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# The Devolution

All-Party Parliamentary Group

## Levelling-up Devo

The role of national government in making a success of devolution in England

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**Andrew Lewer MBE MP**  
Chair  
The Devolution APPG

Virtually all British Governments claim to be in favour of devolution and localism, but the actual appetite for ‘allowing’ power and decision making to reside at a local level is much more variable. Local leaders speak with close to a single voice in seeking more devolution and having a belief, indeed a passionate belief, in local government, not just local administration. Those with a national role in our politics, Ministers and backbenchers alike, take a more mixed view, with it perhaps being the case that those who speak about the concept the least are often those the least enthused. It is therefore timely and right that the APPG for Devolution looks specifically at national Government and at Government Departments and their culture or cultures to assess where the blockages to progress towards devolution exist (or indeed whether there is a desire in some quarters to actually reverse devolution).

This report has taken evidence from a wide array of sources, from Parliamentarians, academics, journalists and those in local government itself and it has looked cross-party and nationwide too. It has reached conclusions that are both strategic and tactical. The tactical are deliverable almost immediately. The strategic would need a profound cultural shift in attitude towards local government from Westminster, but a shift that would bring our country more into line with the great majority of other OECD countries, large and small, where power is far more devolved than it is in the UK. These are ‘stretch targets’ but - as hope springs eternal - they are worth putting forward.

Will the recovery from the COVID crisis lead to the centralisation that has resulted from it being a long-standing feature of national life or will it stimulate a desire to move away from quite so much Westminster and Whitehall diktat and a greater role for local people in serious policy and spending areas instead?

Has Brexit simply resulted in laws and funding streams that were formerly labelled ‘Brussels/Strasbourg’ being re-badged as ‘Westminster/Whitehall’ and thus hardly moving the dial in terms of empowerment of people’s lives and influence upon their locality? Would this not be a missed opportunity from the profoundly important decision of the Referendum of 2016, if so? European Research and Development Fund monies used to involve a significant amount of local government input and influence (and, to a lesser localised extent, European Social Fund monies too). If these are replaced by a nationally controlled UK Shared Prosperity Fund that ends up being tightly controlled by the centre, is local government any more empowered at all in this critical area of its responsibilities?

Has the post-2019 make-up of the Commons assisted in creating an appetite for localism or diminished it? The Red Wall intake of new Conservative MPs have often defined their political identities in opposition to hitherto dominant Labour Councils and yet their areas are often those in most need of locally led regeneration. Does this make localists of them,

or do they look to the centre? Labour MPs were traditionally drawn from local government ranks in larger - or at least more evident - numbers than Conservatives, and under a new and more moderate Leader there have been renewed calls for 'municipal socialism'. However, said Leader Rt Hon Sir Keir Starmer MP has no local government background, whereas the Conservative Leader and Prime Minister served as the Mayor of London. Will this prove to be significant in policy formulation? The Liberal Democrats have always positioned themselves as strong localists but are at a low ebb in the Commons currently. The SNP can in one obvious sense be regarded as strong devolutionists, but beyond the seeking of powers for the Scottish Parliament their record is much less clear cut. Many Scottish Councils feel that significant powers have been taken over by the Scottish Parliament and the creation of a single police force in Police Scotland, in place of the previous eight, is not able to be regarded as a conspicuous example of localism.

During my time in politics I have served at Town, District, County, Regional, National and European level. My certainty that progress towards a greater degree of local decision making is not only desirable but necessary has never been firmer than at this stage in that tiered journey. As the response to COVID-19 has demonstrated, local government does deliver and can be trusted. Devolution to local areas will be as critical as ever, as we look to rebuild after the pandemic and level-up opportunities and inequalities . This report provides evidence supporting that assertion and pathways to achieving it. It is an offer to Ministers setting out our plan for how to deliver better outcomes in a post-COVID world . The Panel of distinguished Parliamentarians and Councillors who put a tremendous amount of work into the Report deserve to be thanked most sincerely for their time and insight. The author of the report, Dan Simpson, and the teams at Connect and the LGA – Lee Bruce, Amy Fleming and Natasha Brewis - who have pulled together the research, interviews and opinions offered in the course of this project are the ultimate 'last but not least' in deserving hearty thanks also.

# Introduction

English devolution is key to delivering on the government's ambitions to 'level up' the country. Devolution is already delivering results and improving outcomes. But, unless local leaders have more control over policy and local budgets, their potential will continue to be held back. The UK's prosperity depends on local factors including housing, skills provision, the ability to fund services, land use and transport connections as well as the availability of public goods and services. Devolving and decentralising power and enabling local people to make decisions in these areas will create the conditions for sustainable growth, better public services and a stronger society.

The English devolution agenda has most recently focused on the creation of combined authorities, formed by two or more local authorities, in many cases led by a directly elected metro mayor. Various powers and budgets have been transferred to combined authorities from Whitehall, based on 'devolution deals' negotiated between local leaders and central

government. The first combined authority, in Greater Manchester, was established in 2011, and nine more have since been created, covering 10 areas of England. Eight of these are led by metro mayors and have concluded devolution deals with the centre.

The response to COVID-19 has demonstrated the value of local place-based leadership and the success of councils in leading their communities. This inquiry sought to understand how the successful role of local government in the COVID-19 emergency, which demonstrated how councils deliver for the diverse needs of their communities, could help us think again about the devolution agenda. It therefore considers how central and local government can work together more effectively, and how reforms of the way Whitehall works could strengthen the principle of devolution and improve outcomes for local communities and businesses.

## Inquiry panel

The APPG appointed a panel of commissioners to conduct the inquiry, as follows:

Andrew Lewer MBE MP, APPG Chair

Lord Kerslake, APPG Vice-Chair

Clive Betts MP, Chair of the Housing, Communities and Local Government Select Committee

Scott Mann MP\*

Baroness Eaton, APPG Vice Chair

Baroness Thornhill MBE, Former Elected Mayor of Watford

Cllr Susan Hinchcliffe, Leader of Bradford Council and Chair of the West Yorkshire Combined Authority

Cllr Morris Bright MBE, Leader of Hertsmere Borough Council

\* Scott Mann MP joined the panel and contributed to its work before his appointment as a government whip.

# Executive summary

Devolution in England is delivering real benefits. Now is the time to push ahead to ensure these benefits can be felt by people right across the country. The evidence shows that on a whole range of societal challenges, from the emergency response to COVID-19 and improving health outcomes, to supporting people to retrain and secure their next job, from building local economies of the future to creating the places where we are proud to call home; putting power and resources in the hands of democratically elected local leaders improves results and gives communities a greater opportunity to shape the future of their local areas. Taking back control must mean a reinvigorated approach to English devolution. One that offers councils of all different types, the opportunity to strengthen their places and better connect their people to the proceeds of prosperity. Devolution should be the default position of national government as it would allow Whitehall and Parliament to focus on the genuinely national and strategic, whilst councils focus on being leaders of place.

COVID-19 has demonstrated the value of local leadership and the role of councils in delivering for their communities. Local government's response to COVID-19 has been more flexible, effective and responsive than aspects of the central government response, in part because health inequalities are associated with a wide range of social and economic factors that are often only visible to leaders rooted in the local community. These success stories come from genuine co-production and partnership between the centre and localities.

As we look to the future and as the Government embarks on its programme to level-up all areas of the country, the British state needs to be re-imagined to reduce the burden on central government and turbo charge the powers of local areas to get on and deliver both national and local priorities.

English devolution is the key to this. The UK is one of the most fiscally centralised countries in the world and we should look to learn lessons from our international partners, many of whom are governed successfully with a more decentralised model. The UK also has one of the most regionally unequal economies in the world. Greater devolution of responsibility for local economic growth has long been necessary, but it is now extremely urgent. Local authorities must have the powers to support the recovery according to the needs of their own area. This includes the ability to set multi-year place-based budgets. The system of local government taxation, already under strain, is arguably no longer sustainable and local authorities need greater power to set revenues locally.

Discussions about governance and structures have taken too large a role in the English devolution process to date. Specifically, the Government has expressed a clear preference for new forms of devolved governance rather than devolving powers to existing organisations. Whilst there may be advantages to reorganisation and the formation of combined authorities where there is agreement to do this in local areas, it must not be a compulsory precursor to councils taking on new powers.

Our inquiry also found that Whitehall itself can be a barrier to effective devolution. Individual government departments have too great an ability to limit the genuine devolution of powers and resources and can operate as silos with inflexible national priorities that are not culturally or organisationally equipped to support local place-based leadership. These tendencies have limited the devolution of powers and have often constrained the extent to which devolved powers have been used effectively. Centralised structures

have ossified into a centralist culture. A national 'one size fits all' approach is seen as the default for any policy priority. As a result too much effort is usually being spent by local government in trying to defragment disparate top-down policy interventions to meet the opportunities and challenges of local areas.

The involvement of local government in policy making is often an afterthought and this means that Ministers often pull policy levers in Whitehall and end up with little success because central command and control is no substitute for the local knowledge and leadership required to deliver good outcomes for different communities. Culture change and parity of esteem between the centre and localities is essential.

Councils are the best leaders of their places as demonstrated most recently by their successful role in the emergency response to COVID-19. If we are to rebuild and renew the country after COVID-19, there must be a new emphasis on devolution and a programme of change in Whitehall as this is the way to Level-Up communities and support central government in overcoming barriers. To do this, our report sets out a roadmap for reforming the unequal relationship between national and local government so that as a nation we can come together to strengthen our communities and build back better for the future. It is an offer to Ministers which sets out our plan for levelling-up devolution, thereby creating new opportunities and tackling inequalities.



# Recommendations

## COVID-19 Recovery

The strength and importance of local government has been amply demonstrated in the response to COVID-19. It will not be possible to deliver economic recovery, levelling-up, improved health outcomes and increased resilience without much greater devolution of powers and funding.

- A reformed approach to devolution should form a central part of the national recovery strategy and should be developed in partnership between Government and local authorities.
- The Government should build on the approach to future growth funding signalled at the recent Budget and continue to move away from a pattern of piecemeal, fragmented and short-term interventions. We must move towards a localist settlement that gives councils the powers and resources to drive green and inclusive growth that meets the needs of their communities.
- The Government should provide opportunities to move away from the traditional drivers of departmental spending and inefficient and expensive competitive bidding processes towards a degree of fiscal decentralisation in line with some of the world's most productive economies. This should include consideration of new tax setting powers for local government, as the current local government tax base is already too restricted and has been further impacted by COVID-19. Fiscal devolution is not a replacement for central government funding and redistribution through central grants and public spending must continue.
- Councils should take the lead in designing and delivering locally integrated employment and skills offers. Government should support this approach and fund suitable pilots, such as trialling the LGA's Work Local model.
- Reform of Integrated Care Systems offers the opportunity to make effective health devolution a reality and for local authorities to take greater power over commissioning. This will require a genuine commitment to work with councils as strategic partners and willingness to accept that this will lead to a range of different local arrangements rather than an inflexible one size fits all approach.

## The White Paper

The government's deal-based approach linked to the creation of metro mayors played a clear role in kick-starting the process of English devolution, but it has now run its useful course. Given the scale of the economic and social challenges ahead, the need to make swift progress and to recognise that metro mayors are unlikely to be appropriate for every community, the Government needs to widen its approach and consider new models. The forthcoming White Paper should bring forward a new approach.

- The Government's Devolution and Recovery White Paper should include a clear statement of purpose and principles for the government's devolution policy as well as a transparent time frame for delivering changes.
- The White Paper should make clear that powers may be devolved to any existing unit of local government without the requirement to undergo structural change. Devolution from Whitehall to councils should be by default and at the heart of the White Paper.
- Such a policy is not a barrier to councils coming together into new combined authorities or other partnerships to pursue shared objectives or address common challenges.
- The White Paper should commit to working with local government to set out a National Devolution Baseline for England, including a list of new powers available to every council, without the need to negotiate a devolution deal, as well as further powers which are available subject to clear eligibility requirements.



## Barriers in Central Government

There are cultural barriers towards further devolution in Whitehall that must be addressed. Local Government needs to be given the parity of esteem that its huge achievements in responding to COVID-19 deserve.

- An English devolution task force should be established to enable discussion between national and local government on progress with devolution to councils. To ensure a co-produced approach to devolution, it should be led by Number 10 and jointly chaired by the responsible Cabinet Minister and a Council Leader.
- The Civil Service should be more open to working with local government. This could be helped by reciprocal secondments between central government and local authorities which should become more common. The career structures of senior civil servants and local government officials should also be considered to facilitate the transfer of skilled people.
- We should experiment with new models of accountability. These include local Public Accounts Committees and regional select committees by which locally-elected leaders can hold government departments accountable for the quality of services they deliver locally.
- The role and status of local government should be constitutionally protected as set out in the 'Illustrative and Consultative draft code for central and local government' published by the House of Commons Political and Constitutional Reform Committee.
- A new devolution settlement can be underpinned by assurance and improvement led through the [LGA's sector-led improvement programme](#). This is proven to be more successful and cost effective than a nationally led approach to audit and accountability.





# Findings and discussion

## What has the response to COVID-19 from Whitehall taught us about devolution?

Councils have shown leadership and supported their communities during the COVID-19 pandemic. Local authorities and their essential workforce have worked hard to protect the most vulnerable within their communities, they have supported businesses and convened the voluntary sector to bring together communities, as well as continuing to deliver key services. The pandemic has also revealed the limitations of highly-centralised approaches and the difficulties of partnership working in the absence of effective devolution. The levelling-up agenda is now more important and complex than ever. It is now highly urgent that local authorities are given the further powers necessary to play a full role in the recovery.

The COVID-19 pandemic has demonstrated the value of place-based leadership. As the LGA says “it has shown that councils can be more nimble and agile than Whitehall when it comes to delivering for local communities. As evidence of this local government has established new health facilities almost overnight, worked with education providers to ensure our schoolchildren can continue to learn at home, and protected the vulnerable by providing food, medicine and, where required, shelter. Put simply, national polices are best achieved with local flexibilities and councils as democratically elected leaders should be free to shape priorities locally as they work best in their communities.” The Centre for Governance and Scrutiny says that “the success of the local response has largely been based upon having a single mission across all partners in an area, driving all resources in the same direction and towards a common goal.” They go on to argue that whilst some areas, most notably Greater Manchester, were able to make their voice heard, “One of the biggest problems is that there has been no way for vast swathes of the country, experiencing peaks or troughs of coronavirus, to articulate a different set of policy preferences based on their reality on the ground.” South East England Councils quote the Director General of the CBI saying “businesses have ‘hugely valued the power of local government’”, while adding: “we have seen the power of local delivery on PPE, on dispersal of funding. Before concluding that this was moment to ‘turbo charge’ devolution.”

*“...national polices are best achieved with local flexibilities and councils as democratically elected leaders should be free to shape priorities locally as they work best in their communities”*

The Local Government Association

The pandemic has also starkly revealed the limits of a highly centralised approach. The LGA argues that “centralised design and control of public services from Whitehall does not work as well as an approach that enables councils to innovate, and create services that are tailored to their communities and localities, with government departments supporting councils instead of looking to them as delivery agents. The issues with taking a command and control approach can be seen, for example, around PPE provision and support to the shielded cohort, where involving councils in the design and implementation of national policy at an earlier stage would have avoided several of the problems local authorities encountered. Early engagement with councils on these points would also have resulted in greater effectiveness of the systems put in place.”

Andy Burnham, Mayor of Greater Manchester, told us that the pandemic had reinforced “the limitations of trying to run everything in the

old top-down way that we've always tried to do in this country. It's never a satisfactory way of doing things, but I think we've all seen this year how limiting it can be in a situation like this. In many ways it would have been a different response to the pandemic. If the early decision had been taken to localize more of the response rather than to centralize it, I think it would have led to a greater sharing of the burden. It would have unlocked resource and expertise at a local level more, would have taken pressure off the government and led to a better balance, I think between governments at local and regional level and national level, possibly less conflict between governments at the different levels."

The Nuffield Trust told us that "while over-centralisation issues existed long before COVID-19, the pandemic has more fully exposed the dangers of leaving local insights out of key decisions, and how complex systems of bureaucracy can make agile, responsive decision-making difficult...The English Government's tendency towards command and control has been pointed to as an explanation for the slow and often questionable decisions made throughout the crisis. For instance, the national system of NHS Test and Trace failed to utilise local assets effectively which wasted critical time and made it more likely that vulnerable groups – whom community leaders have the greatest knowledge – were missed. For example, rather than utilising local testing capacity from the outset, the UK opted to build from scratch three national laboratories that struggled to meet demand and weakened contact tracing efforts in the pandemic's early phases. Local authorities also lacked timely access to data from central teams to understand outbreaks and transmission locally, even when relying on targeted local lockdowns and mitigation strategies to curb spread, and the experience of local Directors of Public Health in establishing and running contact tracing was ignored for many weeks. A particular issue was that the data produced by the centre was not provided to local teams in ways that were useful as their needs were not understood and, as is often the case, the emphasis was on meeting the needs of the centre rather than providing

support to local services. This is not to say that centralisation does not have a role, particularly in a crisis. But it seems that in the early phases of the pandemic, the full benefits of command and control structures failed to materialise. Local authorities reported inconsistent messaging and unclear chains of command from different government departments that contributed to confusion and delayed responses. Structures operated more effectively within health where lines of command were clear but suffered at the interface between health and social care or other local government-led services. This manifested most overtly in the rapid discharge of patients from hospitals to care homes which may have helped spread the virus to the care home population."

Local government must be empowered to play a full role in the recovery. The LGA told us that "empowering these communities further by providing them with the additional financial freedoms they need to decide their own priorities and spending levels will help kick-start the national economic recovery. This will bring England more in line with other international communities and will ensure our local areas are able to deliver on the Government's 'levelling up' agenda." Andy Burnham told us that "if we empower places with the funding and the freedoms to be masters of their own destiny we will ensure that the recovery from COVID-19 is more energetic and more successful."

GMCA argue that "The pandemic has made the Governments 'levelling up' agenda, which is closely aligned to the devolution agenda, both more important and more difficult. Many Northern areas have been hit disproportionately hard by the pandemic. Northern areas, especially around the North West and West Yorkshire, have been under economic restrictions for longer (between the beginning of the pandemic and the end of 2020, Greater Manchester has only three weeks not under some form of national lockdown or enhanced local restrictions). The Northern Health Science Alliance has also shown that over 57 more people per 100,000 died in the North of England during the first wave of the pandemic."

# Existing barriers to devolution

## Summary

We have identified the following barriers to devolution:

- The perceived lack of a clear purpose, process or scope for devolution.
- Central Government appears to be focused on governance arrangements and structural changes as a condition of devolution, especially the requirement for mayoral combined authorities.
- Whilst devolution deals have helped deliver greater autonomy for some parts of the country, we received evidence that the lack of alternative options has hampered efforts to devolve in many local areas.
- Whitehall is not currently structured in a way that furthers effective place-based leadership. Individual departments operate as silos.
- We also received submissions about the culture within Westminster and Whitehall which underpins current ways of working, treats a centralised model as the default approach to many policy priorities and is characterised by what is perceived as distrust on the part of the centre towards local government.
- The lack of fiscal devolution and long-term financial certainty greatly limits the ability of councils to deliver services and innovate in their own areas.

# What barriers currently exist in central government that limit the scope and scale of local devolution and place-based leadership?

## Unclear purpose and principles

Government has not clearly articulated the objectives of the devolution agenda, defined its scope or communicated the processes and time-scales involved. Government devolution policy has been characterised by a series of initiatives with unclear objectives, not linked to a clear statement of purpose and principles. Whilst initiatives such as the devolution deals did mark important progress on the agenda, we now need to see a new approach to devolution. A number of submissions argued that what we have seen in England does not constitute devolution, and is better described as decentralisation. We believe that a clear articulation of devolution and delivery of more powers, funding and flexibilities will be crucial to the delivery of the Government's Levelling-Up agenda.

The term devolution is used in a variety of ways, encompassing the decentralisation or 'functional devolution' of central government activity through to a clearer statement of principles that powers and responsibility should be exercised at the most local level possible. However, as the Centre for Governance and Scrutiny argue "the aims of English devolution policy cannot be found within a single document, and there has been no clarity from central Government on the policy objective of devolution."

This lack of clarity in principles has been matched by a succession of different, and sometimes competing policy objectives. The Centre for Urban and Regional Development Studies (CURDS) at Newcastle University list some of these as "economic growth; spatial rebalancing [or] 'levelling up'; deficit reduction; public sector reform; local government reorganisation; political advantage; societal challenges; and, public accountability and democratic renewal." They argue that "devolution has been loaded with too much expectation and pointed in too many directions."

As a consequence of a lack of strategic purpose and an evolving set of desired policy outcomes, Localis argue that "the UK devolution agenda has ended up manifesting as a series of short-term, tactical initiatives rather than a strong, purposeful and long-term strategy to build support and

facilitate a meaningful transfer of power." This has resulted in what the Heseltine Institute characterises "a high degree of institutional churn in sub-national governance structures in England."

*"...the UK devolution agenda has ended up manifesting as a series of short-term, tactical initiatives rather than a strong, purposeful and long-term strategy to build support and facilitate a meaningful transfer of power"*

### Localis

This perspective is not merely theoretical. The experience of those involved in negotiating devolution deals has been that unclear principles and policy objectives have hampered and indeed prevented the effective negotiation and conclusion of devolution deals. For example, Norfolk County Council told us that we need "a clear statement of the aims, purpose and principles of devolution that focuses upon how proposals can improve people's lives, deliver better services and strengthen our communities."

## Governance and structure

The debate about devolution has become confused with a discussion about local government structures. Within this, central government has been perceived as overly prescriptive about the mayoral combined authority model as a precondition for devolution which many areas do not feel is suitable for their needs.

We heard evidence that discussion of local government structures looms too large within the devolution debate. For example, Colin Copus, Emeritus Professor of Local Politics at De Montfort University, describes “the almost obsessive view held at the centre that devolution must be linked to local government reorganisation” and The Centre of Urban and Regional Development Studies argue that “devolution and reorganisation have been unhelpfully muddled in some current thinking”.

We also received evidence which demonstrated how the deals did help certain areas gain greater control over key services, enabling them to deliver better, more integrated services for residents. For example, the Local Government Association (LGA) told us about the “establishment of the first Mayoral Development Corporation outside of London in the Tees Valley, with a vision for the site to create 20,000 jobs and add £1 billion per year into the local economy over 25 years” and the “recently published Greater Manchester Population Health Plan update which shows significant health benefits for local residents following the devolution of health and social care. This includes a substantial increase in school readiness and a smoking prevalence rate falling twice as fast as the national average.” The benefits of a devolution deal are not restricted to urban areas, with the LGA going on to say that there have been “Significant benefits from devolution in

Cornwall, with over 11,000 businesses accessing business support programmes and the launch of an investment fund to fill a market gap that local businesses have identified.” Liverpool City Region Combined Authority told us that “MCAs now provide departments with a structured route through which to channel and coordinate the effective local delivery of national policies and funding streams. As well as ensuring this delivery remains sensitive to the specific challenges and opportunities that local areas face. As a result, greater control of devolved policy areas is helping to make a real difference to the lives of our residents and the success of our businesses.”

On balance our inquiry recognises the importance of the deal-based model in delivering devolution to certain areas. But we also feel that given the challenges ahead as the nation seeks to recover from the impacts of COVID-19, and the Government’s ambitions around Levelling-Up and building back better, we now need a more ambitious approach that is inclusive of more areas.

As the LGA argue “devolution is about the transfer of power from national to local government, all communities stand to benefit when powers and resources are brought closer to them. It is hard to see how restricting devolution in this way fits with the Government’s commitment to ‘level up’ the whole country.”

## Devolution Deals

We received evidence that pursuing devolution deals was a necessary 'first step' as a means of delivering 'flagship' devolution to major urban areas. The existing devolution deals have delivered greater health devolution, improvements in the delivery of the skills agenda and greater local control over transport. However, given the significant challenges ahead and the opportunity to level-up across the country, a new approach is needed as submissions to this inquiry were concerned that previous negotiations could often be defined by a lack of clarity and transparency and were vulnerable to individual departmental red lines with too many policy areas 'off the table' or limited to functional decentralisation. To avoid these issues in the future we recommend moving from a deal-based approach to one that allows devolution to be delivered to local areas at pace. Devolution must now become a process by which local areas define the powers they need, not a top-down process by which central government delegates the delivery of individual programmes or responsibilities.

Core Cities UK told us that "the purpose of Devolution Deals has been to improve outcomes in the areas of policy delivery focused on within each Deal, primarily for economic, social and health policy. Early indications are that Deals have been successful, and have achieved a level of public awareness and support." Professor Francesca Gains of the University of Manchester told us that "there was a time to negotiate deals because it moved on the debate, it gave the experience and exemplars of what could be achieved and I think it provided an incentive for change" before going on to say that there is "a fatigue around small...deal based mechanisms." Jonathan Carr-West of Local Government Information Unit (LGIU) said that "the deal approach has got us a certain way... I don't think a deal-based approach was wrong in theory. But I think it was on both sides quite badly implemented in practice." Mark Sandford of the House of Commons Library said the deals were a "useful way of proving the concept of devolution, proving the concept of an elected mayoralty spanning several local authorities. There's also an argument which is that having a deal-based approach encourages local areas to think about what they actually want to do...there was certainly some justification in the early days for the 'menu with specials' approach and the deal approach however I think that by now it has probably run its course."

The LGA told us that "Whitehall has continued to frame devolution as a process confined to bespoke deals rather than a wider push towards local leadership of place. This means that

freedoms and flexibilities that should be available to all councils are held at the centre." We heard a variety of evidence that the deal-based approach undermines a fundamental principle of devolution. For example, the Electoral Reform Society told us that "devolutionary arrangements have primarily been the result of individual areas' negotiations with the central UK government, with the latter ultimately determining which powers and resources would be devolved... rather than a clear, long-term constitutional plan devolving real power and control locally". The Centre for Governance and Scrutiny said that "negotiations need to move away from a central-local pivot, and towards being treated as a local matter for the devolved area and its constituent authorities to work through to their satisfaction."

In practice, the process of negotiating deals has been hampered at times by a lack of transparency and an absence of clarity about the process. Norfolk County Council told us that "a key barrier was the lack of a devolution framework to give everybody a starting point to work from and to, as we did not know what was potentially on offer, nor the criteria for a successful bid." London Councils told us that "the process was dependent not on evidence, but on networking and a helpful Ministerial sponsor. In practice this only took us so far, and when the Minister moved on, we were left trying to make the best of a set of splintered departmental conversations, which were inevitably framed principally in terms of the particular department's own programmes and priorities."



The scope of deals has been unduly limited and vulnerable to the red lines of individual departments. The LGA told us that “many aspects of agreed devolution were closer to decentralisation rather than a genuine transfer of power, such as the work and health programme, due to reluctance of key departments like DWP and DfE.” This is supported by Professor Copus who told us that “analysis of the existing deals shows that they focus on a limited range of functions or public service responsibilities and tasks, rather than on the devolution of any additional freedoms, primary powers or autonomy for local government and even for combined authorities .”

*“...analysis of the existing deals shows that they focus on a limited range of functions or public service responsibilities and tasks, rather than on the devolution of any additional freedoms, primary powers or autonomy for local government and even for combined authorities”*

Professor Copus

The negotiation of devolution deals has been highly resource intensive both locally and centrally. For example, the Heseltine Institute told us that “deal-based approaches to devolution are hugely time-consuming for both central and local government, and that they have added unnecessary friction to intergovernmental relations in England”. Lincolnshire County Council told us that many local areas want to “secure devolution and place-based Leadership for their areas. Business cases are being developed to support this, but the lack of an accessible application process causes unnecessary delay in the devolution process.”

Despite the demanding nature of the deal-based approach, there has been a perception that it has been too restrictive to lead to a wider range of outcomes or more innovative approaches.

For example, the County Councils Network state that “local areas that pursue devolution deals are required to go through a considerable amount of negotiation with Whitehall, but this has resulted in a series of deals that look remarkably similar...a laborious and complex deal making process which results in ostensibly the same deals is not a good use of time or resources for either Whitehall or local government.” This is supported by Professor Copus who describes “the broad similarities between the deals and the absence of identifiable aspects specific to any area in receipt of a devolution deal – what Wall and Vilela Bessa (2016) termed ‘cut and paste’ devolution”. Exceptions to this exist, such as Greater Manchester’s powers around health and social care, but have been extremely limited.

The limitation in scope also means that parts of the country feel that it is not applicable to them. The County Councils Network stated that the Government’s approach “prioritised cities and urban areas to benefit from devolved powers and funding” and has resulted in “only three CCN member councils [becoming] part of devolution arrangements.”

The process of devolution deals did move the agenda forward and help some areas secure greater control over local services and in so doing improve outcomes. This success is recognised, but equally we also have to accept that many areas felt excluded and had their aspirations limited. The nation faces some very significant challenges and local government in being leaders of their places has been shown to improve outcomes as well as being democratically accountable to local areas. It will therefore be vital that the approach to devolution is widened so that more areas can access the benefits of devolution at pace, help Whitehall break down barriers to service delivery and in so doing level-up communities.

## Whitehall Structure

The UK is highly centralised. Central Government is organised into departments which are not always compatible with support for local place-based leadership and which can make it difficult for local areas to engage on a strategic level with Whitehall about the needs of their area. These structures can exert a powerful influence which prevents devolved areas from effectively exercising their new powers. Whitehall is also overburdened as it engages in conversations and decisions about the precise delivery of individual policies. Governance would be improved if more policies were designed with local councils and the decisions over their implementation in communities taken by local leaders. We need to move away from a model where Whitehall is overburdened, and local areas are underpowered.

It is widely recognised that the UK is highly centralised and that this inhibits the ability of the UK Government to deliver. The Chancellor of the Duchy of Lancaster in his recent Ditchley Lecture, argued that government needs to reform itself in order to reform the country, and that effective devolution must be part of this change. He rightly noted that “if this Government is to reform so much, it must also reform itself... the structures, ambitions and priorities of the Government machine need to change if real reform is to be implemented and to endure”, before going on to say that “we need to look at how we can develop an even more thoughtful approach to devolution, to urban leadership and to allowing communities to take back more control of the policies that matter to them.”

*“...if this Government is to reform so much, it must also reform itself... the structures, ambitions and priorities of the Government machine need to change if real reform is to be implemented and to endure”, before going on to say that “we need to look at how we can develop an even more thoughtful approach to devolution, to urban leadership and to allowing communities to take back more control of the policies that matter to them”*

The Rt Hon Michael Gove MP

Many submissions argued that the centralisation and inflexibility of central government has a negative impact on a wide range of local outcomes. It also makes it difficult to pursue a devolution agenda rooted in local needs and aspirations. For example, the Electoral Reform Society told us that “one of the primary barriers to genuine, comprehensive and successful devolution within England has been Westminster’s centralising hold over the process. England remains one of the most centralised countries in Western Europe and is still run primarily through centralised UK-wide institutions, which has allowed divisions and regional inequalities to fester.” Andy Burnham, Mayor of Greater Manchester, told us that the job of Prime Minister “is becoming more and more difficult in the modern world because so much is resting on the shoulders of one person.”

However, whilst many powers are held centrally, the UK state is not monolithic, central government is organised into departmental silos which presents a number of barriers to strategic action, especially coherent place-based leadership, and has further hindered the deal-based approach described above. For example, London Councils told us that “despite the good intentions of officials who were seeking to co-ordinate the City Deals programme, there did not appear to be an effective mechanism for engaging with cross-cutting challenges. This led to a fractured set of minor offers for de-centralised programmes, such as the sub-regional contract packages for the Work and Health programme, which failed to meet our ambitions”. Norfolk County Council said that “we had to engage separately with each government department. We found some departments more willing than

others to agree to devolved funding and powers and that this approach did not support a place-based, systems wide approach to getting the best for Norfolk and Suffolk. It also made the process very siloed and time consuming.”

*“...[the job of Prime Minister] is becoming more and more difficult in the modern world because so much is resting on the shoulders of one person”*

Mayor of Greater Manchester, Andy Burnham

The problem of departmental silos affects all areas, including those that have secured a devolution deal. For example, Greater Manchester Combined Authority (GMCA) told us that “spending is allocated via a Spending Review process which is organized around Departmental silos and is largely place-blind. Ministers and Senior Civil Servants also remain accountable for the way money is spent (for example to the National Audit Office and Public Accounts Committee) even where it is devolved. These arrangements discourage devolution within England. And where devolution does happen, they encourage Departments to try to assure themselves about spend by setting up accountability and reporting arrangements which replicate national silos. Taken together, these arrangements ‘lock’ spend into pre-existing tram lines and prevent devolved places from exercising autonomy and joining things up within a place to achieve better outcomes or greater efficiency (which is one of the main arguments for devolution).” Even where a nominally local approach is taken, this remains shackled to central government priorities. For example, the Centre for Progressive Policy stated that “instead of empowering local areas to drive forward their own economic priorities, Local Industrial Strategies were structured around central government priorities and were never backed with the necessary funding, in terms of either level or flexibility. Power remains rooted in Whitehall.”



## Westminster and Whitehall culture

Central Government and Parliament too often display what is perceived as a culture of indifference towards local government in which a centralised approach is the default and consultation with local government is often an afterthought. There needs to be parity of esteem.

As well as structural issues we also heard evidence about cultural attitudes within central government towards local government. We heard that centralised approaches are treated as the default, engagement with local government is often regarded as an optional extra and that too many individuals within central government show an unwillingness to treat local government as an equal partner with a successful track record in service delivery. Andy Burnham, Mayor of Greater Manchester, said that the “Whitehall culture is an ingrained resistance to the idea of places being more assertive...to the extent that it has allowed devolution, they still see it as begging bowl devolution where we all have to know our place”. Professor Copus characterises this culture as follows: “At the centre local government is not seen as an autonomous, independent organisation existing to provide self-government to visible and recognisable communities. Rather, it is recognised as a creature of statute, with no independent or constitutionally protected existence of its own, separate from the centre.” Core Cities UK told us that “long-held structures

can be very resistant to fundamental reform, [and] the cultures that pervade them then compound an inability to change of their own accord - in this case a culture of centralisation and an inherent under-estimation of the role and abilities of local government.” The Centre for Urban and Regional Development Studies argue that the UK’s unusual level of centralisation “has fostered an entrenched culture of centralism. A ‘Whitehall Knows Best’ perspective has endured and distrust in the capability and capacity of local government has persisted. In 2020, former senior civil servants still express concerns that “too often, the metro mayors and local government in England are treated as there to be instructed rather than engaged as competent and responsible partners in the good governance of the country”. These attitudes also have a political dimension. For example, Lord O’Neil of Gatley told us of an ingrained view by which parties in government believe that devolution is an undesirable process by which power is given away to their political opponents.

## Fiscal devolution

Local government finances have been under sustained pressure, even before the current COVID-19 pandemic. The lack of fiscal devolution and financial sustainability reinforces the barriers to devolution, both in terms of the control central government exercises, and in its siloed and short-term nature. The lack of fiscal autonomy prevents local authorities from setting budgets which reflect an overall place-based strategy and inhibit attempts to defragment central government structures. The UK is unusual in that spending is considerably more decentralised than taxation. However, any discussion of fiscal devolution must recognise that the potential for local authorities to generate income from local taxation is very unevenly distributed and ongoing redistribution through central funding and public spending will be necessary.

Jonathan Carr-West, Chief Executive of the LGiU described the lack of fiscal devolution as “a fundamental obstacle...real devolution has to include fiscal devolution.”

The LGA told us that “fiscal decentralisation is an essential part of any plans for devolving powers and decision-making”. The current arrangements illustrate the problems that arise when powers and responsibilities are devolved without fiscal autonomy. For example, Leeds City Council told us that the absence of fiscal devolution “acts as a barrier to genuine devolution. For places without a devolution deal, local control over spending has steadily decreased from an already significantly low base, and even in those areas with Mayors the budgets they directly control represent less than two per cent of overall public spending. This limited English devolution keeps the vast majority of power in Whitehall, with nine out of ten decisions about public spending remaining in London... Ultimately, Mayoral Combined Authorities could resemble local delivery agents for government rather than independent entities accountable to local people.”

Current fiscal arrangements exemplify the broader central-local relationship discussed above, with local government reliant on central government for funding and those decisions being fragmented across a range of Whitehall silos and realised through a plethora of often short-term and restricted funding streams. Jonathan Carr-West, Chief Executive of LGiU said that “we still have money coming down through in ring fence silos from different Whitehall departments and then we wonder why we can't join it all up and achieve cooperative services on the ground level”. GMCA told us that “the widespread use of competitive bidding and ‘penny packets’ (so-called by Lord Heseltine) also limits local autonomy. These are driven, in part, by the accountability arrangements set out

above. But they cause real problems at a local level. Lack of funding certainty is destabilising for important public services and also has knock on effects for the wider economy and for the VCSE sector”. This was echoed by Liverpool City Region Combined Authority who stated that “a significant way in which the government could improve local delivery is to provide certainty of funding. Things like a 3-year single pot would provide the potential for long-term investments.”

As well as improving central government funding, local government must be given more freedom to raise taxes locally that are suitable for local circumstances. A number of witnesses drew attention to the use of tourist taxes at a local level in comparator countries. Localis argue that “without the devolution of fiscal, specifically tax-and-spend, powers, local authorities are simply managers of devolved budgets set by central government.” Reform of local taxation is particularly pressing given the impact of the COVID-19 pandemic which has both hit business rates and accelerated a longer term trend towards online commerce. Core Cities UK told us that “the tax base on which local government finance is currently based is shifting, for example with the growth of online retail sales, and as well as investment to plug the current gap to keep services at a sustainable level now, an immediate national debate is needed on how the tax base might change and be better deployed to support public services, and local and therefore national economic growth.”

Professor Alan Harding, Chief Economic Adviser at GMCA, told us that “subnational control over funding resources is absolutely critical” before going on to caution that “the problem we've got with fiscal distribution in the UK is there are very few areas that are in fiscal credit and a lot of areas that are in fiscal deficit.”

## Has a focus on establishing new governance arrangements as a precursor to devolution unnecessarily slowed the pace of devolution?

The focus on governance arrangements is viewed by many as one of the most significant barriers to further devolution. Specifically, the insistence in all but one case on a Mayoral Combined Authority as a precondition for devolution has been unhelpful. We also heard clear evidence that councils are capable of effectively exercising new powers without structural change and that the governance focus is unnecessary and inappropriate. The process of establishing new structures is itself time consuming and should not obstruct the pressing need for devolution in order to support national recovery. There is also a strong perception that the government's preferred model is not equally applicable across the country.

The LGA told us that "one of the key fault lines surrounding this process [2014-2017 devolution] was to be found on the issue of governance. Many non-metropolitan areas were unconvinced of the need to establish a mayoral combined authority in order to access greater powers and resources." For example, Lincolnshire County Council told us that "insisting that [reform] is required before any powers can be devolved unnecessarily frustrates the process...The requirement for new governance arrangements risks creating unnecessary tensions across the local government community and could distract attention away from the ambition of securing better outcomes for regions". This was characterised by Localis as "political infighting and posturing that has developed to a point of distraction."

The LGA also told us that a Mayoral Combined Authority "is not dependent on devolution and, likewise, there is nothing in law to prevent devolution to a non-combined authority... It cannot be right that the 'solution' for those areas unwilling or unable to match the Government's preference for devolved governance is either top-down reorganisation or being consigned to the 'devolution slow lane'." The County Councils Network said that "the form of governance that devolution takes should be determined locally, as there will be some areas which would prefer to progress down the mayoral combined authority or unitary route, whilst some areas will prefer to continue with accountability and responsibility residing within existing council structures." Lincolnshire County Council likewise argued that "powers could be devolved to unitary or upper

tier authorities who already work strategically across greater economic areas. The upper tier authorities already have strong, established networks across large geographic areas which with the right mix of powers and funding can be leveraged to deliver at pace. Wider reform can follow – it should not be a prerequisite." We also received evidence from those who saw potential advantages to new governance arrangements but did not believe they should be a precondition for devolution.

The LGA argue that "on a purely practical basis, combined authorities take a significant amount of time and resource to establish. If devolution is to be rolled-out across the country in a timely fashion, for example to support national recovery, it is hard to escape the conclusion that the deal based, combined authority model is no longer fit for purpose." The practical difficulties were echoed by many, including Norfolk County Council, who said "whilst we would welcome further funding and devolved decision-making to enable us to get the best deal for Norfolk, a major impediment to us is the lack of detail of the government's devolution proposals and requirements. We do not want to divert our collective and increasingly scarce resources to initiating work on potential re-structures to unitary models or working up a potential deal without that clarity." Lincolnshire County Council said "the time it takes to implement reform could take several years. There is a significant opportunity cost that must be considered. Greater Lincolnshire is well placed to deliver now, through existing structures, with broader reform to follow."

Most evidence received called for an alternative approach which recognised a range of governance models. For example, the County Councils Network argued that “to secure a more enhanced form of devolution, we recognise that some degree of asymmetry in devolution will be necessary but should still be based on a broad range of governance models, including mayoral combined authority models and non-mayoral options, and also the creation of new unitary authorities.”

Although Cornwall, as the first non-metropolitan area to secure a devolution deal, notably without a mayor, has demonstrated that deals are not exclusively applicable to urban areas, there is a strong perception that this is the case. The County Councils Network told us that only three of their member authorities form part of an area with a deal. Rural areas have been left behind because they feel that the mayoral combined authority model does not work well for them.

Localis argue that “mayors disproportionately represent more metropolitan, densely-populated areas – places that inevitably have a different set of priorities than other areas of the country. Rural areas have notably lagged on devolution, largely due to them being unwilling to adopt a new mayoral model sitting above county, district and parishes. Due to this unwillingness, and these other areas not being immediately understood or perceived by Whitehall as economically viable as the country’s metropolitan mayoral districts, so-called ‘precursors’ to devolution which haven’t struck strategic growth deals are at risk of being left behind in terms of governance, investment and growth powers and great asymmetry and divergence within England as a unitary state. In short non-metropolitan England is at risk of being at least a country mile behind the metro mayor areas – arguably antithetical to the goals of decentralisation and any meaningful devolution agenda.”

## Understanding the Whitehall perspective – are there areas where devolving power and responsibility would make delivering national policy harder? Are there areas Whitehall believes it should be devolving more promptly?

In addition to the points about Whitehall culture and centralism, addressed above, we received evidence about central government’s approach to financial accountability. We also received evidence on the specific challenges for central government relating to health devolution. Moreover, we heard that further devolution would help government to achieve its ‘Levelling-Up’ agenda, which we have addressed separately.

We received evidence from the Nuffield Trust that “the scope and scale of devolution from central government to local systems related to health are limited both by technical matters and by (cross-partisan) political considerations.” Under current funding arrangements, NHS England is able to balance the books nationally by offsetting areas with surpluses against those in deficit. They argue that “more extensive devolution, especially if limited to areas already performing reasonably well financially, could result in DHSC

and NHSE/I being left with responsibility for areas in significant deficit, requiring drastic action to stay within the DEL.” They further argue that such “very marginal” differences in service that currently exist have already proved contentious and that “The strength of public feeling about the NHS is such that such differences have, in the past, proved unacceptable to politicians (regardless of party) in central government.”

## What changes would enable better working between local and central government in their approach to devolution?

A new approach to policy responsibility is needed. We must move beyond transactional deals and turn devolution 'right side up' with powers and responsibilities devolved to local leaders who have the ability to set local priorities and to hold national providers to account for delivery. The forthcoming Devolution and Recovery White Paper should provide the basis for a clear shared understanding of the purpose and process of future joint working on devolution. Consideration should also be given to the mechanisms for devolved leadership to contribute to national policy making and for the constitutional settlement.

The LGA told us that "devolution has been driven by a process that brings a range of local partners together, who then agree to act for central Government to deliver enhanced outcomes in return for increased powers and funding. In London, Greater Manchester, the West Midlands and elsewhere local leaders have demonstrated the success of this approach. They have also begun to test the limits of a policy based around the piecemeal transfer of funding and functional responsibilities."

Furthermore, the LGA say that "areas in England should be able to agree with Westminster a new territorial settlement for their communities... this could include a fully integrated and locally developed housing policy, with the power to set city-wide standards on homelessness, building design and rents levels free from national prescription." Professor Copus is clear that such an approach is fundamental to genuine devolution. He says "the one-dimensional view of local government as a centrally supervised public service provider must be challenged and an acceptance created that local government should be both local and government. That is, its boundaries must be based on identifiable, recognised communities with which the public have a real, clear and genuine affinity (local); and, it must be an autonomous institution with a set of devolved primary powers (government). Without these stages devolution remains little more than decentralisation with a bow on top."

We must acknowledge the importance of cultural factors. Localis say that "currently, even beyond devolution, central and local government do not have a very productive relationship...Empowering

councils and communities would require government, both central and local, to adopt a broad change in mindset – from administrative to relational. Through this cultural change, the principle of subsidiarity can be embedded in policy and practice, ensuring that Whitehall and government departments place trust in local authorities to take on new, effective powers."

Government must adjust how it works to respect place-based leadership and move beyond its internal limitations. Andy Burnham, Mayor of Greater Manchester, told us "I lead the city region that has a degree of health devolution, and we're the first to have that. But I have also been health secretary...as health secretary, it's possible to see numbers, not names, but as mayor of Greater Manchester, it's possible to work with names, not numbers...by starting from the bottom up in a place-based way, I think you can join the dots. And you can see the bigger picture of all of the things that impacts on somebody's health and their mental health. Whereas in the department of health, you are peering out from a policy silo in SW1A with a telescope, trying to work out what's going on in all of these different places across the country. And not surprisingly, you get a very partial and a very disconnected view of what's happening."

Steve Reed MP, Shadow Secretary of State for Communities and Local Government said "it's entirely legitimate for a national government to define the outcomes it wants to achieve, but it's entirely legitimate for regional or local governments define their own outcomes as well. And I think that government should define its national outcomes. It should be left to regional



or local government to determine exactly how it wants to achieve those outcomes. And then you allow for much greater levels of innovation, creativity, perhaps even risk.”

*“...it’s entirely legitimate for a national government to define the outcomes it wants to achieve, but it’s entirely legitimate for regional or local governments define their own outcomes as well”*

Steve Reed MP OBE

The Centre for Governance and Scrutiny said that a “shift in institutional behaviours will require the mainstreaming of devolution into all ministerial departments and policy areas, rather than consolidating all devolution policymaking into one unit. The centralising tendency of policymaking concerning devolution needs to be distributed, and paired with greater incentives for Whitehall to take a cross-cutting approach and think beyond the silos of departments.” Localis propose “a clear, single nexus connecting a region’s local authorities with various Whitehall departments should be established”. Norfolk County Council say they need “improved system leadership and a place-based approach from Whitehall – less siloed, with better communication and engagement channels.” Demos LIPSIT also identify the challenges of “confused and overlapping decision rights” with “the interactions and overlaps between unitary/county authorities, combined authorities, LEPs, further education colleges, and several different government departments make developing and implementing strategy – and thus effective co-ordination and partnership – very difficult”. Liverpool City Region called for government to “bring forward the English Devolution and Local Recovery White Paper as soon as possible. The White Paper is an opportunity for the Government to ensure that

Mayoral Combined Authorities such as Liverpool City Region Combined Authority have the right mix of powers, responsibilities, and funding necessary to play a larger, more effective role in delivering on government’s commitments at a local level.”

We also heard that joint working is hampered by lack of clarity from government as to their objectives for devolution and the existence of often opaque limitations. Lincolnshire County Council say that Whitehall “must provide clarity on any red lines that are held by central government departments so that these can be considered and appropriately reflected in our plans. The absence of the White Paper on Devolution and Local Recovery could be seen to significantly limit the ability of regions to put compelling cases forward. The continued delay in publishing the paper risks seeing key stakeholders losing interest in the government policy and seeking alternative, less effective remedies.” Indeed, the Centre for Governance and Scrutiny say that “arguably, the long-awaited Devolution and Local Recovery White Paper should be co-produced with local stakeholders.” The Electoral Reform Society believe that “there should be a more transparent and collaborative approach to making decisions on English devolution between central and local governments, based on the principle of subsidiarity. This should be agreed both by politicians at all levels, who should set a clear and comprehensive vision, framework and long-term principles to guide devolution decisions, and by citizens themselves, who should be actively engaged and involved in reaching those agreements from the bottom up.”

We received a number of proposals for institutional arrangements to facilitate communication and contribute to policy making. The Heseltine Institute said that “alongside devolution, more consideration is needed on how relations between local, sub-national and central government could be improved. An English Intergovernmental Forum should be established,

including leaders and mayors of the combined authorities, representatives from the sub-national transport bodies, and UK government ministers.” The Centre for Progressive Policy said that “a National Mayoral Council should be a critical feature of Whitehall decision making on strategic economic and social policy issues. Whilst city-regional mayors have been involved in several recent reviews, notably High Speed 2, regional representation should be a matter of course for long-term, national level strategic planning processes.” Core Cities UK highlighted that “Core Cities Cabinet has previously called for a regular joint meeting with Government Cabinet”, whilst GMCA said that “during the pandemic, the Leaders of the devolved nations and (later) the Mayor of London, have been invited to attend Cobra. However, to date there has been no representation from the regions of England. This reflects a wider challenge; regional and local leaders have very few formal mechanisms for engaging with national policymaking.”

*“...one of the weaknesses of the present system is that it is relatively easy to override the powers that mayors have been granted by central government departments”*

The Rt Hon Greg Clark MP

Consideration should also be given to constitutional change. Professor Copus told

us that “The House of Commons, Political and Constitutional Reform Committee (TSO, 2013) published an illustrative draft code for the relationships between central and local government, which was drafted by the author of this paper. That code sets out a statutory basis for interaction between the centre and the localities and such a code, enshrined in legislation with a constitutional lock, is a necessary step in overcoming barriers to devolution.” GMCA said that “we need an equivalent to the ‘Sewel Convention’ that stops Departments taking decisions on devolved matters. To give the English devolution settlement more certainty and a more solid foundation over time, we need mechanisms to ensure Ministers cannot effectively ‘recentralise’ policy areas (or at least cannot do so without any form of Parliamentary oversight or engagement with existing MCAs).” Greg Clark MP, former Secretary of State for Communities and Local Government, told us that “one of the weaknesses of the present system is that it is relatively easy to override the powers that mayors have been granted by central government departments... we achieved constitutional reform by establishing them and hoping that they would take root, but they are vulnerable to being deprived in future of resources or authority...this may be time to consider whether it is time to make those powers a bit more formal.” Steve Reed MP, Shadow Secretary of State for Communities and Local Government told us that “as long as local government or regional government exists entirely on license from national government without its own basis in the Constitution, then it will never be real evolution because national government can cut both legs underneath it at any point or slash the resourcing it requires to function at any point.”

## What could be improved in different government departments' approach to devolution?

### Are there changes that would enable government departments to take a more consolidated approach to devolution?

Some government departments currently engage more effectively with local government than others. Successful devolution requires a strategic approach by Central Government and cannot be subject to the veto of individual departments.

The LGA argue that "central government should convene a cross-Whitehall platform to pursue the widest possible devolution of powers and resources to local councils. This should have two aspects; those powers and resources that might be made available to all councils and those that might be negotiated on a case-by-case basis.... the Government should publish a framework setting out those powers and resources that it will devolve to any area that requests them and set out the principles by which more ambitious devolution deals might be unlocked. MHCLG could then proceed with local discussions backed by a clear understanding of what other departments are willing and able to devolve."

This approach is supported by Lincolnshire County Council who "urge the government departments to take a joined up, strategic approach to devolution – clearly setting out any no-go areas as well as ensuring that there is absolute clarity on the timelines that are in place for a deal to happen. Without this, the public sector, and specifically local government, runs the risk of misdirecting efforts in developing proposals and detailed business cases that do not, or will not meet the expectations of the Secretary of State." Localis say that "ideally, a meaningful approach to devolution would see government work cross-departmentally. This would allow for policy, and funding streams, to be strategically planned and distributed rather than piecemeal extractions or injections of cash at the whim of a specific government department's various cost-saving or initiative exercises."

David Simmonds MP told us that structural differences between Whitehall and local councils are instructive. Whereas councils are clearly-

structured delivery organisations, Whitehall has a weaker corporate identity with significant differences in both purpose and culture between departments.

We also heard evidence about the culture and approaches of individual government departments. GMCA told us that "some Departments have a reputation amongst local and regional government for disliking devolution which has outlasted specific political administrations. Others seem to simply forget that devolution in England exists and treat engagement with English councils and MCAs as an afterthought. For example, we saw this early in the process of regional and local COVID-19 lockdowns in England - with the Department of Health announcing lockdowns at almost no notice and with no engagement with local leaders."

However, Bronwen Maddox of the Institute for Government rejected the idea that certain departments are "at best indifferent and at worst wilfully obstructive", linking the issue back to political leadership. She said that "I think they have been confused and in the absence of clear direction have done nothing which is not unreasonable. But I think that's different from being obstructive and that isn't my sense." Professor Copus told us that while "different departments across Whitehall have different attitudes and different approaches to local government none of these seem to really fundamentally understand the idea that local government is a governing institution...until we're able to break that centralist thinking that runs across the whole of Whitehall, then I think very little will change."

## What barriers exist at national government level to the delivery of housing?

Councils are key to meeting the government's stated target of building 300 000 homes a year, both through local engagement and direct delivery. However, they do not currently have the powers, financial freedom, or responsibility required to have maximum impact. Housing is a key example of a policy challenge that can only be effectively addressed through devolution.

The LGA told us that "through a proactive response in the wake of the pandemic, the Government can be instrumental in delivering to councils the tools, powers and flexibilities that they need to deliver homes for their communities, supported by the required infrastructure and services. This would also support the maintenance of capacity and confidence in the housing market... The LGA's council housing stimulus package report sets out the policy and fiscal interventions that would have a positive impact in stimulating an increase in the supply of council housing, by enabling councils to actively intervene at greater scale and with increased impact. This includes reform to Right to Buy which would enable councils to keep 100 per cent of Right to Buy receipts to reinvest in new homes, set Right to Buy discounts locally and combine receipts with national grant funding."

Core Cities UK say that "Core Cities and the UK Government must join forces to find new ways of encouraging housing development. Core Cities are supportive of housing development, but their ability to act could be strengthened through additional financial and regulatory incentives. This would increase the viability of new housing development and would help Core Cities to encourage further housing construction and renewal of existing older stock through their planning policies."

The Chartered Institute of Housing call for a supportive national policy framework which local authorities can "implement flexibly to fit their own circumstances." They said we currently see "different approaches and agreements in the deals it has established to date; most include some housing measures but not all, even where it was a priority for the devolved authority. Setting out clear principles and a process for devolution

alongside coherent and comprehensive housing policies would strengthen devolution going forward. However, it has also introduced some changes to planning policy that undermine devolution and what many areas are trying to achieve."

We also received evidence about the planning system. Lincolnshire County Council told us that "the Government sees the planning system as the barrier to the delivery of housing". They challenge this, saying that "90% of planning applications are granted permission...it is not the system administered by local authorities that is the barrier." However, the County Council Network identified a "fragmented planning system" in which district councils have responsibility for planning for housing whilst county councils manage local infrastructure. They assert that this leads to county councils being "overlooked" in negotiations about developer contributions and results in "significant infrastructure funding gaps."

AKT told us that "current legislation limits councils' ability to capture the uplift in land values arising from the granting of planning permission. Existing policy also means that councils do not have the flexibility to acquire public land identified as surplus/ redundant or have the first refusal of any public land for sale. This can impact the speed of housing delivery. Furthermore, streamlined compulsory purchase powers would enable local authorities to buy and assemble land in cases where development has been stalled, but the LGA has stated that the current process is unnecessarily arduous and subject to delay. A move towards a more localised approach and greater collaboration between national and local governments is essential to achieve the delivery of housing at the required scale."

## What lessons can be learned about devolution from abroad?

The UK is an international outlier and one of the most fiscally centralised countries in the world. English councils have not had the same opportunities to demonstrate the benefits of devolved powers and responsibilities in the way that has been the case in some other countries.

The LGA told us that “local authorities in Germany, Switzerland and Holland can access a diverse range of revenue sources. They are also able to adjust and introduce local levies in consultation with their residents and businesses, innovating and diversifying their tax base in response to new public priorities, such as responding to climate change and new forms of economic activity. By contrast, councils in England are only able to levy two taxes: council tax and business rates. Both are subject to significant intervention and control by Whitehall and both stand increasingly exposed in the light of long-term changes in home ownership and business composition, such as the rise of e-commerce and the growth in microbusinesses.” Likewise, Localis told us that “approaches to fiscal devolution are seen across Europe, all seemingly effective and providing food for thought for the UK going forward. Several international competitors have been able to demonstrate the positive impact devolution has had on accountability, financial efficiency and growth. As we look ahead towards a long process of economic and social recovery from the COVID-19 pandemic and successive lockdowns, this gap in local power and autonomy across England risks seeing communities fall even further behind and deepening the country’s already troubling inequalities further too.”

The Heseltine Institute provided evidence that “in comparison to other nations in Western Europe, sub-national government in England has little ability to raise revenue itself, and is therefore highly reliant on central government grant funding. In Germany for example all three levels of sub-national government (local municipalities, districts, and Länder/states) have extensive tax raising powers, and over 30% of tax revenue is taken at the sub-national level compared to under 5% in the UK. In Spain, local and regional

taxes account for 23.6% of total tax income, in Italy the figure is 16.5%. Even in France, historically regarded as a highly centralised state, 13% of tax revenue is taken locally (OECD 2020). While London has more extensive income generating powers than other English cities, particularly through the operation of its public transport network, 70% of its revenue comes from central government compared to 26% in New York, 16.3% in Paris and 5.6% in Tokyo.”

The Nuffield Trust told us that “looking internationally raises questions about the extent to whether England has ever moved beyond the rhetoric of devolution into reality. The experience of other countries where decentralisation has worked well highlights the importance of clarifying the roles and responsibilities of different levels of government/administration. There may be an overlap in accountabilities, but it must be mutually understood how these responsibilities are shared.”

However, the County Council Network told us that “we believe it is not appropriate to make a direct comparison on local government structures due to population size as their responsibilities and funding differentiate hugely with those in England...we believe that it is more important to ensure that devolution, governance arrangements and geographies are responsive to existing local needs and identities rather than trying to import alternative approaches.” The Electoral Reform Society said that “international examples of different systems of governance may be a useful starting point, though we believe that it is ultimately up to English citizens themselves, engaged through bottom-up participatory and deliberative processes, to determine the form and geography of devolution in England.”

## How can government ensure local and combined authorities have the capacity and skills to take on new responsibilities?

Devolution of powers must be accompanied by adequate resources to ensure the long-term financial sustainability of councils. This in turn will ensure that resources can be used effectively and deliver the best outcomes. Realising the benefits of devolution will require fiscal decentralisation and a rebalancing of personnel and resources. Consideration must also be given to the institutional capacity to take responsibility for new powers, but this should not be a barrier to devolution, nor should the Whitehall tendency to centralise decision-making away from local areas be allowed to pass unchallenged.

The LGA call for “a bold response – place-based budgets (3 year and not 1 year) which are in tune with the needs of the local economy. We need to re-think how we fund public services, rather than trying to fit new and bold ideas into old frameworks. Government should consider allowing areas to raise new taxes, such as a tourist tax or an e-commerce levy, or to retain a proportion of nationally collected taxes or charges paid by their residents, such as income tax, fuel duty or stamp duty. Such consideration must include appropriate redistribution arrangements and local control over discounts and reductions. Furthermore, such freedom must not be used as a replacement for funding through general government spending.”

GMCA told us that “greater use of long-term block funding would support Local and Combined Authorities to build up their capacity and skills. Not knowing what will be funded, and at what level, makes it hard for regional and local authorities to build up long-term institutional capacity.” This position is supported by others, including South East England Councils, who said “fiscal devolution would go some way to alleviating the uncertainty created by Government through their one-year finance settlements, which creates uncertainty, and prevents councils planning for the long-term.” Mark Sandford of the House of Commons Library said that “one is that one of the things hobbling English devolution at the moment, is the fact that a large amount of their funding comes from short- or medium-term programs that last, two years, three years, five years. They have next to no funding which comes on an annual

reoccurring basis and that creates big problems for building any organizational capacity, when you don't know what you're going to be paid to do three or four years down the line.”

*“They have next to no funding which comes on an annual reoccurring basis and that creates big problems for building any organizational capacity, when you don't know what you're going to be paid to do three or four years down the line”*

South East England Councils

The Heseltine Institute told us that “is clear that many areas of England do not have sufficient institutional capacity to accept greater fiscal responsibility. Fiscal transfers will still then be required to smooth any transition to greater sub-national fiscal autonomy, and these stabilising measures should be an important part of a review into how fiscal devolution could be carried out.”

Fiscal decentralisation must be part of a broader rebalancing. The LGA tell us that “there has been a £15 billion reduction to core government funding over the last decade. In roughly the same period the total number of people employed by central government has risen by 14 per cent from 2.8 million to 3.2 million. Conversely, the total number of people employed

by local government has fallen by 30 per cent from 2.9 million to just over 2 million.” GMCA argue that “devolved funding streams need to come with a proportionate share of national administration resources. When funding streams are often devolved, or programmes funded, they don’t always come with revenue funding for administration. In future, when funding streams are devolved within England a proportionate share of the relevant Departmental costs for administering the programme should be passed down alongside programme funding itself.”

The County Council Network say that “county councils already have the institutional capacity needed to implement a baseline set of powers and ability to negotiate deals that will allow more powers to be devolved.” Lincolnshire County Council told us that “local government and combined authorities must have sufficient depth and capacity within their workforce” and expressed their belief that larger organisations “will have access to a larger pool of resources, providing increased opportunities for cross-skilling and driving economies of scale through the pooling of skilled staff.” Demos LIPSIT also argue that it is important to “ensure authorities are large enough to recruit the talent required.”

As GMCA argue “lack of capacity cannot be a reason for failing to devolve. While some places may need support to develop capacity in new policy areas, this cannot be an argument for failing to devolve. Otherwise, we risk a ‘Catch 22’ situation where things are not devolved because some places don’t have the relevant expertise, but they also cannot develop this because decision-making and specialist skills are concentrated in London.” The ‘Catch 22’ point was echoed by Lord O’Neil of Gatley who argued that many (predominantly rural councils) had not had the capacity or internal expertise to make compelling proposals in earlier devolution processes and had therefore been unable to access additional powers and resources and to grow their capacity.

The LGA told us that their “role in supporting councils through [our] sector-led improvement offer provides the evidence that councils have the necessary assurance structures in place to ensure that any new powers and responsibilities can be taken on effectively. Our work to support established and emerging devolution deal areas demonstrates our leadership in this area and underlines that combined authorities are an important part of local government, able to draw on local connections in a way that sub-national bodies owned by national government are not.”





# Lessons learned from English devolution

## Summary

In addition to the barriers discussed above, we would note:

- Where power has been devolved there have been many success stories. Local leadership of place is important and as we look to rebuild following COVID-19, devolving a wide range of powers to local areas will help improve outcomes and deliver the Government's ambitions to Level-Up.
- Whilst the devolution deals have helped deliver positive changes in some areas, the process of negotiating deals has at times been accused of being opaque. This has arguably led to an unnecessary duplication of effort by different councils and makes it harder to learn lessons in retrospect.
- The concept of accountability in devolved areas is sometimes contested. Democratic institutions exist by which local leaders are elected by and accountable to their residents. However, central government also has an expectation that authorities will be accountable to them for the delivery of programmes and the spending of public money which has been devolved to them, even where they have had a limited role in designing the policy and limited autonomy in executing it. At the same time, the powers of mayors are varied and limited and increasingly their ability to deliver outcomes may not match public expectations.
- Economic growth has been one of the major objectives of devolution, but local leaders do not currently have sufficient powers to build their economies. At the same time, devolution must not be constrained to the economic sphere. There are a broader range of areas where councils are asking for more powers to deliver for their residents.
- The balance between bespoke deals and a standardised baseline has not been effectively struck. The lack of a standardised baseline has inhibited the ability for local areas to put forward compelling proposals for devolution.
- Devolution cannot be a top-down process. However, in order to succeed it requires powerful champions at the heart of government. As devolution is cross-cutting, it requires clear cross-cutting leadership, working in partnership with local government. A devolution taskforce should be established to enable discussion between national and local government on progress with devolution to councils. It could be led by Number 10 and jointly chaired by a senior Cabinet Minister with a cross-Whitehall remit on devolution and a Council Leader.

## To what extent is there effective accountability in England's devolved areas?

Local leaders should be accountable to their residents. It is right that proper monitoring and evaluation takes place to assist this accountability. However, there is a conflict with central government's approach which treats devolution as a 'contractual' arrangement in which local government is accountable to the centre for the delivery of national policy over which they have little control. Directly elected mayors are not necessary to ensure effective accountability.

There is some evidence that devolution arrangements have impinged on existing democratic accountability mechanisms. For example, the Centre for Governance and Scrutiny told us that "recognisable features of democratic accountability such as elections, referenda and scrutiny are present in England's devolved areas, but whether or not they are as effective as they could be is disputable." The Heseltine Institute told us that "the wide disparities in powers between different combined authorities has resulted in confusion amongst the public about what local leaders are responsible for". The Centre for Urban and Regional Development Studies argue that "the patchwork risks generating perceptions of unfairness and discontent with existing governance arrangements as demonstrated during the central-local government tensions in response to the 2020 pandemic."

Evaluation and monitoring are key to effective accountability. The LGA told us that "combined authorities are aware of the importance of effective evaluation and want to work with Government to ensure that they can produce robust evidence of progress. The LGA and the Cities and Local Growth Unit have worked with devolution areas to organise discussions about how to improve monitoring and evaluation of the deals across Whitehall departments....That said, there is clearly a tension between national and local leadership that runs right through the process of devolution and extends to the process of monitoring and evaluation. Currently, local areas secure deals with Government and are required to demonstrate their progress against agreed delivery targets. Genuine local devolution

would not require this form of accountability to the centre but would instead draw strength from the democratic process all locally elected leaders face....Leaders of place should first and foremost be accountable to their residents for the outcomes they achieve. Where reporting to national government is deemed to be necessary this should be funded by Westminster to demonstrate outcomes and aid learning, not simply to achieve compliance with government's requirements."

Cllr James Jamieson, Chair of the LGA said that "if we're going to be entirely honest, with 350 councils across the country, we're not all going to be perfect. And there will be some variability. But I would argue the variability in local government is less than the variability in other parts of the public sector, in the education sector, in the health service, there is huge variability. We just need to make that argument that we do have the skills and we will do it. And we do have the mechanisms in place to be held to account. And I would remind Whitehall, we're elected. We are held to account in exactly the same way that an MP is, every four years we're up for election."

*"We are held to account in exactly the same way that an MP is, every four years we're up for election"*

Cllr James Jamieson

The biggest challenge to effective accountability is the competing demands of local residents and central government, and the limited ability of locally elected leaders to fully shape policy and delivery in areas they are nominally accountable for or where residents believe them to be responsible. For example, the Electoral Reform Society argue that “elections offer some form of accountability in England’s devolved areas, for example in the case of the metro-mayors. But ... local leaders lack real power to effect change at the local level, with many decisions still being made or constrained by the central government.” The Nuffield Trust say that “the balance between the need for the centre to see its role as supporting and empowering the frontline and the centre wanting assurance, accountability and the desire to prevent local failures is not an easy one and seems to have tipped towards the latter resulting in a number of undesirable consequences.” The Centre for Governance and Scrutiny say that “it is not entirely clear to whether the Mayor is accountable to Government or to local voters....Furthermore, when CAs are dependent upon central Government for continued revenue and organisational vigour the direction of accountability will naturally flow upwards. The onus needs to be on accountability of a Mayor, of a CA, to local people in that area, rather than central Government holding devolved areas to account. Mayors are in practice also held accountable by the press and public for things they are not actually responsible for - due to their visibility as the local figurehead and understandable confusion around where responsibility lies.” Professor Philip Booth of the Institute of Economic Affairs argued that “accountability comes from being elected but it also comes from the group of people that you’re electing being responsible for both raising the money to provide public services and providing those public services, not getting the money from somewhere else. It’s when you get the money from somewhere else, that central government of course wants to regulate how you use this

money... If local authorities are raising their own money, from a broad tax base so you don’t get the problems you had in the 1970s, and it kind of works everywhere else in the world.”

We received evidence that government insistence on a mayoral combined authority model is partly informed by the belief that it delivers more effective accountability, in particular for the spending of public money. Central government’s expectation that mayors will be accountable to them rather than to their residents is inappropriate and GMCA submitted evidence that central government accountability mechanisms reinforce national departmental silos. They argue that more fiscal autonomy would “promote greater accountability; replacing a complex funding and accountability environment with a simpler set of arrangements which promote more effective scrutiny.” We also received evidence that mayors are not necessary for effective local accountability. For example, Core Cities UK told us that “governance and accountability structures should be a matter for local decision, based on local character of need, history and relationships, not a one size fits all approach.” Lincolnshire County Council said that “the assurance that a scrutiny board provides could work effectively in Greater Lincolnshire without the need for immediate structural change.”

Mark Sandford, Senior Researcher in the House of Commons Library, told us that “one of the biggest stumbling blocks to further devolution is the whole concept of accountability ... central government, civil servants have a very particular view of what constitutes parliamentary accountability based around financial accountability. In that view of the world it’s entirely justified to have widespread assurance requirements if you are going to devolve power... it is about protecting public money.”

## To what extent do combined authorities need greater control over devolved policy areas, such as skills or housing, to ensure they have enough responsibility to be held accountable for the economic performance of their areas?

Local leaders have the best understanding of the economic needs of their own areas. Given the economic disparity across the country there are significant variations in these needs between local areas. Combined authorities should be given additional powers to help enhance the delivery of outcomes.

Professor Philip Booth of the IEA told us that “legislative clarity” is required, saying “this needs to be led by legislation rather than led by a bureaucratic and administrative process which makes clear what the responsibilities of different levels of government are and makes clear the revenue raising responsibilities and the range of taxes that local authorities can use. And as long as there’s a broad tax base I’m not all that worried about what taxes local authorities use.”

Localis argue that “implementing a coherent labour market strategy that is rooted in local context depends on relevant authorities having the power to drive a balanced skills equilibrium. Places – their institutions, stakeholders and communities – are fundamentally better placed to identify, understand and act upon skills and labour market policy and cannot truly be held accountable for their economic performance in absence of relevant devolved powers... In order to ensure the provision of locally-relevant skills and training, skills policy must be reimagined and devolved, otherwise the country’s regions and localities run serious risk of further deprivation and economic hardship – a dynamic that would be unfair to hold authorities accountable for in absence of meaningfully devolved skills and labour market powers.”

The halfway house also leads to poor outcomes. The Centre for Progressive Policy told us that “local areas are forced to bid for funding not for what they think is needed but for what they think chimes with central government priorities.”

The Chartered Institute of Housing told us that “housing should be part of the initial agreement of powers and funding offered under devolution because of its critical role in economic growth and performance, but also because of its contribution to health and well-being. Action to support recovery and improvement across these areas will be vital to address the challenges from the pandemic. Where it is excluded from any deal, that should be arrived by agreement between the future combined area and the government, accompanied by a timetable to agree when and how it will be included as devolution progresses.”

GMCA set out a number of areas where they call for increased powers in order to deliver improved economic outcomes, including a “London-style” public transport system, the ability to pursue a local labour market policy, devolution of infrastructure funding and local control of R&D funding.

South East England Councils propose that “moving the powers and responsibility of the LEPs into Combined Authorities and reconstituting the LEP as the “Economic Development Board” of the Combined Authority, would give a route back to the ballot box that is at present lacking.”

## What lessons can be learnt from previous initiatives on adult education and skills budgets, and community budgets?

England's employment and skills system has been historically highly centralised by international standards. Whilst recent governments have tried to make provision more responsive to local needs this has been characterised by 'earned autonomy' in limited areas. Too many areas have been unable to secure any devolved powers. Even in the most successful areas, devolution has come with 'strings attached' that limit the ability of local leaders to develop truly local approaches.

The LGA told us that successive governments have pursued "fixed-term and relatively targeted initiatives...with local areas granted limited flexibilities often over single programmes or budgets for a limited time and after a process of negotiation with central government over terms. This began with Total Place, and continued with Community Budgets, City Deals, Growth Deals and now Devolution Deals."

The LGA say that "local and national government should work together to develop a vision for future employment and skills devolution and a flexible framework for delivering it, including a streamlined process to assess the readiness of local areas for devolution, such as a single set of eligibility criteria. A framework built on that principle should offer more structure than previous approaches, particularly if backed by a clear aim to increase devolution where this is evidence-based and likely to improve outcomes for people and employers. Policy and delivery should always be as close to the people it affects as possible, with people and employers empowered to make their own decisions... The Local Government Association's Work Local proposals offer a potential framework and workable vision. It argues for a presumption in favour of greater devolution where the evidence backs this, and that this should be underpinned by a system of outcome agreements showing the improved outcomes that will be delivered by a locally led approach. These provide a benchmark to measure the success of a devolved approach. The Government's White Paper on devolution in England offers an opportunity to develop this approach."

Core Cities UK told us that "the adult skills system, for example, is still too supply driven to meet these challenges. The Core Cities therefore agree with OECD that further devolution of the adult skills system, alongside improved careers advice and signposting within the schools' system, is critical to creating a labour market that meets the current and future needs of business, and gives learners the best chance of getting the employment they want. Changes should also enable the skills and employment systems across Core Cities city regions to align more closely to those for health and welfare, ensuring that more people can be brought into the labour market, raising productivity but also saving public money and improving lives."

The Centre for Progressive Policy argue that "cuts to the Adult Education Budget (AEB) in recent years have significantly curtailed the ability of mayors to achieve meaningful impact with these devolved funds. As called for in Reskilling for Recovery, the size of the AEB should be restored to pre-austerity levels, giving greater support and strategic direction to local economies. More flexibility on statutory requirements for MCAs would also allow areas to be more creative with provision and local financial incentives designed to address skills shortages."

## Has government struck the right balance between bespoke deals and a standardised devolution baseline, do things need to change for future deals?

Government has placed too much emphasis on bespoke deals. There should be a clear national baseline setting out what powers are available to be devolved to local areas and what the criteria and process for such devolution is. Consideration should also be given to the constitutional protections for such devolution. We do not accept that a 'one size fits all' approach, such as compulsory unitarisation or a national adoption of mayoral combined authorities would be appropriate.

The Centre for Governance and Scrutiny (CfGS) say that "there is arguably no balance whatsoever as there has been no discernible standardised devolution baseline set out". The LGA argue for "a new English Devolution Baseline, setting out what we believe should be devolved to councils as part of a locally customisable offer available to local areas". While the scope and scale of local ambitions will ultimately inform what areas seek to see devolved, we would suggest the following areas could be included:

- Transport (Devolution of Bus Services Operators' Grant payments to councils)
- Housing (Right to Buy including 100% retention of receipts and ability to set discounts locally)
- Planning (National permitted development rights should be scrapped with decisions for allowing permitted development to be made locally)
- Economic growth (Greater local flexibility for state aid which delivers public-interest objectives)
- The environment (Councils should be empowered to establish River Authorities)
- Health and well-being (Government to agree further devolution of health services to those combined authorities and groups of councils who want it.)
- Education (School capital to be devolved to single local capital pots to allow councils and schools to work together on providing new places and repairing, rebuilding and maintaining local schools.)
- Skills (Flexibility to design and deliver locally integrated employment and skills offers. The Local Government Association's Work Local

proposals offer a potential framework and workable vision.)

- Finance (the UK Shared Prosperity Fund should be devolved to councils, councils should be able to set fees and charges locally, councils should have full control over council tax).

This would address the problem raised by councils such as Norfolk County Council, and discussed above, that "a key barrier was the lack of a devolution framework to give everybody a starting point to work from and to, as we did not know what was potentially on offer, nor the criteria for a successful bid." However, Leeds City Council say that "places are unique – a centrally defined catalogue of options being set at a national level will naturally limit the potential of devolution and hamper local ambitions. For example, Greater Manchester was probably the only area ready for health devolution. But in West Yorkshire we would have liked to go further on devolution around climate change and carbon projects, but that wasn't on the table." Professor Copus also cautioned that "it's nice to have a framework but the trouble with frameworks is they become the rule book and I would always caution against there being a rulebook for devolution."

CfGS say that "devolution will inevitably be asymmetrical in nature due to the intrinsic differences between places." As GMCA argue, a clear national framework "would bring greater consistency while retaining the ability for places to move at their own speed. This would recognise that asymmetry has long been a feature of English governance and would avoid a situation where places with more established devolution arrangements are 'held back' while other parts of the country catch up." The

Electoral Reform Society argue that “symmetry in English devolutionary arrangements should not necessarily be an overarching aim... asymmetry and bespoke arrangements should be welcomed as the positive expression of an area’s identity and self-determination.”

The LGA also noted that “devolution to Scotland is protected, with the Scotland Act requiring both agreement of the UK Parliament and Scottish Parliament in order to be repealed. A comparable settlement for English local government could provide a mechanism to lock in devolution and strengthen the independence of councils across the country.” GMCA cite the UK 2070 Commission to argue that as well as creating

more consistency, putting such a framework on a legislative basis would also speed up the process “by removing the need for primary legislation for each new place.”

It should also be noted that there have been calls for a more uniform approach to devolution. For example, the Heseltine Institute argue that “the combined authority model and elected mayor model is now established and should be extended across England. The aspiration should be for all parts of the nation to be covered by a combined authority of sufficient scale to manage strategic policy over areas such as transport, spatial planning and R&D.”

## Is the focus on devolving powers related to growth and infrastructure, rather than, social services such as welfare and health still appropriate?

**Devolution of powers relating to growth and infrastructure is vital. It is particularly important both to delivering the government’s levelling-up agenda and to delivering the economic recovery. Devolution should seek to deliver the widest possible level of powers and resources to local government. There is a particular need for the formal involvement of elected local leaders in the proposed Integrated Care Strategies.**

Whilst a degree of health devolution took place in 2015, it varied significantly in scale and scope and there has been little further movement since 2017. It should also be noted that in the meantime the NHS has moved ahead with the NHS Long Term Plan which includes its own version of devolution through Sustainability and Transformation Partnerships and Integrated Care Systems. The LGA told us that they have concerns that the implementation of the Long Term Plan may in practice “lead to a delegation of functions within a centrally determined framework that leads to local partnership working being bypassed. Similarly, we are concerned that the mechanism by which integrated care systems are placed on a statutory footing also has implications for how these decisions will work on the ground. The LGA has a clear preference for integrated care strategies to be statutory joint committees, rather than NHS corporate bodies, as this would best support strategic collaboration and the pursuit of shared local priorities.” Leeds City Council told us that “the focus of devolution

needs to broaden from infrastructure and growth – it needs to recognise the importance of social issues. 40% of low productivity in Core Cities is due to social factors like health, housing, deprivation.”

Jonathan Carr-West of LGiU told us that “so far devolution deals have all been framed around growth which is important but what we’ve seen in places like Greater Manchester and the West Midlands is that they then end up kind of retrofitting ideas around public service reform, ideas around local democracy, are kind of sort of squeezed in afterwards. Certainly, the experience I hear from people in some of those areas are saying ‘we wish we had had more space to think about the local democracy elements of this. To think about the public service reform elements of this, in the negotiation process’ rather than signing up to what was essentially a sort of fairly transactional growth deal and then having to do all of that stuff later.”

David Phillips, Associate Director at the Institute for Fiscal Studies said that “we can see pros and cons of each of the two areas you mentioned... some factors make social services and health more appropriate for devolution. There is a lot of overlap with existing responsibilities, like social care, like housing, like wellbeing and sport and recreation. That coordination on the ground matters a lot.”

As well as securing the best health outcomes there are also wider benefits available. For example, GMCA argue that “NHS spending is a significant proportion of public spending in a place, and health services are central to the wider public service system. It is not for us to tell other places which powers they should seek, but we believe the Government’s planned reforms to Integrated Care Systems (ICSs) represent a real opportunity for other areas of the country to replicate a subset of these arrangements. Government should think carefully about how ICSs can and should interact with other public services in a place (especially local government).”

As noted above the Nuffield Trust believe that politically, it has been difficult to have “truly devolved decision-making relevant to health

services provision.” However, they state that this “is less true of decisions which impact on the broader determinants of health, many of which sit firmly within the remit of local government already”. They argue that major capital funding decisions “are likely to remain at the national level. However, devolution can still play a part in such investments – effective local partnerships may well result in plans for future capital investment which deliver much greater public benefit across a range of public services.”

Bristol City Council argue that “the pandemic has shown that investing more in prevention would have led to better outcomes. We know that some of the social determinants of health, including obesity, poor mental health, ethnicity and socio-economic status have contributed to higher levels of deaths... Local authorities are best-placed to convene the wide range of local partners needed in order to deliver a place-based approach to public health but require the resources to work in partnership with their voluntary and community sector to improve health, wellbeing, participation and resilience.” We also heard arguments that local authorities should have more power over health commissioning, which links closely with existing responsibilities.

## Which department is best placed to lead the process of greater devolution?

**Devolution must be a collaboration between local and central government. It cannot simply be handed down from the centre with the timetable and scope set nationally. The response to COVID-19 has demonstrated that where there is genuine co-production between the centre and local areas, outcomes are improved. Due to the cross-cutting nature of devolution and the significant institutional and cultural obstacles identified in this report, devolution requires political will alongside significant capacity at the top of central government.**

The Centre for Urban and Regional Development Studies argue that the lack of a “high profile and senior champion for devolution in government is a significant current barrier”. They say that “devolution lacks the political support of a senior Minister in Government. At cabinet level, devolution policy is one responsibility amongst many for a single Minister for MHCLG. Within MHCLG, the policy brief is the responsibility of a junior Minister.”

The LGA attribute the success of previous rounds of devolution to the fact that “both HM Treasury and the then Chancellor George Osborne strongly supported the process. This strong political leadership helped to hold together the diverse stakeholders, including MPs, councillors, civil servants and council officers, through the complex processes involved in devolution negotiations and the accompanying reorganisation. Furthermore, the involvement



of HM Treasury meant that it was clear that there was significant financial backing from the start. The success of this process indicates that devolution will fare best when led from the heart of government, with the political and financial backing to be able to move forward without impediment." Bronwen Maddox of the Institute for Government said that "this has to be pushed by the centre and therefore essentially the Cabinet Office and Treasury...it needs decisions which amount to giving away the right to do something and the money along with that." Greg Clark MP, former Secretary of State for Communities and Local Government expressed the view that breaking down Whitehall silos requires "the backing and authority of the Prime Minister." He also explained that when he was a DCLG minister setting up the Cities Policy Unit he insisted that it be located in the Cabinet Office in order to have a "broader reach."

This point was built on by a number of witnesses who argue that a department other than MHCLG should take the lead. For example, GMCA say that "devolution has to be led from the centre of Government. By its nature, devolution is about joining up across functional or policy silos. That means it must be driven by the centre of Government (either No10 or HM Treasury). This is also important because only this central drive and coordination can overcome the funding and accountability silos set out earlier. Devolution needs senior Ministerial support. Devolving powers can be difficult in the short term (as any change is). It is also counter-cultural to some

parts of Whitehall who are not used to dealing with local politics or places. That means it can quickly 'lose steam' if it isn't driven by a personally invested senior Minister." Lord O'Neil supported the argument that devolution to date had been reliant on clear political leadership. He also told us that the Treasury, often seen as obstructive to devolution was very supportive of devolution where they were convinced of the economic arguments and confident in accountability measures, giving West Yorkshire as an example. He went on to say that in these circumstances Treasury support was decisive.

For their part, Lincolnshire County Council say that "It is essential that local government is seen as an equal partner" and propose that MHCLG should lead on devolution, with HM Treasury, DHSC and DfE "at the table". South East England Councils felt that "naturally, the onus falls on [MHCLG] for delivery on the ground, other departments must also play a vital role... the Cabinet Office will likely be best placed to fulfil the process of delivering greater devolution, so that it is all encompassing."

Leeds City Council call for "the creation of an English Department, which not only takes on many of the functions currently in MHCLG, but oversees English devolution and performance, holding other departments to account to deliver on a place-based settlement and ultimately replacing the Barnett Formula."



# Looking forward: Central Government reform

## Summary

- Central and Local Government should work together to establish an English Devolution Baseline that is available to all councils whether or not they wish to form a mayoral combined authority.
- Existing combined authorities should not be expected to wait whilst other areas 'catch up' and should be allowed to develop in genuinely bespoke and distinctive ways, recognising the needs of their own areas.
- Government should bring forward proposals for fiscal devolution whilst also working with councils to ensure there is long term financial sustainability for local government. This process should include giving further consideration to new tax setting powers.
- Rapid devolution must be a core part of the recovery, alongside the government's levelling-up agenda, recognising that COVID-19 has impacted areas in different ways and that a centrally-driven approach will not be sufficient to drive national economic recovery nor sophisticated enough to meet local needs.
- In order for devolution to be effective, the voices of devolved and local government should have a clear role in national policy making. This will bring a valuable perspective into decision-making, reflecting the fact that there will be policy areas for which central government may have direct responsibility in some parts of the country which are devolved elsewhere, and act as a corrective to centralising instincts.
- Clear protections must be introduced to ensure that responsibilities which have devolved cannot be arbitrarily recentralised, and to protect funding streams linked to areas of devolved activity from national policy changes.

## What reforms are necessary to increase the scope and scale of devolution in England?

At present, Government is focused on structures over outcomes. The Government should work with local government to establish an English Devolution Baseline which would allow local leaders to determine the most appropriate structures to meet the needs of their area. Where areas wish to form combined authorities and work jointly on a greater scale they should be allowed to do so, but this must not be a precondition for areas to draw down powers to the local level.

The Centre for Governance and Scrutiny argue that “the aims of English devolution policy cannot be found within a single document, and there has been no clarity from central Government on the policy objective of devolution.” This reflects the evidence we have heard from those with experience of the process. They also argue that “an open discussion needs to be had on what powers and resources devolved institutions need.”

Professor Gains set out “a range of options, from not doing anything to saying we can’t do anything unless we have a new constitutional settlement...I would like to see something down the middle that progresses the devolution conversation and what’s essential in that is a framework. ... that sets out what can be achieved. What’s on offer. What’s required in terms of capacity. What fiscal flexibilities can be granted.”

There is significant appetite among local government to co-create such a framework with central government. The LGA are developing “a package of powers and responsibilities that might be made available to every council”. Core Cities UK tell us that they would “very much want to engage with and help government to produce” a framework for devolution reflecting their view that “governance and accountability structures should be a matter for local decision, based on local character of need, history and relationships, not a one size fits all approach. If a locality can take on elements of devolution which will drive growth, jobs and service improvements, then it should not be held back from doing so because of a difference in governance arrangements.”

We also received evidence that the current approach “is arguably more complicated than it needs to be.” Lincolnshire County Council argue that “amending legislation to enable faster, smaller scale devolution deals to be delivered would enable the scale and scope of devolution to accelerate. Authorities could incrementally increase and develop their devolution powers over a period of time, enabling them to be better placed to lead on different aspects of local change.”

This framework must sit alongside ‘devolution by default’. As the Centre for Urban and Regional Development Studies argue, this “would entail national government departments and other bodies being required to justify why a centralised rather than decentralised approach is preferable and more efficient and effective in delivering public policy outcomes and value for money. Several national government departments – including DfES and DWP – have effectively operated ‘centralisation by default’ approaches and resisted devolution initiatives over many decades. Challenging this approach and demonstrating the value of devolution are key to progress devolution in these high expenditure public policy areas.”

## Should the powers of the existing mayoral combined authorities be enhanced? What would this look like?

Existing Combined Authorities must be allowed to continue to develop to meet local circumstances. This is likely to lead to greater variation than is currently the case.

The Centre for Governance and Scrutiny note the extent to which mayors are currently required to govern through “soft power... the mechanisms and behaviours associated with network governance: convening, influencing, negotiating, building trust, and providing place-based leadership”. They argue for devolving more general powers, beyond ‘function-specific deals’ in order to allow mayors to play a fuller role and for combined authorities to act in a more integrated and strategic way.

Deborah Cadman, Chief Executive of the West Midlands Combined Authority, said that “powers for combined authorities should be enhanced, but it can’t just be about powers, it has also got to be about devolution as well. We could do more around skills, we need full budgetary responsibility for the further education and skills ecosystem, which would include all post-16 technical education and it would allow us to create a much more agile and responsive skill system to improve the supply of higher-level skills.”

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Chief Executive of the West Midlands Combined Authority, Deborah Cadman

Liverpool City Region Combined Authority argue that “now is the time to realise the full potential of devolution by increasing the scope and scale in England. The role of Combined Authorities should be further strengthened, empowering local leaders to provide system leadership and work even more effectively in partnership with government to deliver on shared ambitions.”

## How can we ensure that devolution delivers better outcomes for all communities?

Postcode lotteries are regularly cited as a reason for centralising decision-making and blocking devolution. This should be rejected as even in a highly centralised state like the UK you still get different service delivery in different places, and more importantly post code lotteries are more often than not the result of local decision-making and areas setting their own priorities. The term 'postcode lottery' is misleading, and should be replaced by 'postcode choice', as devolution allows for different decisions to be made at a local level to respond to different circumstances and need. This should not be a cause for concern, as what works well in one area may not work well in another, and local politicians are best placed to understand and make the right choices for their areas. Our current highly-centralised model has led to highly unequal outcomes. At the moment where you live can shape your job opportunities, the quality of health and education services on offer, the availability of public transport, whether you are able to access the internet or make a mobile telephone call. Trying to address these variations through a top-down, one-size-fits all approach from the centre can lead to a sense of a 'post-code lottery' as local circumstances rarely fit standardised service models designed in Whitehall.

There is strong evidence that fiscal devolution provides powerful tools to tackle inequality and deliver better outcomes for all. We also heard calls for devolution to genuinely engage communities both in the process and on an ongoing basis. The devolution process must also address inequalities within communities as well as between them. Councils understanding of their own communities means they are best placed to develop policies to address structural inequalities. A more ambitious programme of devolution is also an opportunity to increase the diversity of those serving in public office and this can be achieved through programme's such as the LGA's *Be a Councillor*.

The LGA told us that "the UK's regional productivity gap has been exacerbated by a having a centralised system of governance focused on Whitehall, with public spending associated with economic growth disproportionately spent in the capital and surrounding areas...the current, centralised situation is clearly not working for communities."

Devolution of spending will only be effective when decisions about how that money is spent are made locally. Simply transferring the administration of an existing budget will not deliver the necessary impact. The LGA argue that: "Centralisation has led to significant postcode lotteries – on health, education, housing and more – and devolution, with a more equitable regional spend, could actually help to reduce some of these problems." London Councils told us "the redesign and reform of public services so that they are organised to focus on the needs

of individual citizens and communities depends on cutting across institutional and professional boundaries. This is only possible when designed locally. The benefits of local design can be aggregated across a city, but not across a nation. Just as delivery needs local design, so too does the demand for services which vary within our communities. What works for Manchester will be different to what works in London."

Leeds City Council told us that "Whitehall and Westminster require structural change to better reflect English geography to ensure that the economic and political levers of power are not solely concentrated in London and the South East". This is supported by the LGA who say that "in countries where economic power is more devolved than in England, regional spending is higher. For example, in Germany, sub-central economic affairs spend is 2.5 times higher as a proportion of GDP than it is in the UK, and

productivity is 20 per cent higher than in the UK. This increased regional spending therefore delivers better outcomes both for those regions which might otherwise be neglected, but by increasing productivity also delivers benefits for the whole country. Devolving economic powers means that local and regional leaders are able to use their local knowledge and their integration into the local community to use resources more efficiently and develop partnerships to strengthen areas. By giving real powers to local leaders they are able to innovate to make the places they represent more inclusive through progressive procurement, living wage areas or anchor institutions. This form of community wealth building delivers benefits for communities, and greater fiscal devolution would empower areas to go further with these types of interventions."

London Councils told us that "local government's granular knowledge of, and engagement with our communities, has been critical in helping to mitigate the disproportionate impact of COVID-19. Mindful that those on lower incomes, the young, the least educated and people from Black, Asian and minority ethnic (BAME) backgrounds have been hit hardest by the crisis. These inequalities are long-standing and inter-connected. During the pandemic we have designed local structures to facilitate and support our commitment to reducing inequalities through a place-based approach."

The Fawcett Society told us that "women remain under-represented across public life." They present analysis showing that just 21% of members of combined authority boards are women, including only one woman of colour. None of the metro mayors are women. They say that "devolution has transferred powers both upwards – from councils – and downwards – from Westminster. With women's representation lower on Combined Authorities than it is on the UK's councils and in Parliament and Government, this means, effectively, that power has been

transferred from women to men." They argue that "action needs to happen to change that picture of women's under-representation at the top table of devolution. Council leaders make up the bulk of board members, so the long-term change that is needed is for local government to get more women into the top tier. However, we cannot wait until that happens, as key decisions are being taken now, without women in the room. Government, Mayoral and Combined Authorities need to change the rules to get the great women who are just below the level of council leadership onto those boards, with a real say."

Devolution to councils cannot be the end of the process. The Centre for Governance and Scrutiny argue that "devolution deals have tended to follow power-hoarding tendencies, restricting the capacity for localities and citizens to be active in asserting the outcomes. Whilst local business communities - through the LEPs - have been involved in the devolution process, wider civic society including higher education institutions and the voluntary sector have been largely ignored." Localis say that "there must a strong political commitment to double devolution from all tiers of governance that is driven by a relational, rather than administrative approach to governance." South East England Councils have commissioned polling which shows that while a majority of the public "feel a strong connection to my local area" only 24% of people agree that "I feel like I have a say over important decisions that affect my area."

## How can arrangements be enhanced so that combined authorities can take responsibility for economic outcomes in their region?

Certain powers, particularly those relating to transport, skills and industrial strategy should be devolved to combined authorities who want them. There is also a need for more effective partnership working to secure the best outcomes.

Lord O'Neil of Gatley argued that the UK's unequal economic geography, in particular significant regional variations in productivity, can be directly linked to government structures. However, this does mean that some metropolitan areas, with appropriate devolution arrangements, have the potential to make a significant contribution to national economic performance. In other areas, whilst local economic leadership remains important, the potential outcomes are more limited.

The Centre for Progressive Policy argues that "MCAs should be responsible for industrial policy within their areas, boosting high value-added sectors...these powers should include inward investment, transport planning, skills and research and development." GMCA argue that "further devolution of post-16 skills budgets, greater local control of the rail system and control over a consolidated multi-year infrastructure budget are well-established ideas which have been recommended to Government over a number of years (from Lord Heseltine's 'No Stone Unturned' report in 2012, to the National Infrastructure Assessment in 2018)." Jim Hubbard, Head of Regional Policy at the CBI said that "business is largely supportive of devolution in England recognising the role that it plays in putting the power and funding needed to address some of the big challenges we face, such as lagging productivity, into the hands of those closest to those issues."

We also heard clear calls for more effective partnerships. GMCA told us that "in some areas, the pursuit of pure local 'control' is a bit of a misnomer and stronger partnership is needed. Central Government will always retain some

role in welfare and employment support. But we could establish arrangements where partnership working achieved much more than it currently does, and where such partnership working is 'built in' to the system". Core Cities said that "delivering positive Levelling Up outcomes for young people in towns and cities relies on joining up services to create a pathway that incorporates: Early Years, education and careers guidance; employment, entrepreneurship and job creation; access to affordable housing, workspace and childcare. If Government wants to deliver Levelling Up and tackle inequalities, it should be promoting such joined up programmes, harnessing local knowledge and capacity to deliver in a place-based manner. The current system is not equipped to deliver this and needs to be incentivised to do so – in fact unaligned services can and do fatally undermine each other at the local level." Liverpool City Region Combined Authority also called on "government agencies – such as Highways England, Homes England, Network Rail, UKRI, Innovate UK, the emerging Office for Environmental Protection and Regional Schools Commissioners – to work in closer partnership with MCAs to deliver on shared ambitions."

Other partnerships will also be important. For example, Leeds City Council argue that "the north should be able to take control of its economy and work together regionally to increase output that will benefit the northern economy. For example, capacity should be built up to coordinate and deliver policy via four organisations focused on adding value at the northern level: Transport for the North; Trade and Investment North; Innovation North and a Northern Growth Hub Network."



## To what extent is improved control over funding and fiscal decentralisation key to the success of devolution?

Devolution of powers must be properly funded. Local areas must be able to develop place-based budgets that meet their needs and are not constrained by Westminster silos. Consideration must also be given to increasing the ability of local government to set new taxes whilst recognising that this will generate more income in certain areas and will need to be supported by continuing redistribution through the funding system and wider public spending.

Under current devolution arrangements, funding from central government is closely and conditionally linked to individual programmes and objectives, often through competitive bidding processes. This has been characterised as ‘functional devolution’ only or by CfGS as ‘policy dumping’. This has limited the ability to design and resource policies and strategies that truly meet the needs of local areas as a whole, meaning that public spending too often comes to less than the sum of its parts. Leeds City Council told us that “true fiscal powers should be transferred to both metro mayors and local councils to enable revenue to be raised and spent locally in accordance with the needs of different communities.” Core Cities UK called for “place-based control over spending public finance... the decentralisation of public services and the budgets and powers to go with them – across as much of the public sector as is relevant, wanted by a place and where basic tests of capacity can be met.” They argue that “Government should view public sector finance much more holistically, particularly in cities – taking a place-based approach to funding. This means looking at the totality of public investment into a place and asking, what are the big outcomes that place needs, and how can resources best be deployed to achieve them... Too often the opposite happens, asking what different parts of the system need to maintain their current position, leading to siloed initiatives”. Indeed, the Centre for Progressive Policy propose “place-based Spending Review[s]” which would allocate ‘total public sector resource to an MCA with accountability both through the ballot box and to government.”

Professor Philip Booth of the Institute of Economic Affairs told us that “the local authority needs to be responsible for both raising and spending money. In other words, it needs to have a broad local tax base so that local politicians and officials are accountable to their local

people rather than being accountable upwards to Whitehall and acting as branch offices of Whitehall. In fact, there is one study which suggests that having a high level of local spending devolution combined with a low level of taxation devolution, which is exactly the position that the UK is in, is actually the worst of all worlds. So, the best position is having the devolution of tax and spend, second best not having much devolution of either, and then the third best is to devolve spending but not to devolve taxation because then local politicians are effectively looking in the wrong direction. They’re looking upwards at Whitehall rather than downwards at the local people they are supposed to be serving.” Warwick Lightfoot of Policy Exchange said “I agree absolutely with Philip, there’s a real problem when you get given money and you spend it, and you don’t have the responsibility for raising it.”

The LGA told us that recent pilots of business rate retention have been welcome but are marked by uncertainty – “since 2017/18 a few areas have been piloting 100 per cent business rates retention. This has resulted in a welcome additional funding boost in the short-term, but uncertainty over future arrangements is a cause for concern. The Government has not yet decided whether this 100 per cent arrangement will continue once 75 per cent business rates retention is rolled out nationally. The Treasury Select Committee has also encouraged Government to consider alternatives to business rates. This has an impact on local government’s ability to plan financially for future years.”

Business rates and council tax alone are not sufficient to sustainably fund the sector. The LGA told us that “the trajectory of growth of business rates does not match the trajectory of growth in demand and its distribution. This is particularly true in relation to adult and children’s social care, public health and homelessness prevention services. These pressures on councils’ budgets

mean that council tax and retained business rates alone, even if more business rates income is retained, will not be sufficient to sustainably fund the sector. Some form of additional funding will be needed." This is supported by Leeds City Council who said "local government finance must be reformed to enable more local discretion and not unduly favour areas who have traditionally been able to grow their business rates faster." And the Heseltine Institute told us that "while plans have been in place for a number of years to allow local authorities to keep all revenue from business rates, a wider and more flexible range of taxation powers will be needed to ensure different places can tailor their approach to fiscal decentralisation in the most locally appropriate ways."

New taxes must therefore be considered. Professor Copus argues that "if the government's policy of devolution is to usher in a fundamental change in the relationship between the centre and the localities, then local fiscal autonomy must be a central feature of those policies. Local government autonomy not only rests on local government being free to set the rates of local taxes, but to choose the taxes they wish to employ". The LGA call on Government to "consider allowing areas to raise new taxes, such as a tourist tax or an e-commerce levy, or to retain a proportion of nationally collected taxes or charges paid by their residents, such as income tax, fuel duty or stamp duty." Bristol City Council agree that "there is a need for new revenue resources both at a local and national level ...Local government in England has very limited revenue-raising powers compared to other wealthy countries. According to the OECD, in 2014, every other G7 nation collected more taxes at either a local or regional level." And Core Cities UK say "control over spending public finances cannot be seen as a stand-alone solution without greater control over raising public finances within a locality. A roadmap is needed to greater local fiscal retention / assignment (where more of the tax base is in local control but with limits on changes to levels), and fiscal devolution (with limited or no restrictions to levels)."

However, the LGA acknowledge that "new taxes will generate more income in wealthier areas. The levelling-up agenda needs to be supported by continued redistribution through the tax

system and public spending, not reliance on taxes raised locally." Consideration of new taxes "must include appropriate redistribution arrangements and local control over discounts and reductions. Furthermore, such freedom must not be used as a replacement for funding through general government spending." Warwick Lightfoot of Policy Exchange said "the dispersion of economic activity and the dispersion of tax base we have throughout the United Kingdom has increased and you've got pockets of great dynamism and potential rich tax raising opportunities in the south east of England and London and then... in other parts of the country no matter what tax raising powers you've got you haven't got the tax base to actually do it. Unfortunately, there's not a neat correlation between that tax base and potential social need and I think that the challenge is how do we actually ensure that we give greater discretion, greater responsibility and at the same time ensure that you have some reasonable equivalence of service across the country."

The Heseltine Institute say that "it will be important to consider the potential for fiscal devolution to have regressive impacts that could exacerbate inequalities between different parts of England. Long-standing disparities in wealth and income mean London and the South East have a wider tax base to draw on in the event of fiscal devolution. In London, for example, 22.9% of taxpayers pay a higher or additional rate of income tax. In the North West, this figure is 10.7%. All English regions apart from London, the South East and the East of England currently have net fiscal deficits (ONS 2019)." GMCA said that "any move toward fiscal devolution risks entrenching not tackling our regional inequalities if it isn't designed carefully... We need to move away from seeing fiscal decentralisation and redistribution as opposite ends of a spectrum. Other countries (like Germany, and parts of Scandinavia) manage to have decentralised governance aligned to strong mechanisms for redistribution."

David Phillips, Associate Director at the Institute for Fiscal Studies said that "there is such a thing as too much fiscal decentralization, a lot of the graphs the OECD produces show that there is an optimal level of decentralization and that optimal level depends to some extent on the degree of inequality within countries."

## How can devolution be secured for those parts of England that have so far been left out of this agenda?

The central aim of devolution in England should be to transfer the widest possible level of powers and resources to local government. Councils and their communities should sit upfront with national government, setting the destination and describing the devolved powers they need to reach it.

Devolution deals should be co-produced with local leaders, without prescriptive barriers regarding governance and suited to local needs, not Whitehall templates. Areas which are already making a success of devolution should be allowed to continue, not held back whilst others catch up. For example, Lincolnshire County Council argue that linking devolution to structural reform “places an unnecessary barrier to devolution and increased prosperity for regions”. Some have argued that extending combined authorities across the rest of England, perhaps alongside complete unitarisation, would ensure that no area is left behind. However, this appears to contradict a fundamental principle of devolution in allowing areas to set their own path. The evidence we have received is that the current model is not universally appropriate and the process is too time consuming to be able to respond to the immediate challenges of the recovery.

Jim Hubbard, Head of Regional Policy at the CBI said that “government needs to urgently publish this Devolution and Local Recovery White Paper. That should include details on a clear framework for devolution to ensure transparency about any new deals and as well as clear measures for success, it should also pave the way to ensure that 60 percent of England is covered by a deal in five years’ time. In addition to more deals, I think further devolution is also vital...For those areas without a devolution deal I think the framework for devolution will be key to setting out a road map for more and further powers. Though in the meantime we could work to ensure that local enterprise partnerships and growth hubs have the resource and capacity to develop and deliver recovery plans for instance, as well as ensure that all parts of the country have a powerhouse and/or engine style body that helps develop a long-term and coherent vision for their regional areas.”

Kate Kennally, Chief Executive, Cornwall Council, told us that “there is a risk that some of the agenda around devolution is being set in the context of metropolitan combined authorities with elected mayors. They are a powerful grouping and they’re doing some really great work, but I think that parity of esteem has to extend to all of the authorities and not just areas with metro mayors.”

*“There is a risk that some of the agenda around devolution is being set in the context of metropolitan combined authorities with elected mayors. They are a powerful grouping and they’re doing some really great work, but I think that parity of esteem has to extend to all of the authorities and not just areas with metro mayors”*

Kate Kennally

Devolution deals should leave nothing off the table. This includes fiscal devolution and the ability for councils to exercise local leadership of fragmented national agencies. The Chartered Institute of Housing advocate the benefits of flexible approaches, such as “Essex County Council which has a dedicated housing growth unit and works with its districts to maximise public sector assets, particularly land, and manage the entire process, capturing savings and increasing receipts from the process.”

## Should local authorities be given more powers to support infrastructure delivery?

Local authorities need to have long-term certainty over infrastructure projects, regardless of their governance arrangements. Government must reduce inefficient competitive bidding processes for relatively small capital pots.

The LGA argue that local authorities need to be able to deliver multiyear programmes, as recommended in the National Infrastructure Assessment and according to principles that currently apply for Highways England and Network Rail. This is supported by GMCA who argue that “we would encourage further moves toward the NIC recommendation for city-regions to have access to stable, substantial, devolved infrastructure funding. This would greatly support faster and more streamlined delivery by creating efficiencies and opportunities in process and retention of experience, skills and relationships and building confidence with supply chain partners. More flexibility in the allocation of spend across financial years would also support better operational and financial decision making.”

The LGA cite Urban Transport Group research which shows that “the amount of revenue funding needed to bid for a scheme did not decline proportionally with the size of the award and therefore a proliferation of small pots to bid into has a disproportionate effect on revenue budgets.” Core Cities UK argue for “Infrastructure Single Pots: enabling government’s ‘infrastructure revolution’ in an efficient and timely manner, transitioning to the digital and Net Zero economy.”

Lord Moylan, Former Chairman of London Councils Transport and Environment Committee and Former Deputy Chairman of Transport for London told us that “the biggest and most important thing that public bodies, be they local authorities or transport authorities need in order to deliver infrastructure projects efficiently is not the quantum of money but the certainty of investment over the ensuing years...You have to have a long-term commitment to funding. And in most cases, at least for rail projects and roads, that is likely to be the government funding.”

Transport for the South East (TfSE) and South East England Councils also argued for the current TfSE partnership to become a statutory sub-national transport body given that “investment in transport is vital to unlocking housing development, creating jobs and boost economic growth.”

There is also a role for broader partnerships, such as the Northern Powerhouse, Midlands Engine and Western Gateway on a non-statutory basis. Core Cities UK argued that “pan-regional partnerships...will continue to be important bodies for addressing matters best dealt with at a pan-regional level, such as inter-regional transport connections, global trade and investment and pan-regional supply chains.”

## As part of the Project Speed initiative, how can Whitehall enable local government to deliver infrastructure projects such as schools, housing and hospitals at pace?

Government must ensure alignment at a national level between government investment and local growth and housing needs as well as local priorities and investment plans.

The LGA told us that “local areas want the ability to access a consolidated pot of funding and be able to use this in support of genuine place-shaping, mixed use transport schemes sitting in the same investment package as broadband investment, social infrastructure and housing. This needs to be underpinned by a locally-led planning system that ensures councils and local communities have the ability to shape the area they live in, ensures homes are built to high standards with the necessary infrastructure in place, and secures funding for affordable

homes. This also requires building on existing partnerships within the market which will lead to longer-term and more sustainable solutions to support local ambitions.”

South East England Councils told us that “Project Speed must align to the Government’s stated priorities for an inclusive, ‘green’ recovery, and should reflect the new realities and patterns of demand which have sustained beyond the lockdown.”



## What could be done to improve the way central government departments co-ordinate and develop place-specific policy interventions?

## Should local government have a more formal role in the development of national policy?

Local government had a formal role in EU law and policy-making through the Committee of the Regions. It also had an important forum through the Brexit and Transition process in the EU Exit Delivery Board. There is now an opportunity to build on these successes.

Jonathan Carr-West of the LGiU told us that mayors are increasingly exercising influence on national policy “by default” through the use of ‘soft power’, described by others as a ‘bully pulpit’. However he argues that as a country “we could be much more structured and much more proactive and positive about it.”

London Councils argued that “the scale of the recovery and renewal challenge faced across the country will test public services and our partners to the limit. The existing siloed approach of central departments are simply not fit for the challenges we face like the pressing need to respond to the fast pace of structural changes in our economies – which will require innovative interventions to retrain former employees (for example in retail) to contribute to growing sectors, for example in technology or environmentally sustainable sectors. Our experience suggests that convening the three interested departments to constructively tackle such a retraining challenge is likely to be beyond the capabilities of ‘hard-wired’ institutional and governance traditions. For example, our experience suggests that proactive work is required with newly redundant workers (research suggests that they are primarily looking for work in the shrinking retail sector), utilising the skills of a job coach (or navigator), which is the purview of DWP, understanding the skills needs of growing businesses would require engagement and support from BEIS, finally assembling a tailored skills package would require the blessing of DfE, along with their regional delivery partners. To make such a package work, will require policy and

operational co-ordination at a national, regional and local level. Yet today the local and regional branches of these departments are all required to look to the centre for direction.”

The Heseltine Institute told us that “intergovernmental forums are a common institutional fix for coordinating relations between national and sub-national governments in many nations. In parliamentary systems, a form of ‘executive federalism’ is common, whereby interaction between central and sub-national government can involve a range of councils and committees, along with regular discussions between officials.”

Liverpool City Region Combined Authority are in favour of “regularly bring together senior Ministers and regional Mayors, and re-organising Government departments, including through co-location of resources and staff within the regions, to improve collaboration and delivery of agreed regional plans.” However, Bronwen Maddox of the Institute for Government described this as “perhaps a red herring, I’m not saying it’s a bad thing but it’s quite a different thing to take groups of people who might be part of what you properly call central government and relocate them around the country. That’s quite a different thing from devolution which is actually putting money in power into the different localities and that’s one thing that I think is conceivably unhelpful in this debate, though there is quite a bit of excitement about it at the moment.”

The Chartered Institute of Housing said that “the government established the EU exit local government delivery board to involve local authorities in its planning and preparation for the UK leaving the EU; similar boards could usefully be established to develop key policies that impact on devolution as well as a more long-standing partnership vehicle for the ongoing development of devolution itself.”

The Centre for Urban and Regional Development Studies propose measures to improve “Government and Whitehall’s geographical understanding and institutional architecture – Each and every public policy has geographical expressions and implications. Some policy is explicitly spatial such as regional and urban policy. Yet some ostensibly ‘non-spatial’ policies are inherently geographical including defence, innovation and science, and welfare. The problem is that the spatial implications of some policies are recognised and managed, while others are ignored. Improved geographical understanding would help remedy Government and Whitehall’s ‘spatial blindness’ in key policy areas. Changing the geography of the state is a related part of geographically dispersing its institutions and encouraging better connections and deeper understanding of the needs and aspirations of populations outside the metropolitan centre”. Historically, public sector dispersal has been used to improve Whitehall’s spatial sensibility and again this is being touted as part of the current Government’s ‘levelling up’ agenda. There is also the potential to build upon and learn from past attempts to strengthen geographical understanding of public policy, for example the ‘Improving Whitehall’s Spatial Awareness’ initiative.”



# Next steps

The Devolution APPG is grateful to the Commissioners for contributing their time and expertise to this inquiry and to each of the individuals and organisations who attended an evidence session or made a written submission.

This report identifies several significant ways in which central government structures, culture and approaches are currently acting as significant barriers to effective devolution. We have also considered the lessons from devolution to date and made recommendations. Local leaders have long been calling for more effective devolution to enable them to deliver the best outcomes for their areas. As we face the challenges of recovery, alongside central government's ambition to deliver on the levelling-up agenda, devolving power and responsibility is crucial to a broad-based economic recovery which delivers national growth and which leaves no area behind.

This inquiry identifies barriers within Westminster and Whitehall to effective devolution and we call on central government to consider and act on our recommendations. However, devolution itself must be a bottom up process by which local areas determine their own path based on local aspirations and understanding of each unique areas, and then set out the powers and responsibilities needed to realise that strategy. This will require close and collaborative working between central and local government and the APPG looks forward to taking this agenda forward.





## **(Mayoral) Combined Authority**

A combined authority (CA) is a legal body set up using national legislation that enables a group of two or more councils to collaborate and take collective decisions across council boundaries. It is far more robust than an informal partnership or even a joint committee. The creation of a CA means that member councils can be more ambitious in their joint working and can take advantage of powers and resources devolved to them from national government. While established by Parliament, CAs are locally owned and have to be initiated and supported by the councils involved. Ten combined authorities have been established so far. Details of all powers and funding that have been devolved to individual areas can be found on the [LGA's Devolution Register](#).

## **County Council**

Many parts of England have two tiers of local government. In these areas the County Council is responsible for services across the whole of the county, including education, transport, social care, and fire and public safety.

## **Devolution Deal**

Devolution deals are the process by which recent devolution in England has taken place. Central government has invited local authorities or groups of local authorities to submit proposals for new powers and governance arrangements and negotiations have taken place on the basis of some of these proposals. Central government decides which proposals to progress and what powers, if any, to devolve.

## **Directly Elected Mayor**

Directly elected mayors exist in a number of contexts in England. They are distinct from ceremonial mayors or lord mayors in that they hold executive responsibility and differ from the more common council leader and cabinet model in that they are directly elected rather than being chosen by councillors. The Mayor of London leads the Greater London Authority with strategic responsibility for cross-London functions and is accountable to the London Assembly, rather than a combined authority. Most recent devolution deals have produced a combined authority with a directly elected mayor responsible for the joint activities of the combined authority. In some cases where combined authority boundaries align with a police area the mayor will also hold the role of Police and Crime Commissioner. A number of individual authorities have directly elected mayors as an alternative to the leader and cabinet model.

## **District Council**

In areas of England with two tiers of local government, a number of district councils cover smaller areas within each county council. They are responsible for services such as refuse collection and recycling, housing and planning.

## **Growth Deal**

Growth Deals are negotiated between Local Enterprise Partnerships and central government in order to "seek freedoms, flexibilities and influence over resources from Government; and a share of the new Local Growth Fund to target their identified growth priorities."

## **Local Enterprise Partnership**

There are 38 Local Enterprise Partnerships across England. They are business led partnerships between local authorities and local private sector businesses. They play a central role in determining local economic priorities and undertaking activities to drive economic growth and job creation, improve infrastructure and raise workforce skills within the local area. LEP boards are led by a business Chair and board members are local leaders of industry (including SMEs), educational institutions and the public sector.

## **Local Government Reorganisation**

Local Government Reorganisation (LGR) is the process by which alternative local governance arrangements are considered. This may involve merging local authorities whether across geographies or across tiers. Discussions about local government reorganisation may involve devolution proposals but it is possible to reorganise local authorities without devolving further powers and LGR is not a necessary precursor to devolution.

## **Police and Crime Commissioners**

Police and Crime Commissioners (PCCs) are directly elected individuals with oversight of a police force. They replaced police authorities. In some areas where a police area aligns with the area covered by a directly elected mayor this individual appoints a deputy mayor with responsibility for policing. In some parts of the county the PCC is also responsible for the oversight of the Fire and Rescue Service.

## **Unitary Authority**

Some parts of England have a single tier of local government which exercise the responsibilities held elsewhere by county and district councils. Forms of unitary authority include County Unitaries, London Boroughs and Metropolitan Boroughs.

# Appendix

## About the APPG on Devolution

The Devolution APPG is an open group for discussion on the need for a UK-wide devolution settlement. It was established to give parliamentarians and sector stakeholders an opportunity for cross-party discussions on constitutional reform, decentralisation and devolution and the need for a UK-wide settlement. It provides a cross-party parliamentary space for an open discussion on the need for a UK-wide devolution settlement. The Group is sponsored by the LGA.

The Officers of the Group are as follows:

**Chair:**

Andrew Lewer MBE MP

**Vice-Chairs:**

Dr Jamie Wallis MP

Catherine West MP

Lord Kerslake

Lord Soley

Lord Tyler

Craig Williams MP

Lord Foulkes

Wayne David MP

Baroness Eaton

Lord Purvis

Henry Smith MP

## Terms of Reference

### Existing barriers to devolution

- What barriers currently exist in central government that limit the scope and scale of local devolution and place-based leadership?
- Has a focus on establishing new governance arrangements as a precursor to devolution unnecessarily slowed the pace of devolution?
- Understanding the Whitehall perspective – are there areas where devolving power and responsibility would make delivering national policy harder? Are there areas Whitehall believes it should be devolving more promptly?
- What changes would enable better working between local and central government in their approach to devolution?
- What could be improved in different government departments' approach to devolution?
- Are there changes that would enable government departments to take a more consolidated approach to devolution?
- What barriers exist at national government level to the delivery of housing?
- What lessons can be learned about devolution from abroad?
- How can government ensure local and combined authorities have the capacity and skills to take on new responsibilities?

## Lessons learned from English devolution

- What lessons can be learnt from the negotiation of previous devolution deals and how they have worked in practice?
- What case studies of central government best practice, and of bad practice, exist?
- To what extent is there effective accountability in England's devolved areas?
- To what extent do combined authorities need greater control over devolved policy areas, such as skills or housing, to ensure they have enough responsibility to be held accountable for the economic performance of their areas?
- What lessons can be learnt from previous initiatives on adult education and skills budgets, and community budgets?
- Has government struck the right balance between bespoke deals and a standardised devolution baseline, do things need to change for future deals?
- Is the focus on devolving powers related to growth and infrastructure, rather than, social services such as welfare and health still appropriate?
- Which department is best placed to lead the process of greater devolution?

## Looking forward - Central Government reform

- What reforms are necessary to increase the scope and scale of devolution in England?
- Should the powers of the existing mayoral combined authorities be enhanced? What would this look like?
- How can we ensure that devolution delivers better outcomes for all communities?
- How can arrangements be enhanced so that combined authorities can take responsibility for economic outcomes in their region?
- To what extent is improved control over funding and fiscal decentralisation key to the success of devolution?
- How can devolution be secured for those parts of England that have so far been left out of this agenda?
- Should local authorities be given more powers to support infrastructure delivery?
- As part of the Project Speed initiative, how can Whitehall enable local government to deliver infrastructure projects such as schools, housing and hospitals at pace?
- What could be done to improve the way central government departments co-ordinate and develop place-specific policy interventions?
- Should local government have a more formal role in the development of national policy?
- What has the response to COVID-19 from Whitehall taught us about devolution?

# Evidence

The panel conducted five oral evidence sessions via Zoom, hearing from witnesses as follows:

## First Oral Evidence Session

- Professor Francesca Gains, Professor of Public Policy, University of Manchester
- Professor Colin Copus, Emeritus Professor of Local Politics, De Montford University
- Dr Johnathan Carr-West, Chief Executive LGiU

## Second Oral Evidence Session

- Bronwen Maddox, Director, Institute for Government
- Professor Philip Booth, Senior Academic Fellow, Institute for Economic Affairs
- Jim Hubbard, Head of Regional Policy, CBI
- Warwick Lightfoot, Head of Economics and Social Policy, Policy Exchange
- Mark Sandford, Senior Researcher, House of Commons Library

## Third Oral Evidence Session

- Andy Burnham, Mayor of Greater Manchester
- Professor Alan Harding, Chief Economic Adviser, GMCA
- Cllr James Jamieson, Chair of the Local Government Association
- David Phillips, Associate Director, Institute for Fiscal Studies

## Fourth Oral Evidence Session

- Lord Moylan, Former Chairman of London Councils Transport and Environment Committee and Former Deputy Chairman of Transport for London
- Deborah Cadman, CBE, Chief Executive WMCA
- Kate Kennally, Chief Executive, Cornwall Council

## Fifth Oral Evidence Session

- Greg Clark MP, former Secretary of State for Communities and Local Government
- Steve Reed MP, Shadow Secretary of State for Communities and Local Government

## Informal meetings

The Chairman of the APPG met with MHCLG Minister Luke Hall on Zoom to discuss our Inquiry. He confirmed the Government believes in devolution, believes it is best achieved in co-operation with local authorities and that he looks forward to meeting the Chairman to look at the Inquiry once it is out.

The inquiry Chair also held conversations with David Simmonds MP and, alongside Lord Kerslake, with Lord O'Neil of Gatley. Whilst these discussions had to happen outside the formal evidence sessions, we are grateful for the insights provided in helping inform the Panel's conclusions.

The Panel also issued a call for evidence and has received written submissions from:

AKT

Bristol City Council

Centre for Governance and Scrutiny

Centre for Progressive Policy

Centre for Urban and Regional Development Studies, Newcastle University

Chartered Institute of Housing

Core Cities UK

County Councils Network

Demos LIPSIT

Electoral Reform Society

Greater Manchester Combined Authority

Heseltine Institute for Public Policy, Practice and Place, University of Liverpool

Leeds City Council

Lincolnshire County Council

Liverpool City Region Combined Authority

Localis

London Councils

Norfolk County Council on behalf of the Norfolk Public Sector Leaders' Board

Nuffield Trust

Professor Colin Copus

South East England Councils

The Fawcett Society

The Local Government Association

Transport for the South East



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# The Devolution

All-Party Parliamentary Group

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March 2021

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