

Rewiring the State – Cabinet Statement 31 July 2026

Summary

This statement from the Prime Minister and whole Cabinet presents major changes in power and decision making, moving it away from Whitehall to local leaders. It links economic development to social outcomes and democratic accountability through devolution to directly elected mayors and strategic authorities.

Mayors and strategic authorities will have more powers over skills, education and training for young people, employment support, transport, housing and innovation. The intention is for public services would be more locally integrated, with greater local oversight of health, policing and education. ICB boundaries will change again to mirror the new strategic authority map, and every area of England is expected to be covered by a strategic authority by the end of 2028. Fiscal devolution will give local areas a proportion of income tax, business rates will be retained, and visitor levies can be applied.

Central government will support devolved governments, strategic authorities and local authorities to deliver by working in partnership with businesses, academic and the VCFSE sectors. The new Number 10 North will be responsible for implementation working with local leaders and driving forward a place-based approach to policy.

These changes emphasise the importance of local infrastructure working in partnership with strategic authorities. The VCFSE sector will be an essential partner in policy design and delivery with strategic authorities, and as power and decision-making shift to this level, it will be important to ensure funding follows for the essential work carried out by VCFSE organisations. The means that LIOs will need to work together to demonstrate the value and importance of the VCFSE sector.

The full statement is available at: <https://www.gov.uk/government/publications/rewiring-the-state-cabinet-statement/rewiring-the-state-cabinet-statement-html>

The New Model of Government

Devolution

The statement sets out a major programme of **devolution within England**, shifting powers, funding and decision-making away from Whitehall and towards mayors, strategic authorities and local government. The government's aim is to create a more place-based model of economic growth and public service delivery. With three objectives:

- Supporting local leaders to drive growth and improve public services
- providing control over local tax revenue
- developing strong local institutions.

1. Major transfer of powers to mayors and local leaders

The government intends to devolve significant responsibilities to mayors and strategic authorities, including:

- **Skills and education:** Mayors will gain control of funding for 16-19 education and be able to shape local technical and vocational pathways linked to labour market needs.
- **Young people:** Mayors will have the powers, flexibility and accountability to bring together education, employment, health and local support for young people, so that the needs of the individual and the opportunities in the local labour markets will help drive down youth inactivity and open up new routes to learning and work.
- **Employment support:** Local leaders will take greater responsibility for employment services, including tailored support for the long-term unemployed.
- **Transport:**
 - Faster powers to bring buses under public control.
 - Integrated ticketing systems.
 - Greater control over commuter rail services.
 - Less central government approval required for locally funded transport schemes.
- **Housing:**
 - More devolved control over the Social and Affordable Homes Programme and investment to upgrade to warmer homes.
 - Stronger powers to support council house building and local development corporations.
- **Innovation and culture:**
 - A larger share of innovation funding devolved to regions.
 - Greater local control over cultural and sporting investment decisions.

2. Greater local control over public services

The government proposes closer integration of public services around local priorities by:

- Giving areas greater democratic oversight of services including **health, policing and education**.
- Creating **deputy mayor roles** responsible for major public services.

- Aligning the boundaries of police, fire and health bodies with strategic authority areas by the end of the Parliament.
- Allowing more pooling of budgets for preventative and integrated services with local authorities and strategic authorities working together.

3. Fiscal devolution and local tax powers

One of the most significant announcements is a move towards local retention of tax revenue:

- Central government grants to mayors will begin to be replaced by a **share of local income tax from April 2028**.
- Local authorities and strategic authorities will retain more **business rates** revenue.
- We will consider how these growth incentives can be balanced with the need for fairness between places, recognising that there will be different starting points across the country.
- All strategic authorities will be able to introduce an **Overnight Visitor Levy**, with plans on how it will be invested by March 2028.

The government argues this will give local leaders stronger incentives and greater certainty to invest in economic growth.

4. Developing strong local institutions

- Every area of England to be covered by a **strategic authority** by the end of 2028.
- Areas to choose whether these authorities should be **mayoral** or **non-mayoral** – mayors will not be imposed.
- Additional powers to be available to areas with directly elected mayors.
- Where areas are not ready to adopt a mayor, the government will work with them to set up non-mayoral foundation strategic authorities with an enhanced set of powers.
- Cambridgeshire and Peterborough, East Midlands, West of England and York and North Yorkshire will gain **Established Mayoral Strategic Authority** status.
- A programme of wider capacity and capability support from government for Mayors and local institutions, with a strategy for developing and delivering a blueprint for the capacity and capability of strategic authorities
- strengthen local accountability mechanisms to reflect the greater funding freedom for mayors: chief executives of mayoral strategic authorities will become Local Accounting Officers, accountable for the use of public money. There will be a stronger role for the Local Audit Office

- The outcomes framework for mayoral strategic authorities will also be streamlined to ensure that the government and the public can hold mayors accountable for good growth and addressing inequalities in their area. This will be supported by a strengthened focus on timely and accurate place-based data from the Office for National Statistics and other bodies that will support outcomes-based decision making in places.
- We recognise that strategic authorities are only as strong as the local authorities that constitute them. To that end, the government will take forward a programme of reform to support the financial sustainability of local authorities. This will include retention of more of the business rates raised locally instead of receiving grants from central government, and ongoing and future reforms to the highest cost services: adult and children's social care, homelessness, and special educational needs and disabilities.

Reform of central government and the Civil Service

The statement argues this is "devolution, not delegation" and signals a smaller role for Whitehall:

- A new principle of **devolve by default** will require ministers to justify retaining powers centrally and not duplicate local / regional functions centrally.
- Central government and arm's-length bodies will be reviewed to identify functions that can be devolved or abolished.
- The Civil Service is expected to become smaller, more strategic focused on the challenges that can best dealt with at a national level, and more connected to local government.

Changes to consultation and accountability

The government proposes:

- Moving away from a default reliance on formal consultations towards broader public participation approaches.
- Strengthening financial accountability for mayors.
- Streamlining performance frameworks and improving local data to measure outcomes.

Implementation timetable

Key milestones include:

- Today: greater flexibility for SAs to deploy funding within existing integrated settlements, and writing today to those areas without a strategic authority to confirm whether they wish to proceed with a mayoral or non-mayoral approach.



- **Autumn 2026:** White Paper and fiscal devolution roadmap.
- **April 2027:** Mayors begin retaining a share of business rates and gain powers for the Overnight Visitor Levy.
- **2027-28:** New strategic authorities and mayoral elections in additional areas.
- **April 2028:** Retention of a share of local income tax begins.
- **All areas covered by a strategic authority by the end of 2028**
- **End of Parliament:** Alignment of public service geographies and completion of the wider devolution programme.

Overall, the statement represents one of the most far-reaching proposals for English devolution in recent decades, combining new powers, new funding mechanisms and institutional reform around elected mayors and strategic authorities.

Implications for LIOs

High quality relationships with the strategic authority will be essential for LIOs to operate effectively.

LIOs within a strategic authority area will need to work together to provide a single point of contact, represent the VCFSE sector, demonstrate its breadth and value, and be a strategic partner.

For all areas that currently do not have a strategic authority, a Foundation Strategic Authority will be in place by the end of 2028. Each area will be able to decide whether to have a directly elected mayor or not.

ICB boundaries will change again by end of 2028 to mirror strategic authority boundaries.