



REPORT

REBOOTING DEVOLUTION

A COMMON-SENSE APPROACH
TO TAKING BACK CONTROL

Jack Hunter

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SUMMARY

The devolution revolution has stalled. Despite permissive legislation the large majority of devolution deals appear to have run into the sand and in May 2017 it is likely there will only be six elections for metro mayors.

The problems in the devolution process have been endemic from the start. With no clear purpose, process or timescale, a culture of centralised thinking in Whitehall, and with intransigence on the part of too many local political leaders, it is apparent that once again the devolution rhetoric is failing to match reality on the ground.

This is no small issue. If it is to achieve its vision of an economy that works for everyone, the government must put the devolution of powers and responsibilities to the lowest appropriate level of government at the core of its industrial strategy.

There is a common-sense approach though that could reboot the devolution process. Devolution must be based on a series of clear and explicit principles concerning the geography and scale of devolution areas; a 'menu' or framework of the powers that could be devolved; and a range of options for reforms to governance that are commensurate with the level of devolution an area is seeking.

Far from being prescriptive, a principle-based framework would provide local areas with the certainty to develop a proposal that works for their context.

In this paper we outline such a framework. Focusing especially on non-metropolitan areas, where deals have been most difficult to achieve, we provide three common-sense 'tools' with which to reboot the existing process. These include the following.

- An explanation as to why county geography might be the best scale from which build devolution areas and where in a handful of cases some areas might wish to join forces to enhance their scale.
- A framework of powers based upon discrete packages or 'stages' as a template upon which individual proposals can be based and as a means of building confidence in local politicians that devolution is a journey not a one-off bid for back-door reform.
- A set of further options to set alongside metro-mayors to ensure that devolved powers are accompanied with commensurate reform to provide visibility and accountability within the emerging local government architecture.

Finally we argue that to reboot the devolution revolution, the government should:

- Set out a statement of its vision and underlying principles, including any 'red lines' it sees on geography, powers or governance.

- Provide a framework for devolution negotiations based on discrete 'packages' or stages and with some minimum standards for governance reform in relation to each.
- Set out a timetable for future developments with clear windows for negotiation and deal-making.

1. INTRODUCTION: DEVOLUTION IN THE DOLDRUMS

The devolution revolution has stalled.

It is now two years since the Cities and Local Government Devolution Act was passed into law. The open-ended nature of this Act, which provides the legal framework for devolution and allows for local government to take on any legal function currently exercised by another public body, coupled with a new-found enthusiasm for devolution among senior politicians,¹ led to a sudden rush by local authorities to develop their proposals for devolution.

Since then, however, momentum has been lost. Following the 2015 Act, a handful of agreements to devolve powers were signed with metropolitan areas, including Greater Manchester, Tees Valley, West Midlands and Liverpool City Region, as well as with Cornwall council (DCLG 2016). More recently, West of England and Cambridgeshire and Peterborough (ibid)² have also signed agreements, but negotiations have broken down in a significant number of other areas – most notably Greater Lincolnshire (Spalding Today 2016), Derbyshire and Nottinghamshire and East Anglia (Geater 2016). In the North East, four of the seven members of the Combined Authority voted against proceeding with the devolution deal that leaders had previously agreed with government.³ Finally, it is now uncertain whether the Sheffield City Region will hold mayoral elections in 2017, following a legal ruling regarding a public consultation on whether the region should expand to include Chesterfield (Toulson 2016).

It is tempting to place the blame at the feet of the new administration. However, problems in the devolution process have been endemic from the start. As the National Audit Office (NAO) has pointed out:

‘Despite several iterations of deals, the Government’s approach to English devolution still has an air of charting undiscovered territory. It is in explorer mode, drawing the map as it goes along. Some of the opportunities and obstacles are becoming clearer, but we still do not have a clear view of the landscape or, crucially, an idea of the destination.’

NAO 2016

-
- 1 Not least, of course, from the then chancellor, George Osborne.
 - 2 It should be noted that North Somerset Council voted against ratifying the deal agreement signed by its leaders, and are therefore excluded from the current devolution area
 - 3 Negotiations between Newcastle, North Tyneside and Northumberland – the three areas that voted for a devolution deal are ongoing, regarding a separate deal for the area north of the River Tyne.

There is no sign that this has changed. Indeed, it is apparent to all concerned that there is no clear framework underpinning the devolution process, and that this is leading to stagnation. A series of reports by MPs have criticised the process for devolution,⁴ including the lack of consideration of the implications of devolution for central government departments, the short time-frames and the lack of proper consultation. This reflects earlier IPPR North research which identified a need for greater clarification of the purpose, process and timescale for devolution deal-making, including greater coherence and collaboration between central government departments (Cox and Hunter 2015).

Coupled with the persistence of a culture of centralised thinking across many government departments, as well as a lack of dedicated capacity among civil servants that will only be exacerbated by the implications of the vote to leave the European Union, it is apparent that, once again, the government's rhetoric is failing to match the reality.

This is clearly wrong. As prime minister, Theresa May has stated her ambition to 'drive growth up and down the country, from rural areas to our great cities' (Smithard 2016), in order to deliver an 'economy that works for everyone', and devolution is absolutely fundamental to this. To make its new industrial strategy a success, the government must devolve powers and responsibilities to the lowest appropriate level, as a means to addressing several key policy challenges, not least improving housing supply, boosting productivity, and reforming public services.

The devolution vision – what are we hoping to achieve?

Our vision is for an era of empowered local government, with democratic accountability for the wellbeing of an entire local area, and its economy. This will be a departure from the current Whitehall model, where currently local government has responsibility for a relatively small portfolio of functions, and separate public services such as health and policing are accountable to government ministers based in London.

As IPPR North has previously argued (Cox et al 2014), a more decentralised state is essential to driving change across three key themes:

- Devolution would be a vital step towards boosting local economies and, as a consequence, tackling the UK's productivity gap. Allowing greater local say over state funding for skills, transport, and business support would allow for a focused, strategic approach that would match supply to demand and boost local economies.

In addition, it can provide local areas with both the means and the incentives to actively shape their housing markets and grow their housing stock, to meet the needs of the local population and allow for economic growth (Snelling and Davies 2016).

⁴ The House of Commons Communities and Local Government Committee (Devolution: The Next Five Years and Beyond); the All Party Parliamentary Group Inquiry into Better Devolution for the UK (Devolution and the Union); the House of Commons Public Accounts Committee (Cities and Local Growth)

- Devolution also offers an opportunity to improve the delivery of public services, including a more integrated and coordinated approach to strategic planning and commissioning.⁵

Currently, individual public services, such as health and police, remain accountable to entirely separate central departments in London. This leads to inefficient services and duplication, as each service works only to its own aims and objectives, makes it nearly impossible to tackle complex challenges such as homelessness or long term health conditions. By contrast, devolution offers opportunities for democratically accountable leaders to take responsibility for the health (medical, economic, social) of an entire local area, and to convene and collaborate with partners from across a wide range of services to develop different ways of working in order to improve it.

- In theory at least, devolution allows for people to have a greater say over decisions that affect them, and to better hold power to account, particularly, at a time when there is consensus on the need to reform a political system that has been captured by a small group of highly 'professionalised' politicians, and to ensure that the voices of those 'left behind' by economic growth are listened to. More broadly, devolution offers a once-in-a-lifetime opportunity to recast the way that power operates in Britain, by diffusing it more evenly across the country.

Although the process to realise it will involve substantial and dramatic changes in the way that power operates across the country, this vision is not of itself an extreme one when it is compared to the situation in other countries. The United Kingdom is one of the most centralised developed countries. In most other places local and regional government has far greater responsibilities and ownership of issues concerning economic development, taxation and public services. As such, our vision for devolution is revolutionary only when compared to the status quo in Britain today.

It is time to be radical. On its own, devolving powers and responsibilities to local authorities is not a panacea for the myriad economic, public service and democratic challenges that the country currently faces (many of which stand to become yet more acute following the Brexit vote).

Nor will it be a quick fix for the unprecedented squeeze on local government finances, including cuts in funding, rising demand for services and wider economic uncertainty (LGA 2014). But if there are solutions to be found then they will not come from the current, centralised model of government. Instead they will necessarily involve a newly empowered system of local government, with new powers and transformed governance that will allow it to act effectively, over the long-term and in the interests of its local population across a wide set of local integrated services.

⁵ The government has indicated that it is committed to integrating health and social care by 2020. See Burton M (2016) 'Marcus Jones predicts full integration by 2020', *MJ*, 1 November 2016. <http://www.themj.co.uk/Marcus-Jones-predicts-full-integration-by-2020/205850>.

In order to enable this, there needs to be a clear framework setting out the principles that underpin the devolution process. The government has to date insisted that the absence of such a framework is justified in the interests of a “bottom-up” approach to devolution, which ensures “bespoke and place-led” solutions rather than a “one-size-fits-all” approach.⁶ While well-intentioned, this *laissez-faire* approach arguably confuses ‘principles’ with ‘rules’⁷ – far from being prescriptive, a principle-based framework would provide local areas with the certainty to develop a proposal that works for their context.

In the absence of greater clarity from the government, IPPR North has taken it upon itself to set out a common-sense framework, in order to bring greater simplicity and rigour to a process that has been to date driven by secretive and back-room negotiations and unwritten rules of engagement.

Our framework covers the three core questions that lie at the heart of the devolution process:

- Geography – what is the right scale for devolution?
- Powers – what powers are best wielded at the local level?
- Governance – how to ensure effective and robust accountability commensurate with the powers devolved?

Within each question, we set out three core principles that we believe underpin the devolution process and then we apply these principles to explore what they might mean for areas that are seeking a devolution deal.

Our common-sense framework does not seek to reinvent the devolution process from the beginning. Instead we will make explicit the principles that have underpinned the process so far and apply them fairly and rigorously – to allow for local areas to develop solutions tailored to their particular circumstances, without being bound to one particular set of arbitrary rules.

Our principles are put forward in the spirit of opening up the devolution process. We are sure that many will disagree with the substance of some or all of them and the conclusions that we draw from them. We are comfortable with this – we don’t believe that our principles are in anyway definitive or final – instead we put them forward as a starting point and as a provocation.

⁶ See for example SS-CLG (2016).

⁷ To take one particularly relevant example, ‘clear accountability’ is a principle, ‘a directly elected mayor’ is a rule.

2. GEOGRAPHY

WHAT IS THE RIGHT SCALE FOR DEVOLUTION?

So far, devolution deals have mostly been struck with large metropolitan areas, such as the Greater Manchester and Sheffield city regions, as well as more rural areas such as Cornwall and Cambridgeshire/Peterborough. These areas have several things in common:

- they include a sizeable population and can be shown to reflect a sizeable economic area
- to varying extent they ‘make sense’ in the local imagination and councils in each area have an established history of working together
- they broadly correlate with the commissioning geographies for other public services, such as police and health, as well as Local Enterprise Partnerships.

This leads us to suggest the following principles of geography.

1. SCALE

Put simply, size matters. In their proposals for devolution, local areas should be able to show that they are able to develop and deliver shared strategic priorities that are best addressed at a scale above local boundaries.

Working at scale brings with it several advantages, namely that:

- a. Decisions on strategic planning are made across a single economic area.
- b. There are opportunities for much closer working arrangements with other public services who operate across a similar larger geography.
- c. It offers mechanisms for greater fiscal sustainability, including a larger tax base, opportunities for pooling and sharing budgets etc.

A principle of scale has informed the current focus on devolution to city regions, where a group of local authorities agree a single decision-making mechanism (normally a combined authority) to act strategically across a large geographical area, while maintaining their individual responsibility for the vast majority of the day to day operations of local government. This reflects evidence from the OECD of the benefits, in metropolitan areas at least, of simplifying governance arrangements across an area reflecting patterns of economic activity.

Precisely how each local area is defined will be subject to a range of factors, not least the functional economic geography as well as existing political and cultural structures (see below).⁸ But devolution should be based around local areas that can demonstrate that they can successfully work at scale.

⁸ Previous Government guidance on defining a functional area stressed ‘there is no universal approach... however, information on labour markets (using travel to work areas), housing markets, business linkages and supply chains, consumer markets and transport networks are typically used to inform such analysis’ (BIS 2010).

2. PLACE AND HISTORY

Any proposed devolution area must be based around existing institutions and a shared sense of place.

Those areas that have successfully negotiated a devolution deal have been able to demonstrate a history of partnership working and strong relationships with other public services. The devolution process should seek to build upon existing institutions at the local level and to strengthen, rather than disrupt, joint working arrangements.

In addition, there is little merit in creating new structures across a large economic area that means little in the public imagination, as creating a new tier of governance across an unfamiliar area will most likely impact negatively upon democratic engagement (in terms of voter turnout, for example) and thereby undermine the legitimacy of any process of devolution. A shared sense of place can also reduce the risk of parochial politicking and make it easier for local politicians and the wider public to engage with strategic issues that are of relevance to an entire area, rather than always looking for how their particular local area will benefit.

WHAT DO THESE PRINCIPLES MEAN IN PRACTICE?

A common-sense approach to devolution and local government would use the UK's county geography as a basic building block for devolution.

The reasons for this are:

- Most county areas can demonstrate considerable scale. They have sizeable populations and substantial economies that are comparable to many city regions and are of a geographic scale that is similar to that of other key strategic partnerships such as Local Enterprise Partnerships.
- Working at a county geography ensures coordination of strategic planning between urban and rural areas (for example between Derby and Derbyshire).
- The geography of counties is recognised within the popular imagination and is also reflected in existing institutional arrangements in public services.

Starting with the county geography arguably represents the most common-sense way to marry the principle of scale without wholesale change to established boundaries and working relationships. Nonetheless, the following points should also be considered:

Where there are county areas that have a small population and that form part of a wider economic area, there are clearly opportunities for work across multiple historic county areas. However, in these cases there must also be some sense of cultural affiliation to a wider geography.

In table 1 below we eight county areas that

- have a small population (we assume this to be fewer than 750,000 people)
- sit within a wider functional economic area (using the Local Enterprise Partnership footprint). We consider that these areas are those where there is the strongest case for working across a wider devolution

area, however this is indicative only – there are clearly many other factors at play.

Where different public service geographies do not align with proposed devolution boundaries, devolution proposals should make clear how local government intends to engage with other public bodies to work towards agreed objectives. Although the first devolution deals were focused firmly on boosting productivity and economic growth, in many areas, local politicians now consider the process as an opportunity to rethink how public services are designed and run at a local level. The two are not unrelated – there is a growing consensus regarding the interdependency between social and economic policy.

In many areas, however, geography is a key stumbling block. Collaboration is considerably easier where the relevant organisations share the same boundaries,⁹ but decades of centralised and siloed public services have resulted in a messy patchwork of different commissioning and delivery areas for different services. This is particularly the case in non-metropolitan areas and for the new Sustainability and Transformation Plans (STP) (see table 1).

In many cases, government should make it clear that it would be willing to consider proposals from local stakeholders to formally review the boundaries of public services in order to align them better with each other.

We illustrate below the degree to which local government boundaries are coterminous with those of other public services. Each figure shows the number of Local Enterprise Partnerships (LEP), police force areas and STP footprints that are contained within each county area – giving an indication of how complex any joint working arrangement may be and where there may be a case for redesign of some of these areas.

Sustainability and Transformation Plans

Following the NHS shared planning guidance 2016/17-2020/21 (NHS England 2014), local health and care providers are required to develop a local Sustainability and Transformation Plan (STP) for their area. This involves local organisations responsible for planning and delivering health and care coming together to set out a joint strategy for how to best meet the needs of their local population.¹⁰ What constitutes the local area is determined by the organisations themselves, who submit plans based around an agreed geographical ‘footprint’. The stated aim is to ensure that the local population is best served, to improve integration of different services (including between the NHS and local council-run social care) and to help the NHS to deliver £22bn in ‘efficiency savings’ by 2020-2021.

While STPs have real potential to introduce a more strategic, place-based approach to addressing the current challenges facing the health service, in reality there are several pressing issues that are

9 See for example Swann P (2016) *Learning the Lessons from Local Government Reorganisation: An Independent Study*, Shared Intelligence. <http://www.countycouncilsnetwork.org.uk/assets/legacy/getas/set?id=fAA0ADMAMQB8AHwAVABYAHUAZQB8AHwAMAB8AA2>

10 From 2017/18 onwards, sustainability and transformation plans will ‘become the single application and approval process for being accepted onto programmes with transformational funding’ (NHS England 2015).

of relevance to local authorities and the current devolution agenda which threaten this:

1. Despite the emphasis placed on social care integration, the geography of some STPs correlates very poorly with local government boundaries (especially assumed devolution boundaries), meaning that many upper-tier authorities will have to engage with multiple plans (see table 1 below). As yet, it is not clear how each STP will ensure that their geography works with local government boundaries.
 2. There is a wide variation in the levels to which each STP process has included and/or engaged with local government – and therefore the extent to which social care integration is incorporated into plans.
 3. Generally there is a lack of public accountability and scrutiny in the STP process overall and a variable strength in the connections with local politicians and health and wellbeing boards.
-

TABLE 2.1

Population and number of relevant public service footprints of multiple unitary authorities and two-tier counties, identifying possible cases for working at a larger geography or across a wider devolution area, and for changes to public services and/or their footprints

Name	Population (2015)	LEPs	Police force areas	STPs
Multiple unitary authorities				
Bedfordshire	916,746	1+	2	1
Berkshire	890,592	1	1+	1+
Cheshire	917,004	1	1+	1+
Cornwall (single unitary council)	551,728	1	1+	1
East Riding of Yorkshire*	595,680	2~	1+	1+
Herefordshire*	188,099	1+	1+	1+
Shropshire*	482,539	1+	1+	1
Wiltshire	703,253	1	1	1+
Two tier county				
Buckinghamshire	528,400	1+	1+	1+
Cumbria	497,996	1	1	2
Gloucestershire	617,162	1	1	1
Hertfordshire	1,166,339	2~	1	1
Norfolk	884,978	2+~	1	1+
Northamptonshire	723,026	2~	1	1
Oxfordshire*	677,810	2+~	1+	1+
Somerset*	545,390	1+	1+	1
Suffolk*	741,895	2+~	1	2
Surrey	1,168,809	2+~	1	3
Warwickshire*	554,002	1+	1	1+
West Sussex	836,256	1+	1+	2
Worcestershire	578,593	2~	1+	1+
Two tier county plus unitary council(s)				
Cambridgeshire including Peterborough	841,218	1+	1	1
Derbyshire, including Derby	1,036,616	2+~	1	2
Devon, including Plymouth & Torbay	1,169,162	1+	1+	1
Dorset, including Bournemouth & Poole	765,678	1	1	1
East Sussex, including Brighton & Hove	829,340	2+~	1+	1+
Essex, including Southend-on-Sea & Thurrock	1,787,037	2+~	1	3
Greater Lincolnshire, including North Lincolnshire, & North East Lincolnshire	1,066,055	2~	2	2
Hampshire & IOW, including Portsmouth & Southampton	1,953,733	2~	1	2
Kent, including Medway	1,801,211	1	1	1
Lancashire, including Blackburn with Darwen, & Blackpool	1,478,115	1	1	1
Leicestershire & Rutland, including Leicester	1,055,982	2~	1	1
North Yorkshire, including York	809,133	2+~	1	3
Nottinghamshire, including Nottingham	1,124,749	2+~	1	2
Staffordshire, including Stoke-on-Trent	1,114,210	2~	1	1

'1' – number of relevant public service footprints within each county area

'+' – county area forms part of a wider public service geography

'~' – overlapping LEP boundaries

*Areas in bold – possible case for working across a wider devolution area

Key	
	Possible case for working at a larger geography
	Possible case for tweaks to public service footprint
	Possible case for wholesale changes to public service footprint

3. POWERS

WHAT POWERS ARE BEST WIELDED AT THE LOCAL LEVEL?

To date, the government has negotiated devolution packages with individual areas. The government has repeatedly stated that it has no predetermined idea about what powers are to be devolved to local areas but in practice there are striking similarities between those deals that have been agreed to date.

More fundamentally, deals in some areas (notably in the North East) have been undermined by a perceived lack of commitment from central government towards a meaningful devolution of substantive powers.

What is missing is greater clarity over the range of powers that are available, both at the early stages of devolution and further down the line, to offer both certainty and confidence to local politicians who must persuade their colleagues and the wider public of the value of expending resource on the devolution process.

This leads us to suggest the following principles:

1. OPPORTUNITY

Every area should be given the opportunity to bid for devolved powers.

Some areas will be more willing and more ready than others to take on new powers and responsibilities and they should not be stopped from doing so. An asymmetrical approach to devolution will allow for individual areas to progress at their own pace and for those that make the fastest progress to clear the way and set a precedent for others.

But the timetable for devolution should be determined principally by each local area's readiness to take on new powers rather than by the 'type' of economy and area is perceived to comprise. Devolution to date has been mostly, albeit not entirely, focused on city regions (in part because authorities in these areas have already had established working relationships for some time, but also because of a belief in 'agglomeration economics' that sees major urban centres as the main drivers of the economy) (Cox and Longlands 2016).

But there is a clear case for devolution to non-metropolitan areas,¹¹ both in relation to their contribution to the economy and to the opportunities for public service reform, as soon as they are able to demonstrate a willingness to take on the challenge of how to govern effectively across a large strategic area.

¹¹ See for example Cox and Hunter (2015).

2. PRECEDENT

Any power that has previously been devolved to one area should, in theory, be available to others.

The government insists that each proposal is developed in a ‘bottom-up’ process but the striking similarities between different deals point to the existence of a ‘menu’ of powers on offer, with greater freedoms and responsibilities progressively made available as new local working arrangements bed in and prove themselves to be effective.

Specifically, almost all deals have included funding for adult skills training, business support and an investment fund for transport. Powers over bus franchising and land management, as well as strategic planning have also featured strongly (House of Commons Library 2016).

In contrast, powers over public services, including greater integration with policing and between health and social care, have so far been reserved for the Greater Manchester Combined Authority. There is considerable interest from both local and central government towards closer working with health services in particular. However, many areas lack meaningful relationships with relevant NHS bodies (something that is further complicated by the issue of geography, as mentioned above) and the practical realities of integration may have removed this option from many first-time deals (Grant Thornton and Localis 2016). This is arguably something that can be worked towards, once new working relationships are established.

Without implementing a ‘one size fits all’ approach to devolution, the government can afford to be much more open about what powers might be available at each iteration of the devolution process.

3. AMBITION

The government must be prepared to demonstrate real ambition and vision in the range of powers that it is prepared to devolve to local areas. But although politicians have maintained that there is nothing ‘off the table’, the experience to date suggests otherwise. Local places have complained of unexplained ‘red lines’ in relation to which powers government and Whitehall are willing to discuss, and suggested that there is wide variation between government departments in their willingness to engage (Cox and Hunter 2015).

Enhancing the vision for devolution

A more ambitious approach to devolution would include, over time and in parallel to appropriate governance reforms, both of the following:

1. A systematic and ambitious approach to fiscal devolution. The new proposals to allow local authorities to retain 100 per cent of business represents are a welcome first step towards real fiscal devolution.¹² However without further and substantial financial

¹² The retention of business rates growth is not, however, uncontroversial. In particular, there are significant issues with these proposals as they currently stand, not least that they will increase financial risk for local authorities without giving them the means to manage it (as control over how rates are charged, including where reliefs are applied, will remain centralised).

powers being put on the table, local politicians and the general public are likely to be sceptical of the benefits of a local area assuming more responsibilities at a time of dwindling resource. A more comprehensive approach to fiscal measures should include:

- More *flexibility* over what local government can spend its cash on – which will allow for better targeting of public funds according to local priorities.
 - Greater *retention* of tax revenues at a local level – which will give local authorities strong financial incentives to boost local economic growth and deliver more efficient public services.
 - Increased *powers to borrow* money – which will allow for more long-term and strategic investment decisions to be taken.
 - Powers to *set the level* at which local taxes are collected – which will allow local politicians to seek a mandate from their local area to raise additional revenues to fund improvements to public services.
 - The ability to *introduce new taxes* – which will allow local government to raise funds for investment and to experiment with ways to incentivise positive behaviour among tax-payers.
2. Much broader powers to drive sustainable economic growth, beyond the narrow set of policy levers currently under offer (such as adult skills funding and transport investment). In particular, this would include powers over public services and wider social policy, in recognition of the growing consensus that these play a foundational role in ensuring a strong and well-functioning economy.

Ideally, this would involve a commitment to devolving, over time, powers over health commissioning that extend far beyond those currently exercised in Greater Manchester, as well as powers over (for example) education and schools policy, the welfare and the benefits system, and crime, policing and the probation system.

WHAT DO THESE PRINCIPLES MEAN IN PRACTICE?

A common-sense approach to devolution would set out a clear framework for devolution of a menu of powers, based upon discrete packages or stages which would help persuade local politicians, currently sceptical of the government's commitment to devolution, that there is a journey along which their area can travel. This need not be definitive or exclusive – it could take the form of a template from which individual proposals could opt in or out of – but it would help to create a starting point for negotiations and provide greater certainty about government's vision for devolution.

Greater clarity over what powers the government is prepared to devolve, in the long term as well as in any first stages, will make explicit the prospect of an iterative process of multiple deals that leads to substantive local control over a wide range of funds and public services.

Based upon the powers that have been agreed in previous devolution deals, as well as a common-sense approach to what might work best for local areas, we set out below a simplified framework of powers.

4. GOVERNANCE

HOW TO ENSURE EFFECTIVE AND ROBUST ACCOUNTABILITY?

Devolution offers an unparalleled opportunity to revitalise local democracy, and to build new ways of working that put the needs and interests of the public at their heart. Issues of governance are central to this and give reassurance to central government that there will be commensurate accountability for newly-devolved powers.

To date, however, disagreements over governance have been a major stumbling block in negotiations. Specifically, many proposals have stalled through disagreements over whether the government's preferred structural model (a combined authority with directly elected mayor) is suitable for the local area.

The government has repeatedly said that it does not want to impose a 'one size fits all' model – but that it expects any proposed model to provide clear accountability and a single visible leader.

To date – and with the exception of Cornwall – each deal has involved separate local councils across a single area agreeing to form a mayoral combined authority. In two-tier areas, however, where local government functions are split between county and district councils, the introduction of a combined authority is less desirable.¹³ The principle objection is that it would create a third layer¹⁴ of local governance that would, in some areas, sit directly on top of the county council. Proposals that put forward a more 'light-touch' combined authority, without a mayor, have been rebuffed by government.

Recently, some in two-tier areas have started talking more seriously about local government reform and specifically the creation of new unitary councils as a way of meeting the government's criteria. Cornwall stands as a precedent – where powers are devolved to the single unitary council that is headed by a leader and cabinet – and the government has recently indicated that it would be sympathetic to local proposals to create new unitary councils (Javid 2016).

Beyond the debate about structures, there has been much less focus on the wider systems of governance that are necessary for the effective functioning of newly empowered local government.

¹³ These issues are not insurmountable, as the current settlement in Cambridgeshire and Peterborough shows.

¹⁴ In areas with parish or town councils, a combined authority would effectively be a fourth layer of local government.

1. CLEAR AND VISIBLE ACCOUNTABILITY

Where people make decisions about public money they should be held properly to account. Where new layers of government are created (including a combined authority), there should be clear democratic mechanisms for proper accountability at the ballot box.

For a combined authority, this has meant the adoption of an elected mayor. Whereas the other members of a combined authority board are there by merit of their role as leader of their individual councils, a mayor alone is directly elected across the whole of the population. Of course, this argument does not preclude the possibility of other forms of direct representation on a combined authority as an alternative to the mayoral model, although most of these (such as an elected assembly) would probably be more costly, and therefore less desirable at the current early stages of devolution.

For other structures, such as a single unitary council, there is little evidence to suggest that a mayor is more effective than other forms of democratic governance (Tomaney 2016), and there are examples of alternative successful international models for sub-regional governance that do not feature a directly-elected figurehead (Hambleton 2016).

2. PROPORTIONALITY OF PUBLIC INVOLVEMENT

As new powers and responsibilities are devolved to local areas, governance should be strengthened to ensure continued efficiency and effectiveness – a commitment to public involvement in proportion to the powers wielded should be seen as central to good governance.

The government has indicated that proposals for governance reform should relate to the scope and scale of the powers that local partners are seeking,¹⁵ however, beyond the current fixation on models, the principle of proportionality should extend to wider systems of accountability, that should evolve over time and as local decision-makers take on further responsibilities.

Legislation currently provides for joint overview and scrutiny committees for combined authorities, but as further powers are passed down, governance must be made more robust in proportion with the additional responsibilities.

The exact configuration will depend on local circumstance, but over time and with further powers and flexibilities, it might include:

- more robust and powerful scrutiny functions, such as the establishment of a local Public Accounts Committee, which would have the responsibility of looking at value for money of public spending across an entire locality
- changes to the way that the public is involved in decision-making, such as citizens' panels or local referenda
- measures to increase transparency, including open access to official data.

¹⁵ See for example <https://www.gov.uk/government/publications/devolution-the-next-5-years-and-beyond-government-response-to-clg-select-committee-report>

- Changes to democratic functions, such as the introduction of proportional representation for council elections or the establishment of a second chamber of local business and community interests.

WHAT DO THESE PRINCIPLES MEAN IN PRACTICE?

A common-sense approach to governance

In the section below, we set out a possible basic framework for governance. This consists of a) possible alternative models, some of which have already been established through precedent and b) a sketch of how governance can be strengthened and expanded in proportion to new powers received.

Models

The default model for devolution to date has been the mayoral combined authority. However, the government has stated that it is open to alternative models that also demonstrate the same degree of strong and accountable local governance that it believes is offered through a mayoral combined authority.

The key features of a combined authority are as follows:

1. A single decision-making body that operates across a functional economic area.
2. A legal mechanism for individual councils to align their decision-making and pool their sovereignty, in their agreed collective interests.
3. A single visible figurehead (the mayor) who provides a degree of direct accountability to the entire population that would otherwise be lacking.

Based on this – and in the spirit of provoking debate – we set out below three models that arguably fulfil each of these criteria and as such may be considered possible alternatives to the combined authority.

Unitary council

Given that many of the issues of a combined authority in non-metropolitan areas stem from how it would function in a two-tier area, there is a strong argument to merge county and district functions into a single, or multiple, unitary council(s). Some argue that large unitary authorities are best placed to deliver cost-savings, including through reduced back office functions and economies of scale (Ernst and Young 2016), although the evidence base on the latter is less solid (Blom-Hansen et al 2016).

Where there are multiple unitary councils, a combined authority would also be created (with a mayor) to allow for strategic decision-making across a large geography. Alternatively, the creation of a single unitary council would create an integrated body that would take on devolved powers directly (Cornwall Council has already set a precedent for this approach).

‘County reform’

An alternative model for governance across two-tier areas would be for the upper tier authority to act as the legal body for devolved powers. In two-tier areas, a county council is a strategic-level body that covers a sizeable population, often with a degree of co-terminosity with other

public services. It therefore already fulfils some of the same criteria as a metropolitan combined authority.

In this model, upper tier authorities would hold devolved powers from government (including housing and strategic planning powers as well as strategic powers over public services). This would be predicated on the following reforms.

- Formal and legal mechanisms for joint strategic planning between all relevant local authorities (including lower-tier councils). Where this entails powers being pulled up from lower to upper tier authorities we envisage that this could be part of local renegotiation of local government functions – with district councils making demands of upper tier authorities where they believe that certain powers would be better exercised at a lower tier.
- Local government mergers where the proposed area includes multiple upper tier authorities - either between county councils and unitary authorities (to create a new, single upper tier authority) or between neighbouring county areas where the functional economic area is considered too small.
- Substantive improvements to local democratic processes. This would involve a very visible and plausible change to existing governance arrangements and could include All-out elections held on a five year fixed-term cycle (to create sufficient political stability for an upper tier authority to deliver its policy agenda)
- Introducing a salary for all upper-tier councillors (to allow for councillors to devote more time to their local area – in the interests of cost-efficiency this may also include a review of ward boundaries to create fewer councillors).
- Changes to the electoral system, such as the introduction of proportional representation (to allow for better representation of voters' interests).

This could still allow for a directly elected figurehead, such as a mayor (with executive powers) or an elected leader (without powers), but it would not require it.

Elected Assembly

In areas that opt for a devolution geography that covers a very large population that spans multiple upper tier authorities, there may even be a case for a more significant governance model, along the lines of an elected assembly.

This model has the advantage of allowing for plurality across a wider area, however financial costs for this form of governance are likely to be much higher.

The following table sets out the previously described 'stages' of devolved powers together with some common-sense proposals as to the kind of governance structures and reform that might be commensurate with each.

TABLE 4.1

Four stages for the development of devolution deals

		Possible options for governance (examples)
Stage 4	<p>Fully accountable local government</p> <ul style="list-style-type: none"> • Full local accountability for health and social care, including regulation • Full local accountability for education policy, including primary and secondary education • Full local accountability for policing and probation services <p>Fiscal autonomy</p> <ul style="list-style-type: none"> • Powers over elements of the benefits system, for example ability to provide top-ups to benefits • Retention of a proportion of income tax and VAT • Full control over council tax and business rates • Power to introduce new taxes 	<p>Significant democratic reform, such as a second chamber, elected assembly, and/or proportional representation</p>
Stage 3	<p>Integrated public services</p> <ul style="list-style-type: none"> • Devolved financial powers over health and social care system, including budget-setting • Single place-based budget for a range of public services • Responsibility for schools commissioning <p>Major fiscal devolution</p> <ul style="list-style-type: none"> • Retention of a proportion of corporation tax • Powers to set business rates, determine reliefs and so on • Powers to set property taxes incl. stamp duty and landfill tax • Council tax reforms including the ability to vary council tax bands and to undertake council tax revaluations • Power to raise taxes to pay for health and social care 	<p>Strengthened scrutiny of public spend, such as a public accounts committee</p>
Stage 2	<p>Joint working across public services</p> <ul style="list-style-type: none"> • Health and social care partnership (for example, current arrangements in Greater Manchester for health and social care) • Full joint commissioning of public services (such as the work and health programme, police and crime commissioners) • Devolved responsibility for offender management, probation, prison estate and custody budgets • Welfare earnback schemes <p>Enhanced economic development powers</p> <ul style="list-style-type: none"> • Control over land use restrictions • Increased borrowing powers for infrastructure • Earnback deals for major local transport projects • Retention of property taxes, including stamp duty and landfill tax • Council tax flexibility on rules, including those on empty sites and homes • Congestion charging 	<p>New mechanisms for public engagement, such as citizens' panels</p> <p>Public service leaders scrutiny committees</p>
Stage 1	<p>Economic development</p> <ul style="list-style-type: none"> • Strategic planning powers • Bus franchising powers • Joint working with Highways England • Public assets board • Devolved consolidated investment fund • 'Smart ticketing' systems • Housing grant fund • Business rates supplement • Powers over the council tax discount system (student discounts, for example) • Local control of the public estate <p>Adult skills</p> <ul style="list-style-type: none"> • Powers over adult skills budget • Post-16 further education system design • Apprenticeship grant for employers • EFA funding • Joint commissioning of work and health programme support for harder-to-help claimants 	<p>Structural reform: combined authority with mayor/unitary council/county reform model/ elected assembly</p> <p>Joint overview and scrutiny committee</p>

5. MAKING IT HAPPEN

If the government is to realise its ambition of an economy that works for everyone, then devolution should be a key plank of its new industrial strategy. The prime minister has stated that she is ‘absolutely committed’ to seeing the devolution revolution that began in 2010 continue¹⁶ but, despite, this momentum has palpably stalled.

Some of the elements for a more successful approach are already in place. Specifically, they are

- the open-ended cities and local government devolution bill
- the onus on local areas to come together to develop a proposal that reflects their particular context
- an acceptance that devolution will be asymmetrical.

But at the moment there are two things missing from the government’s approach to devolution:

Clarity – To date, there has been little clarity regarding the purpose, process and timescale for devolution deal-making. In addition, the government and Whitehall will only devolve powers to areas that fulfil certain criteria but these remain unknown.

The government has repeatedly countered calls to provide greater clarity (including those made by IPPR in Cox and Hunter 2015) by stressing that to do so would undermine a bottom-up approach to devolution. The problems with this is are as follows.

1. The government clearly does have a position on core issues (including geography, powers and governance) that have informed its position during discussions with local government,¹⁷
2. There is considerable merit in bringing greater clarity to the current negotiation process.

Making clear to all parties, including the wider public, the principles that underpin the government’s discussions with local areas could end the preoccupation with particular models and allow for creative approaches from local areas that also meet the government’s principles.

Ambition – The present devolution process has resulted in some welcome first steps towards redesigning the UK’s chronically over-centralised system of government, but there is still a long way to go. Devolution is a unique opportunity for local government to come together to work

16 <http://www.manchestereveningnews.co.uk/news/greater-manchester-news/prime-minister-theresa-may-olympic-11909364>

17 To be clear, there is nothing wrong with this. In the current system, such as it is, the government in Westminster is accountable to its citizens for the powers that local areas are seeking to wrench from its control. As such, it should only agree to devolve them if a similar level of accountability is maintained through the changes made at a local level.

collaboratively to drive real and lasting change for their local population and more fundamentally, to redraw the role of the state to ensure that it can deliver an economy, a society and a living environment that bring benefit to everyone. However, the deals agreed to date have shown the limitations of the government's vision.

What is needed is a renewed commitment to devolution as a key means to addressing several of the most important challenges that the UK currently faces.

To reboot the devolution revolution, and drive its new industrial strategy, the Government should do the following:

1. Set out a statement of both its vision for devolution and its underlying principles – in order to provide greater clarity on how it assesses the suitability of local proposals (especially on the key issues of geography, powers and governance).
2. Make clear what 'red lines' it has – specifically on the pressing issues of geography and governance models.
3. Provide a framework for devolution, based upon discrete packages or stages for which powers it envisages devolving and examples of the governance changes that it might expect local areas to adopt in proportion to new functions.
4. Make it clear that it would be willing to consider proposals from local stakeholders to formally review the boundaries of public services in order to align them better with each other.
5. Set out a provisional timetable to reboot the devolution process together with clearly specified windows for different rounds of negotiation.

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