already invested £107.5 million through the Levelling Up Fund, including the single largest award of £49.6 million for the South Derby Growth Zone. Local authorities across the East Midlands area have also been allocated a three-year total of over £55.1 million core UK Shared Prosperity Fund (over £66 million including Multiply programme funding).
4. The Government has set itself a mission that, by 2030, every part of England that wants a devolution deal will have one, with powers at or approaching the highest level of devolution, with a simplified, long-term funding settlement. The 2022 Levelling Up White Paper makes clear the case for devolution as the engine room of improved productivity and reduced regional disparities. Devolution will be critical to delivering our twelve headline Levelling Up missions, strengthening local leadership to act more flexibly and innovatively to respond to local need, whether on transport, skills or regeneration.
5. In the White Paper, Government published a devolution framework for the first time, setting out a clear menu of options for places in England that wish to unlock the benefits of devolution. This framework places a strong emphasis on the importance of high profile, directly elected local leadership, strong local

governance, and joint working across sensible and coherent economic geographies. The most comprehensive package is a Level 3 deal, for areas with a single institution over a sensible geography, with the strongest and most accountable leadership. These institutions include a Combined County Authority led by a mayor, referred to in this document as a Mayoral Combined County Authority (MCCA). A Combined County Authority is a new institutional model introduced by the Levelling Up and Regeneration Bill, that is currently progressing through Parliament. The four East Midlands authorities intend to use this new model, subject to the Combined County Authority provisions in the Bill receiving Royal Assent and coming into force. Devolution of power and responsibilities will be to the two upper tier and two unitary authorities but the deal respects the importance of the continued role of the eight Derbyshire and seven Nottinghamshire district and borough councils.

6. This document sets out the terms of a proposed agreement for such a Level 3 devolution deal between the Government and Derbyshire County Council, Derby City Council, Nottinghamshire County Council and Nottingham City Council (hereafter “the Constituent Councils”), together forming the East Midlands Mayoral Combined County Authority area covered in this deal (hereafter “the East Midlands MCCA” or “East Midlands area”). This document describes both the offer of powers and budgets from Government and the reforms and measures that the East Midlands will need to deliver. Central to this is the election of a directly elected mayor across the East Midlands area to champion its interests, deliver on local priorities and be accountable to local people. This agreement is subject to ratification by the Constituent Councils, provisions in the Levelling Up Bill receiving Royal Assent and coming into force, and to the statutory requirements for making the secondary legislation implementing the provisions of the deal. These statutory requirements include those Constituent Councils consenting to the legislation and Parliament approving it. Once this legislation is approved and made, the devolution deal will be confirmed.
7. The Constituent Councils of the proposed East Midlands MCCA and Government are hereby minded to agree a historic mayoral devolution deal which will provide powers and funding to enable the East Midlands area to unleash its full economic potential and in doing so level up, raise living standards for its communities and make a full contribution to the UK economy. The East Midlands devolution deal shows how levelling up can be done in practice – with clear alignment to the twelve headline Levelling Up missions and long-term, devolved funding underpinning it.
8. The East Midlands devolution deal will unlock significant long-term funding and give local leaders greater freedom to decide how best to meet local needs and create new opportunities for the people who live and work there. The Government recognises that devolution is a journey, not a one-off event. This agreement is the first step in a process of further devolution. As institutions mature, they can gain greater responsibility, and the East Midlands MCCA will be able to deepen their devolution arrangements over time on the same basis as existing Mayoral Combined Authorities (MCAs), subject to Government agreement.

9. The Government commits to using the platform of this deal to work with the East Midlands MCCA in addressing key local challenges and opportunities, including the delivery of infrastructure and investment to build the transport network of the future, tackling productivity and skills gaps to support inclusive economic growth in towns, cities and rural areas, unlocking transformative regeneration and housing opportunities, and working together to tackle climate change, on our journey to 2030.

10. As a Mayoral Combined County Authority, the East Midlands will be a key partner of central government to drive regional growth and productivity, joining the existing MCAs in engagement with the Government from the date of this deal.

Summary of the Devolution Deal between the Government and four of the Local Authorities of the East Midlands comprising Derby, Derbyshire, Nottingham & Nottinghamshire.

The Government and the Constituent Councils are minded to agree a devolution deal which will provide the East Midlands area with new powers and funding to increase opportunities and living standards through inclusive growth and productivity improvements.

A devolution agreement is contingent upon the Constituent Councils proceeding through the steps necessary to meet the governance criteria required for a Level 3 devolution deal.

This devolution agreement includes:

- The formation of the East Midlands Mayoral Combined County Authority (MCCA), (subject to the Levelling Up and Regeneration Bill receiving Parliamentary approval and Royal Assent), and the election of a directly elected mayor to provide overall vision and leadership, seek the best value for taxpayer's money, be directly accountable to the area's electorate and to receive new powers on transport, housing and skills.
- Control of a £38 million per year allocation of investment funding over 30 years (50% capital, 50% revenue), to be invested by East Midlands MCCA to drive growth and take forward its priorities over the longer term.
- New powers to improve and better integrate local transport, including the ability to introduce bus franchising, control of appropriate local transport functions, e.g. local transport plans, and control of a Key Route Network.
- An integrated transport settlement starting in 2024/25.
- A commitment to explore a local partnership with Great British Railways so that the East Midlands MCCA mayor can help to shape and improve the local rail offer.
- New powers to better shape local skills provision to meet the needs of the local economy, including devolution of the core Adult Education Budget, as well as input into the new Local Skills Improvement Plans.
- New powers to drive the regeneration of the area and to build more affordable homes including compulsory purchase powers and the ability to establish Mayoral Development Corporations.
- Over £17 million for the building of new homes on brownfield land in 2024/25, subject to sufficient eligible projects for funding being identified.
- £18 million capital funding in this Spending Review period to support the delivery of housing priorities and drive Net Zero ambitions in the East Midlands area. This investment is subject to agreement of the relevant business cases.
- The East Midlands MCCA will plan and deliver the East Midlands area allocation of the UK Shared Prosperity Fund (UKSPF) from 2025/26.
- The integration of D2N2 Local Enterprise Partnership into the East Midlands MCCA will ensure there continues to be a strong and independent local

business voice which informs local decision making and strategic economic planning. In absorbing the role and functions of D2N2 LEP, the East Midlands MCCA will deliver a number of functions on behalf of central government departments.

- A commitment to developing, in partnership with the Government, an arrangement which ensures close cooperation with the Police and Crime Commissioners (PCCs).
- A key leadership role for the mayor in local resilience and civil contingency planning, preparation and delivery.

More detail on these commitments is given in the main body of the document below.

Building on this framework, Government and the Constituent Councils commit to working together in the coming months and years to embed the MCCA in the East Midlands, deepen devolution, strengthen ties between local areas and government partners, and work collaboratively to deliver the Levelling Up missions across the East Midlands area. In particular, East Midlands MCCA will seek to work jointly with Government and other relevant partners to:

- Deliver transformative regeneration and new high-quality housing.
- Tackle local housing challenges including homelessness and rough sleeping.
- Tackle domestic abuse through an improved and system wide holistic approach.
- Develop strong links between the MCCA and PCCs to help join up public service delivery and strategies in relation to community safety.
- Develop an ambitious, long term mayoral social mobility strategy, supporting young people through their journey to adulthood.
- Strengthen the local visitor economy, creating an attractive and vibrant cultural and creative sector.
- Strengthen transport connectivity, building on the potential offered by HS2 and the consolidation of the existing core local transport funding into a multi-year integrated settlement.
- Capitalise on the East Midlands area's economic potential as part of the Midlands Engine.

Once the MCCA has been established, further devolved powers and consolidated funding settlements may be agreed over time and included in future legislation.

Governance

11. The Constituent Councils have a history of working well together. They have made very rapid progress since they joined forces in February 2022 to work together on a single devolution deal across all four local authorities, demonstrating effective partnership working.
12. The Constituent Councils have set out eight principles for the governance framework to be applied to the delivery of this devolution deal. The first four principles apply the devolution framework set out in the Levelling Up White Paper:
 - Principle one: Effective leadership with a directly elected mayor across the area.
 - Principle two: Sensible geography - the East Midlands area covered by this devolution deal has one of the most functional, self-contained economic geographies in the country – 92% of workers live in the area and 87% of residents work in the area.
 - Principle three: Flexibility - this deal recognises the unique needs and ambitions of the area in its governance and programme.
 - Principle four: Appropriate accountability – the Constituent Councils have committed to developing a Constitution and Assurance Framework that will confirm, clarify and formalise the intention of institutions and local leaders to continue to be transparent and accountable, work closely with local businesses, seek the best value for taxpayers' money and maintain strong ethical standards.

With a further four local principles:

- Principle five: Inclusivity - The East Midlands Constituent Councils have committed to creating as inclusive a model of governance as possible, in pursuit of agreed outcomes. Devolution of power and responsibilities will be to the Constituent Councils, however, the importance of the continued role of the eight Derbyshire and seven Nottinghamshire district and borough councils will be respected.
- Principle six: Subsidiarity - The East Midlands MCCA will perform a role that adds value to existing governance arrangements – primarily focused on strategic place shaping functions such as plan making and strategic commissioning. The East Midlands MCCA will not create an additional layer of governance, but instead will bring the governance that currently sits at national government level down into the East Midlands, much closer to businesses and communities. Place *making* functions will be delivered through the existing local planning authority arrangements that are better placed to deliver functions for which they are statutorily responsible and as close to communities as is practicable.
- Principle seven: Commissioning - The East Midlands MCCA will develop strategy across the geography, dealing with issues as diverse as economic growth and nature recovery. Programmes of interventions will be developed against these strategies.
- Principle eight: Choice - The preferred governance model for the East Midlands MCCA will identify a mechanism for including district and borough councils in the geography. This model will respect the existing sovereignty of these lower tier local authorities. Individual councils will also be able to

continue to exercise choice about participation at sub-CCA tiers of partnership working.

These principles will be reflected in full in the constitution of the East Midlands MCCA, key aspects of the framework are set out below.

Mayoral Combined County Authority (subject to Royal Assent and coming into force of the relevant provisions in the Levelling Up and Regeneration Bill)

13. As part of this deal the Constituent Councils intend to adopt the Mayoral Combined County Authority (MCCA) model which is provided for in the Levelling Up and Regeneration Bill 2022 (LURB). Proceeding to establish the MCCA is dependent on Parliamentary approval of the relevant enabling provisions in the LURB. The target date for the first mayoral election is May 2024; mayoral terms will last four years. The timetable for establishing an MCCA and election of a mayor is dependent on if and when the LURB, which is currently progressing through Parliament, achieves Parliamentary approval and Royal Assent.
14. A key advantage of the MCCA model is its capacity for joint governance arrangements for key growth levers such as transport, skills, economic development, and regeneration, which allow for strategic prioritisation across its area and integrated policy development. In addition, a directly elected mayor provides greater local accountability and decision-making power, working in partnership with the MCCA and its Constituent Councils, and more widely with other public service providers including district and borough councils.
15. The MCCA institutional model includes upper tier authorities only. Both the Government and the East Midlands Constituent Councils place high importance on the MCCA working collaboratively with the 15 district and borough councils across Derbyshire and Nottinghamshire (“the district and borough councils”) and ensuring that they have a voice in the MCCA. The East Midlands Constituent Councils will work with the district and borough councils in the area to develop the detail of the arrangements for appropriate district council input to the MCCA for inclusion in the detailed proposal which will be subject to consultation across the area, prior to formal submission to the Secretary of State. These arrangements will include a mechanism for appointment of representative non-constituent members from the district and borough councils to the MCCA, representatives of the district and borough councils on the Overview and Scrutiny Committee and the Audit Committee, and may involve the establishment of advisory boards. These arrangements are for local choice and will not be expected to be specified in any implementing secondary legislation.
16. The proposed East Midlands MCCA will comprise the following members:
 - Voting Members:
 - The elected Mayor.
 - Eight elected members, consisting of a Lead Member for each Constituent Council and one further member appointed by each of the

four Constituent Councils. Constituent Councils may nominate two named substitutes for each of their MCCA members.

17. In addition, the MCCA will be able to appoint non-constituent and associate members. The maximum number of non-constituent or associate members is not to exceed the number of constituent members. Non-constituent members are to be non-voting unless the MCCA resolves to give them a vote on any issue. It will be up to the MCCA to set out further constitutional arrangements, including delegation to committees to support its operation, which may include members from district and borough councils who are not members of the authority.
18. It will be for the MCCA to decide on the nominating bodies for non-constituent members. The mechanism by which district and borough councils can nominate members to the MCCA will be developed in consultation with the district and borough councils and set out in the proposal which will be subject to consultation. The Constituent Councils currently consider that the mechanism could either be using existing joint committees or creating another committee or board comprised of the district and borough councils to nominate up to four representative non-constituent members. As well as district and borough council representation within the non-constituent or associate members on the MCCA, the Constituent Councils will consider how best to ensure that the blue light services, health and business voice are represented effectively on the MCCA.
19. Functions contained in this deal document will be devolved to the East Midlands MCCA by the Government subject to Parliamentary approval. Some of these functions will be exercisable by the mayor and some by the MCCA. Where these functions are local authority functions, they will be held concurrently with the local authorities in the area to ensure joined up decision making. Arrangements for the concurrent exercise of local authority functions will be a matter for agreement between the MCCA, its Constituent Councils and the district and borough councils, as appropriate.
20. The East Midlands MCCA will be given powers in relation to:
 - Economic development and regeneration functions.
 - Adult education and skills functions.
 - Transport functions including to set up and coordinate a Key Route Network (KRN) on behalf of the mayor.
 - Housing supply, regeneration and placemaking functions) plus provision of housing and land, land acquisition and disposal, and development and regeneration of land functions.
 - Power to borrow up to an agreed cap for non-transport functions.
21. The directly elected mayor for the East Midlands MCCA will autonomously exercise the functions set out below with personal accountability to the electorate, devolved from central government and set out in legislation. These functions will be:
 - Functional power of competence.
 - Housing and regeneration:

- Power to designate a Mayoral Development Area and then set up a Mayoral Development Corporation (see consent requirements at paragraph 60 below).
 - Housing and land acquisition powers (see consent requirements at paragraph 27 below) to support housing, regeneration, infrastructure and community development and wellbeing.
 - Finance:
 - Power for the mayor to set a precept on council tax to fund mayoral functions (resulting from the setting of the mayoral budget as set out at paragraph 25 and 26 below).
 - Power to charge business rate supplement (subject to ballot).
 - Transport:
 - Power to draw up a local transport plan and strategies (subject to the consent requirements at paragraph 26 below.)
 - Bus franchising powers.
22. No local authority functions are being removed from any local authority in the area, excluding transport functions as agreed with the Constituent Councils.
23. Where existing functions or resources currently held by Constituent Councils are to be shared with the mayor and the MCCA, this must be agreed by the Constituent Council(s). Additionally, the Government intends to legislate so that the mayor will have a power of direction allowing them to direct highway authorities on exercising their highway powers with regard to the Key Route Network. The MCCA, including the mayor, may exercise functions in relation to its area, including exercising functions outside its area, subject to and in accordance with statutory provisions.
24. Proposals for decisions by the MCCA may be put forward by the mayor or any MCCA constituent member. The mayor will have one vote as will other voting members of the MCCA. Any questions that are to be decided by the MCCA are to be decided by a simple majority of the members present and voting, unless otherwise provided for in legislation, and that majority must include the vote of the mayor.
25. In addition, for the following decisions the majority of members must include the lead member from each Constituent Council:
- Approving the combined county authority's budget (excluding decisions which relate to the mayor's budget).
 - Setting a levy.
26. The mayor will be required to consult the MCCA on their strategies, and this will be subject to the following conditions:
- The MCCA will be able to amend the mayor's budget if a two thirds majority of the voting members agree to do so.
 - The MCCA will be able to amend the mayor's transport strategy if a two thirds majority of the voting members agree to do so.

27. The following decisions will require the consent of the lead member of the relevant Constituent Council, or substitute members acting in their place, in whose area the decision will apply:
- Designation by the Mayor of any area of land as a Mayoral Development Area leading to the establishment (by Order) of a Corporation (the consent of the relevant planning authority in whose area the decision will apply is also required as included in paragraph 60).
 - Compulsory purchase of land or buildings by the mayor or the MCCA
 - In addition, the exercise of Homes England compulsory purchase powers will also require the consent of the relevant planning authority.
 - Any decision by the Mayor that could lead to a financial liability falling directly upon that Constituent Council.
 - Such other matters as may be contained in the MCCA constitution and agreed with the mayor.
28. The mayor and the MCCA will be scrutinised and held to account by the MCCA's Overview and Scrutiny Committee(s) and Audit Committee.
29. For the Overview and Scrutiny Committee(s) and Audit Committee, at least one member will be nominated from each Constituent Council for each committee. In addition, there will be non-constituent council representatives on each Overview and Scrutiny Committee and the Audit Committee. Further detail on the approach to nomination of those representatives will be developed in consultation with the district and borough councils in the area and included in the proposal to be consulted on. The Constituent Councils will also consider whether and how best to ensure that the blue light services, health and business voice are represented effectively on the Overview and Scrutiny and/or the Audit Committees. The Audit Committee will also include at least one independent person.
30. The chair and vice-chair of each Overview and Scrutiny Committee will be appointed by the MCCA, following a proposal put to them by the Overview and Scrutiny Committee in question. The chair and vice-chair shall not be a member of a registered political party of which the mayor is also a member. The mayor and the MCCA may also seek to enhance scrutiny and develop wider conference with all elected members in the combined county authority's area to engage on key issues.
31. The Levelling Up White Paper committed to a reformed accountability framework for all areas with devolution deals in England. Government, the East Midlands MCCA and other areas with devolution deals will work together to determine how this can best work in practice, streamlining our approach to focus on clear and transparent outcomes and ensure the right mechanisms are in place to promote good practice, as well as address serious concerns. This is to ensure that local people have confidence that devolution is leading to improvements in their area. This framework will apply to the East Midlands MCCA as well as all existing areas

that have agreed devolution deals and all future areas. The framework will be published later in 2022.

32. The proposals in this devolution deal are subject to ratification by each Constituent Council. This will include the development of a proposal, consultation on that proposal with local communities and business, and the submission of the outcomes of the consultation to the Government. Implementation of the deal is subject to the devolution measure in the Levelling Up and Regeneration Bill receiving Royal Assent and coming into force, the Secretary of State being satisfied that the required statutory requirements have been met, the consent of each Constituent Council has been provided and parliamentary approval of the required secondary legislation has been provided.

LEP Integration

33. The Levelling Up White Paper announced the Government's intention to support the integration of Local Enterprise Partnership functions and roles into local democratic institutions. Further guidance on integration was published on 31 March 2022. This deal confirms the integration of LEP functions into the East Midlands MCCA, subject to government endorsement of an integration plan and the agreement of the East Midlands MCCA and D2N2 LEP.
34. The East Midlands MCCA will be supported to take on the functions and roles of D2N2 LEP in line with the published guidance. In doing so all parties will work together to ensure the independence of local business voice is maintained, with business voice represented on the MCCA, and advisory boards representative of the geographies and composition of their local communities. The East Midlands MCCA will ensure that any business advisory board or equivalent structure is meaningfully involved in local decision making, maintaining a culture of constructive challenge and scrutiny.
35. Government funding for integrated LEP functions will be subject to future spending decisions by individual departments and business planning. The Government reserves the right to modify the functions and roles set out in section 10 of the published guidance on LEP integration.

Finance and Investment

36. The Constituent Councils will create a fully devolved funding programme covering all budgets for devolved functions (the “East Midlands Investment Fund”), accountable to the East Midlands MCCA.
37. The East Midlands MCCA will use the East Midland Investment Fund to deliver a programme of transformational long-term investment. The Government agrees to allocate £38 million per annum for 30 years, (50% capital and 50% revenue,), which will form part of the East Midlands Investment Fund. This will be subject to five-yearly gateway review assessments to confirm that the investment has contributed to economic growth and levelling up. Once the East Midland MCCA Assurance Framework is confirmed with Government, and the Order is made establishing the MCCA, the East Midlands MCCA may have access to the Investment Fund prior to mayoral elections, subject to the agreement with the Government of suitable caps.
38. The East Midlands MCCA will have the flexibility to secure private and public sector leverage. As per local government guidance, the East Midlands MCCA will also be able to use capital receipts from asset sales as revenue funding for public service transformational initiatives.
39. The East Midlands MCCA will be given powers to borrow for its new functions, which will allow it to invest in economically productive infrastructure, subject to an agreed cap with HM Treasury. The East Midlands MCCA will agree overall debt limits with HM Treasury, and update HM Treasury about any deviation from its underlying borrowing plans in order to support HM Treasury in its duty to monitor and forecast changes in the fiscal aggregates. The East Midlands MCCA will also provide information, explanation and assistance to support the Office for Budget Responsibility in its duty to produce economic and fiscal forecasts for the UK economy.
40. The costs of establishing the MCCA will be met from the overall resources of the MCCA. To support the East Midlands MCCA in its early stages, the Government will provide £500,000 Mayoral Capacity Funding in 2023/24 - once the establishing legislation is made and the Assurance Framework confirmed with the Government - and £1 million in 2024/25. Any future capacity funding will be subject to Spending Review, in line with arrangements for other devolution deals. Additional activities or capital allocations from government will be supported by revenue allocated to the MCCA in line with practice for areas with existing devolution deals.
41. The mayor will have the power to issue a precept on local council tax bills to help pay for the mayor’s work. This precept can only be raised for mayoral functions.

42. The mayor will have the power to introduce a supplement on business rates for expenditure on a project or projects that will promote economic development in the area, subject to a ballot of affected businesses.

43. The East Midlands MCCA will be the lead local authority for the planning and delivery of the United Kingdom Shared Prosperity Fund (UKSPF) from 2025/26 if there is a continuation of the Fund and the delivery geographies remains the same. The East Midlands area's core UKSPF allocation will be subject to a future Spending Review and reconfirmation of overall UKSPF policy and delivery arrangements from 2025/26. If the delivery model remains the same as the previous Spending Review period, it is anticipated that the East Midlands MCCA will have overall accountability for the funding and how the Fund operates in the area, with wide flexibility to invest and deliver according to local needs. In carrying out this role, it will need to engage Constituent Councils, district and borough councils and other local partners to ensure that the needs of residents can be effectively addressed.

Skills and Education

Adult Education

44. Whilst the numbers of people in the East Midlands qualified to Levels 2 and 3 are above the England average, those qualified to Level 4+ are below the national average. Graduate retention is a challenge, with 35% to 39% of graduates from the area's three universities remaining in the East Midlands following graduation. There are significant place-based variations in skills and productivity across the East Midlands districts.
45. The East Midlands workforce is more concentrated in lower skilled occupations than the national average. Over the next 10-15 years, slower growth in the working age population and significant technology-driven changes are likely to require increased adaptability and re-skilling by people who are already working as well as maximising the potential of young people entering the labour market. Despite unemployment being low, there are still communities and places where unemployment and economic inactivity remains high with a growing number identified as having significant barriers to work.
46. The Government will fully devolve the Adult Education Budget (AEB) to the East Midlands MCCA from academic year 2025/26, subject to readiness conditions and parliamentary approval of the required secondary legislation conferring the appropriate functions. These arrangements do not cover apprenticeships or traineeships, even though the latter is funded through the AEB.
47. Prior to full devolution of AEB, the Government will work with East Midlands MCCA to support their preparations for taking on the relevant functions, including offering implementation funding on a 'matched-funded' basis and awarded through a business case process.
48. Upon devolution of AEB, East Midlands MCCA will be responsible for making allocations to providers and the outcomes to be achieved, consistent with statutory entitlements. The Government will not seek to second guess these decisions, but it will set proportionate requirements about outcome information to be collected in order to allow students to make informed choices.
49. The Government will consult with East Midlands MCCA on a funding formula for calculating the size of the grant to be paid to the East Midlands MCCA for the purpose of exercising these devolved functions.
50. In order to proceed with devolution, the Government needs to be assured of the following readiness conditions:
 - a. The Secretary of State for Education and appropriate accounting officer are assured that East Midlands MCCA is operationally ready to administer AEB and is satisfied the required statutory tests have been met.

- b. Parliament has legislated to enable transfer to the East Midlands MCCA of the current statutory duties on the Secretary of State to secure appropriate facilities for further education for adults from this budget and for provision to be free in certain circumstances.
- c. Agreement to a memorandum of understanding between the Department for Education and East Midlands MCCA that provides appropriate assurance that the named parties will work together to ensure the future financial stability of the provider base, including for sharing financial risk and managing provider failure.
- d. Learner protection arrangements are agreed between parties.

Skills and Employment

51. Local Skills Improvement Plans (LSIPs) will set out the current and future skills needs of the area and how local provision needs to change to help people develop the skills they need to get good jobs and increase their prospects. They will build a stronger and more dynamic partnership between employers and providers and allow provision to be more responsive to the skills needs of employers in local labour markets.
52. Working with the designated Employer Representative Body, utilising and sharing the local labour market intelligence and analysis it has developed,¹ East Midlands MCCA will support and provide input into the LSIP for the area.
53. The East Midlands MCCA will be considered alongside existing MCAs at future Spending Reviews with regard to the devolution of skills funding.
54. The Government and the region will also work together to better target employment support by understanding and utilising publicly available local labour market intelligence and analysis.² As part of the development of the economic framework, the Government is committed to working together on the region's strategic priorities and supporting the development of the region's economic framework.
55. The Department for Work and Pensions and the East Midlands MCCA will work together on its strategic priorities for employment through enhanced engagement by way of:
 - Membership of the joint Department for Work and Pensions and Department for Education Mayoral Combined Authority Advisory Group.
 - Regular engagement with the regional Employer and Partnership team in Jobcentre Plus, and strategic labour market partnership teams.

^{1,2} This includes analysis produced previously by the LEP and its Skills Advisory Panel (funded by a Department for Education grant up until March 2023).

56. The Department for Work and Pension will also consider what role East Midlands MCCA could have in the design and delivery of future contracted employment programmes.

Housing and Land

57. The relevant authorities in the East Midlands area have set out their local housing priorities around brownfield remediation, housing quality and decarbonisation, and systems improvement to support local supported and specialised housing needs. Government will work collaboratively with the East Midlands MCCA to address these challenges through devolved capital funding and upfront investment in housing and Net Zero projects.
58. The East Midlands MCCA will have broad powers to acquire and dispose of land to build houses, commercial space and infrastructure, for growth and regeneration. They will be able to invest to deliver housing for the area.
59. The East Midlands MCCA will have land assembly and compulsory purchase powers for housing purposes, subject to the agreement of the Constituent Councils and, where applicable, the district/borough council(s) where the relevant land is located, and to the consent of the Secretary of State for Levelling Up, Housing and Communities.
60. The Mayor will have the power to designate Mayoral Development Areas and to create Mayoral Development Corporations, which will support delivery on strategic sites across the East Midlands area and may draw on existing work, subject to the agreement of local partners. Where relevant, this power may be exercised only with the consent of all members of the combined county authority appointed by the Constituent Councils, or substitute members acting in place of those members, whose local government area contains any part to be designated as a mayoral development area and the consent of the relevant planning authority, including national park planning authority if their area contains any part to be designated as a mayoral development area.

Working with Homes England

61. The East Midlands MCCA and Homes England will work together to identify key opportunities for developing a housing delivery pipeline across the East Midlands area. This will include exploring transformational regeneration opportunities at strategic locations across the area. Homes England and DLUHC will consider investment in housing propositions that emerge from the development of the pipeline, including through the Affordable Homes Programme and future funding streams, and explore the potential for developing a Strategic Place Partnership in time.

Funding

62. The Government will support this commitment to deeper partnership working with £16.8 million of devolved capital funding in 2024/25 to support the building of new

homes on brownfield land, subject to sufficient eligible projects for funding being identified.

63. Further to this, the Government will, subject to annual reporting, provide £918,000 of capacity funding to the East Midlands MCCA across 2023/24 and 2024/25 to support development of a pipeline of housing sites across the MCCA area, supported by Homes England.
64. The Government will also provide up to a £9 million housing capital funding pot in this Spending Review period to support the delivery of housing priorities in the East Midlands area, subject to final business cases.

Transport

65. The Government recognises that the East Midlands approaches this devolution deal from a different position to many devolution deal areas, where local transport services were already managed across the devolution area. The Government and the constituent councils of East Midlands MCCA will therefore work together to agree a transition plan and future arrangements that deliver improved local transport services across the East Midlands area.
66. Subject to the agreement and implementation of that transition plan, a new, directly elected East Midlands Mayor and the East Midlands MCCA will become responsible for setting and delivering a transport strategy for the area, including for bus and tram services. Working with the Constituent Councils in the East Midlands, the Government will establish suitable arrangements for delivering this strategy, including in relation to the Nottingham tram (Nottingham Express Transit). Subject to these arrangements, and to the Levelling Up and Regeneration Bill receiving parliamentary approval and Royal Assent, the Mayor and East Midlands MCCA will be responsible for the following powers and functions.

Transport plans

67. Responsibility for an area-wide local transport plan will be conferred to the East Midlands MCCA and exercised by the Mayor.
68. In line with best practice as set out in new local transport plan guidance planned for early 2023, the East Midlands Constituent Councils will develop a provisional area-wide local transport plan by March 2024 to be finalised by the Mayor and East Midlands MCCA once these are established. The Government recognises the significant changes to transport governance brought about by this deal which will require some additional capacity. The Constituent Councils or the East Midlands MCCA (as appropriate) will collectively be provided with an additional £500,000 of revenue funding in both 2023/24 and 2024/25 to accelerate this work and implement quantifiable carbon reductions to the higher standard recommended in related guidance.

Integrated Ticketing

69. In exercising its transport powers, East Midlands MCCA will seek, within available resources, to facilitate the accelerated delivery of smart, integrated ticketing across all local modes of transport in the area. East Midlands MCCA will continue to work with relevant partners – bus, tram, rail and other local transport operators, Midlands Connect, Great British Railways and the Department for Transport – to realise this ambition.

Consolidated transport budget

70. The Mayor will be responsible for a devolved and consolidated integrated local transport budget for the area of the East Midlands, consisting initially of the local highways maintenance funding (both the Pothole Fund and the Highways Maintenance Block) and the Integrated Transport Block. The integrated transport settlement will be available to the East Midlands MCCA following the first mayoral election which we expect to be in May 2024, for the final year (2024/25) of the current Spending Review period. The Government recognises the importance of transport in East Midlands and its importance in driving growth and productivity, levelling up and decarbonisation. The Government acknowledges that the Constituent Councils desire longer-term certainty that the integrated transport settlement will continue beyond 2025 and will therefore work with the East Midlands MCCA to agree an integrated multi-year transport settlement at the next Spending Review. At this point, following the example of other comparable Combined Authorities, opportunities for expanding the integrated transport settlement offer will be explored.

71. In addition, there may be further funds relating to transport for which the East Midlands Combined County Authority is eligible.

Roads

72. The East Midlands MCCA will set up and coordinate a Key Route Network on behalf of the Mayor, allowing the Mayor and the MCCA to take on highway powers for the Key Route Network. The Mayor and MCCA will take on the necessary highways powers to undertake this, to be exercised concurrently with the highways authorities, as agreed locally and set out in the proposal. Additionally, the Government intends to legislate to enable the conferral of a power of direction on the mayor, allowing them to direct highway authorities on exercising their highway powers with regard to the Key Route Network.

73. In partnership with Constituent Councils, the East Midlands MCCA and the Mayor will develop a single strategic asset management plan, and where practical, work towards streamlining contractual and delivery arrangements across the region. Unless otherwise agreed locally, all operational responsibility for highways will remain with the Constituent Councils.

74. The East Midlands MCCA will also be able to enter into agreements with the Government, other local authorities, combined authorities and National Highways, including to determine shared priorities for its strategic and Key Route Networks.

75. The Government is introducing a new £450 million local electric vehicle infrastructure (LEVI) scheme for local authorities to support local EV infrastructure delivery and will work with East Midlands MCCA to ensure the area is well placed to respond once funding arrangements are announced.

76. The MCCA will take on the powers held by their local authorities relating to moving traffic offences, to be shared concurrently with constituent highway authorities in line with the provisions of Part 6 of the Traffic Management Act 2004 for authorities outside London.
77. The MCCA will take on powers to issue permits as part of permit schemes to manage disruption. By taking on these powers over local roads, held concurrently with Constituent Councils, the MCCA will also be able to issue permits to manage disruption and will be able to seek agreement from the Secretary of State to run a lane rental scheme seeking contributions from utility companies and for highway works.
78. The Government will provide £50 million for the South Derby Growth Zone / A50 junction, subject to business case approval. The Government will consider the business case for proposals on the Chesterfield Staveley Regeneration Route.

Buses

79. Each Constituent Council in the MCCA, alongside bus operators, is responsible for managing and delivering bus services. The local authorities have created Bus Service Improvement Plans and will continue to implement these plans, supported by a total indicative allocation of £84 million from Government for the region.
80. Buses are a vital part of the overall transport network and the Mayor's transport strategy will set out a plan for buses across the MCCA area in conjunction with the Constituent Councils. The Government and East Midlands Constituent Councils recognise the opportunity created by this devolution deal to improve bus services across the area and the benefits of integrating bus functions with the MCCA.
81. Subject to the Levelling Up and Regeneration Bill receiving Parliamentary approval and Royal Assent, East Midlands MCCA will be empowered to exercise franchising powers in the Transport Act 2000, including the power to consult on franchising without permission from the Secretary of State.
82. In any Enhanced Partnership or franchising arrangements, the MCCA will seek, within available resources, to facilitate: bus priority; real time information; incentivised ticket schemes; asset improvements; and the accelerated delivery of smart, integrated ticketing.
83. As per the commitment in the National Bus Strategy, the Government is working on the reform of the Bus Service Operators Grant (BSOG). Following the reform of BSOG should the East Midlands MCCA request BSOG be devolved to them, the Department for Transport will work with East Midlands MCCA to devolve BSOG to them in line with the consultation outcome.

84. The MCCA will have powers to run travel concession schemes. The East Midlands MCCA will explore enhanced concessionary fares schemes, including elements for rail and young persons.

Mass Transit

85. The East Midlands MCCA will explore mass transit opportunities, including integrating and potentially expanding the NET tram system, in support of the emerging East Midlands HS2 Growth Strategy, and will work with Government to deliver this.

Rail

86. Government will support the East Midlands MCCA in seeking a new rail partnership with Great British Railways, once established, so that their priorities can be taken into consideration in future decisions regarding their local network. The East Midlands MCCA will be considered a priority for these agreements, similarly to Mayoral Combined Authority areas, which will provide the ability to influence the local rail offer. Local priorities will need to be coordinated and compatible with surrounding areas and the needs of the national network.

87. Devolution of transport responsibilities to the East Midlands MCCA offers an opportunity to build on the Integrated Rail Plan for the North and Midlands (IRP), which set out the largest-ever single Government investment in rail. The East Midlands MCCA and the Constituent Councils will work with the Government to support the effective implementation of the IRP - including HS2 East and Midland Main Line (MML) electrification which will provide direct HS2 connectivity for Nottingham, Derby & Chesterfield. The Government has committed to accelerate transport improvements at Toton, such as a station for local/regional services, with delivery subject to significant private sector investment – on a 50:50 match-funded basis with the taxpayer. The East Midlands will work with the Government on the study and identify the required match funding for any potential intervention at Toton.

88. The MCCA will be the key local government point of contact for Network Rail on the Restoring Your Railway and station projects within the area and any equivalent future programmes.

Active Travel

89. The East Midlands MCCA to be responsible for preparation of Local Cycling and Walking Infrastructure Plan and the East Midlands MCCA will work with Active Travel England on any future walking and cycling schemes to ensure schemes are delivered to high standards, including compliance with Local Transport Note 1/20

(LTN 1/20). All cycling and walking schemes must be approved by ATE as complying with LTN 1/20.

Future Transport

90. The Derby and Nottingham area has already done significant pioneering work on their Government-funded Future Transport Zone. The MCCA will become the key contact for the Government on low carbon transport solutions and the challenge of 'first and last mile travel' in the area. The Government will continue to work closely with the area, alongside Midlands Connect, to support future aspirations.
91. The Government and Ofgem will work with the MCCA to deliver clean fuel infrastructure that will accelerate the establishment of a Net Zero transport network. This will include initiatives to ensure that sub-national actors, including Distribution Network Operators (DNOs), local government and other actors co-operate effectively when planning our future energy system.

Net Zero, Energy and Environment

Net Zero

92. The Government recognises the ambition of the East Midlands to be a leader in pioneering new forms of clean energy generation, and to act as an exemplar for climate change adaptation, with Derbyshire leading the way on local nature recovery and natural capital strategies in collaboration with the Peak District National Park. An ambition to adopt a shared endeavours approach to tackling climate change adaptation and Net Zero targets is clear, and can build on existing ambitious strategies, such as the leading core city response to carbon reduction in Nottingham, including working on energy, climate change adaptation, waste and local nature recovery and biodiversity strategies. In recognition, the government will make an investment in the East Midlands area of up to £9 million via a Net Zero capital funding pot this Spending Review that will enable the East Midlands area to drive their Net Zero ambitions. This investment is subject to agreement of a business case from the area.

93. As part of its Net Zero Strategy, the Government recognises that devolved and local government can play an essential role in meeting national Net Zero ambitions. Local leaders in the East Midlands area and elsewhere are well placed to engage with all parts of their communities and to understand local policy, political, social, and economic nuances relevant to climate action. This is why the devolution framework grants places the opportunity to adopt innovative local proposals to deliver action on climate change and the UK's Net Zero targets.

94. The Local Net Zero Forum, chaired by the Department for Business, Energy and Industrial Strategy, is cross-Government and brings together national and local government senior officials. Through representative organisations on the forum – the Local Government Association (LGA), Association for Public Service Excellence (APSE), Core Cities and the Association of Directors of Environment, Economy, Planning & Transport (ADEPT) – East Midlands MCCA will get the opportunity to discuss local Net Zero policy and delivery issues in the round.

Networks

95. The Government recognises the need to increase the East Midlands' electricity network capacity to meet future electricity demand. We are committed to ensuring that areas with a devolution deal, including East Midlands MCCA, have a meaningful role in planning our future energy system for net zero, alongside other local areas as appropriate.

Buildings

96. The Government commits to explore the potential benefits of and design options for a place-based approach to delivering retrofit measures, as part of the

government's commitment in the Net Zero Strategy to explore how we could simplify and consolidate funds which target Net Zero initiatives at the local level where this provides the best approach to tackling climate change. This work will involve inviting East Midlands MCCA to work with the Government through the relevant representative organisations to consider if such an approach could accelerate the meeting of Net Zero goals and provide better value for money.

Clean heat

97. The Government has confirmed its intention to establish heat network zoning in England and, on 6th July 2022, introduced the Energy Security Bill to Parliament to legislate for zoning and regulation of the heat network sector. Under the zoning proposals, Zoning Coordinators within local government will be able to designate areas as heat network zones where heat networks are going to be the most cost-effective way to decarbonise heating and hot water within the zone. This will enable the East Midlands MCCA to assume the role of heat network Zoning Coordinator for its locality and play a key role in the delivery of heat decarbonisation infrastructure. This includes requiring certain buildings to connect to heat networks within the zones. The Government is committed to have heat network zoning in place by 2025.

Net Zero infrastructure

98. The UK Infrastructure Bank ("the Bank") will increase infrastructure investment across the UK by partnering with the private sector and local government to help tackle climate change and support regional and local economic growth. The Bank's advisory service, when launched, could offer advice and support to local actors, including the East Midlands MCCA, to help deliver on their objectives, including driving investment into Net Zero infrastructure and innovative local projects. It can also act as a convenor, bringing together local actors for collaborative projects, and where appropriate identifying where projects can be aggregated to achieve greater impacts.

Green jobs

99. Through the Green Jobs Delivery Group, we are working to ensure that workers, businesses and local areas, including East Midlands, are supported through the Net Zero transition. The East Midlands MCCA now has the opportunity to deliver green skills interventions at a local level through having a greater role in delivering the Adult Education Budget and UKSPF.

100. In order to facilitate a complete view of the energy infrastructure requirements across the East Midlands area, the East Midlands MCCA will fund the commissioning of a local area energy plan (LAEP) to enable long term planning on a regional basis.

Energy from Waste

101. Through its role in coordinating the delivery of heat network infrastructure, as set out in paragraph 96 we will give the East Midlands MCCA the tools it needs to evolve waste management in the region and exploit opportunities to re-use waste heat. The Energy Bill currently passing through Parliament includes powers for local Zoning Coordinators to ensure that waste-heat sources are used in heat networks and we expect this to be possible for the East Midlands MCCA to develop the potential transformation of power sites such as those at Ratcliffe, Drakelow, and any future expansion of the Nottingham City District Heat Network.

Environment

102. The East Midlands MCCA commits to producing an MCCA area Flood Alleviation Strategy, working with Environment Agency, Internal Drainage Boards and other key partners, that will help build community and economic resilience. This will support a comprehensive approach to tackling local nature recovery with a focus on green and blue infrastructure and maximising benefits for people, wildlife and our economy. It will not change the roles and responsibilities of Lead Local Flood Authorities.

103. Derbyshire County Council and Nottinghamshire County Council have provisionally agreed to act as the responsible authorities for the preparation of the Local Nature Recovery Strategies (LNRSs) for the Derby City and Derbyshire County, and Nottingham City and Nottinghamshire County LNRS respectively. Formal appointment of responsible authorities will be made following publication of relevant regulations and guidance and confirmation of funding. The Strategies will, for the area that they cover: map the most valuable existing habitat for nature; map proposals for creating or improving habitat for nature and wider environmental goals, and; agree priorities for nature's recovery. Defra will consider the role of East Midlands Combined County Authority in due course. In the meantime, both areas will work to ensure join up where possible across the two LNRS areas.

Innovation, Trade and Investment

104. Through the deeper devolution trailblazer deals announced in the Levelling Up White Paper, Government will bring together a holistic package of powers, roles, functions and strategic relationships to grow the private sector at a local level.
105. The trailblazers are designed as a blueprint for other devolution settlements, and Government will draw lessons from this approach to make a similarly broad and holistic offer to the East Midlands MCCA in due course. This offer aims to build the resilience of businesses and households in the East Midlands area to cost of living pressures, strengthen the East Midlands area's global competitiveness and empower local entrepreneurs.
106. This offer will explore the following, and potentially other, options to:
- Empower the East Midlands area to be able to secure greater private investment in local priorities, looking at the opportunities presented by the visitor economy.
 - Strengthen the East Midlands area's local innovation capacity to help realise the potential of local innovation assets and the innovation potential of small and medium enterprises, with a particular focus on the area's advanced manufacturing centre and research institutions.
 - Help to realise the global export potential of local businesses in the East Midlands area and maximise the local benefits of international trade.
 - See the East Midlands area play a greater role in the delivery of support to local businesses.
 - Engage the area on the delivery of digital infrastructure and potential economic and public service applications of data and data science.

Public Service Reform

107. Government supports the East Midlands area in its ambition for public service reform. Government commits to working with the region to explore initiatives to improve delivery of public services jointly with its Constituent Councils, such as how best to support residents with multiple complex needs through effective strategic and coordinated approaches to issues such as homelessness and rough sleeping, domestic abuse and community safety, social mobility and support for young people. Where appropriate, and as part of its Levelling Up agenda, Government will also consider devolving further powers to East Midlands MCCA to support public service reform in relation to the statutory duties held by its Constituent Councils.
108. The Government is committed to relocating roles out of Greater London and closer to the policy issues they are addressing, as set out in its Places for Growth programme. The relocation of policy and senior roles will benefit communities across the UK, enabling more diversity of thought into policy making leading to better-informed policy, built on an understanding of the impacts across the UK and drawing on a more diverse range of experiences, skills and backgrounds. The Government will continue to work with departments on the potential for any future relocations of Civil Service roles to the East Midlands area as part of the Levelling Up agenda. Since March 2020, over 80 roles have already relocated to the area.
109. To complement and support action by the Constituent Councils, the East Midlands MCCA will take on a local authority duty to take action to improve the public's health concurrent with the Constituent Councils. This will allow health to be considered throughout the East Midlands MCCA's activities as well as enable work on local issues where health plays a key role, for example tackling homelessness and rough sleeping.

Public Safety

110. The East Midlands MCCA, in partnership with the Government, will work with the Derbyshire and Nottinghamshire Police and Crime Commissioners to agree an appropriate arrangement to ensure close collaboration and productive joint working on public safety.
111. The East Midlands MCCA will work with local partners, including the FRAs, PCCs and the Home Office to identify the appropriate long term governance model for fire and rescue services in its area, which meet the principles of good governance set out in the Fire Reform White Paper.
112. The East Midlands MCCA will have a clear role in local resilience, following Government's full consideration of the role and responsibilities of Local Resilience Forums. This may include an opportunity for the East Midlands MCCA to participate in future testing and piloting of potential new roles and responsibilities prior to any fuller national roll out.

East Midlands' commitments underpinning the Deal

113. The East Midlands Constituent Councils will work with the Government to develop a full implementation plan, covering each policy agreed in this Deal, to be completed ahead of implementation. This plan must be approved by the Government prior to delivery. Any issues of concern with the subsequent delivery of this deal will be escalated to ministers and leaders to resolve, in keeping with the letter and spirit of devolution.
114. The East Midlands MCCA will be required to evaluate the impact of the East Midlands Investment Fund. The East Midlands MCCA and the Government will jointly commission an independent assessment of the economic benefits and economic impact of the investments made under the scheme, including: whether the projects have been delivered on time and to budget. This assessment will be funded by the East Midlands MCCA, but agreed at the outset with DLUHC and HM Treasury, and will take place every five years. The next five-year tranche of funding will be unlocked if the Government is satisfied that the independent assessment shows the investment to have met the objectives and contributed to economic growth. The gateway assessment (as set out in paragraph 37) should be consistent with the HM Treasury Green Book, which sets out the framework for evaluation of all policies and programmes. The assessment should also take into account the latest developments in economic evaluation methodology. The Government would expect the assessment to show that the activity funded through the scheme represents better value for money than comparable projects, defined in terms of a benefit-to-cost ratio and considered in the strategic context of local ambitions for inclusive growth across the whole geography.
115. As part of the implementation of the deal, the East Midlands MCCA and the Government will agree a process to manage local financial risk relating to the deal provisions.
116. Prior to the first mayoral election, the Government will work with the East Midlands area to give the public and stakeholders – including Parliament – a clear understanding of: the powers and funding that are being devolved to East Midlands MCCA; where accountability sits as a result of this deal; and how decisions are made.
117. The Government will continue to work with the Constituent Councils of East Midlands to meet their objectives for the East Midlands area, including in relation to transport, regeneration, economic growth, and tackling local challenges.
118. The East Midlands MCCA and its members will continue to adhere to their public sector equality duties, for both existing and newly devolved responsibilities.

THE END