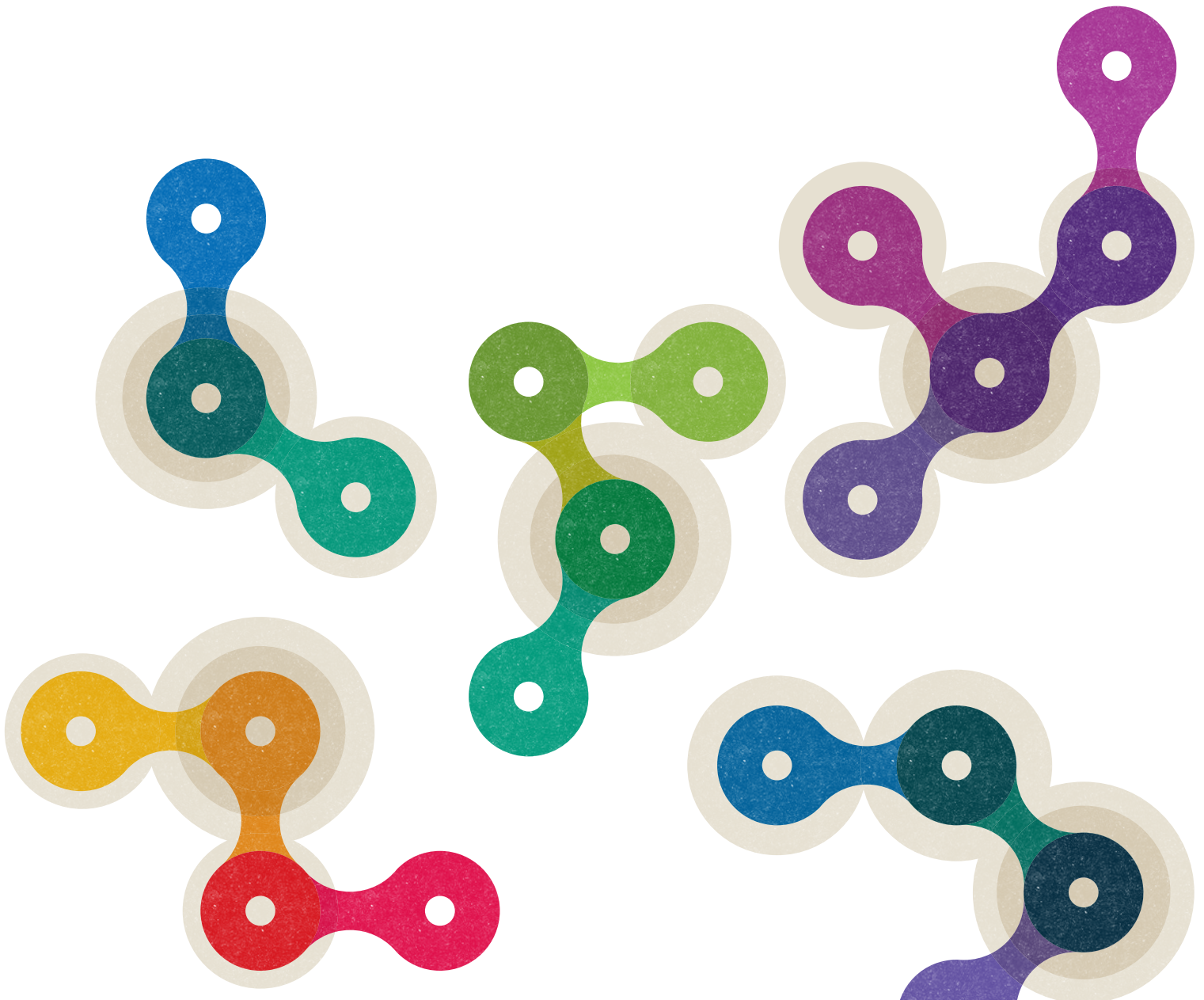


Making devolution work

A practical guide for local leaders
October 2015

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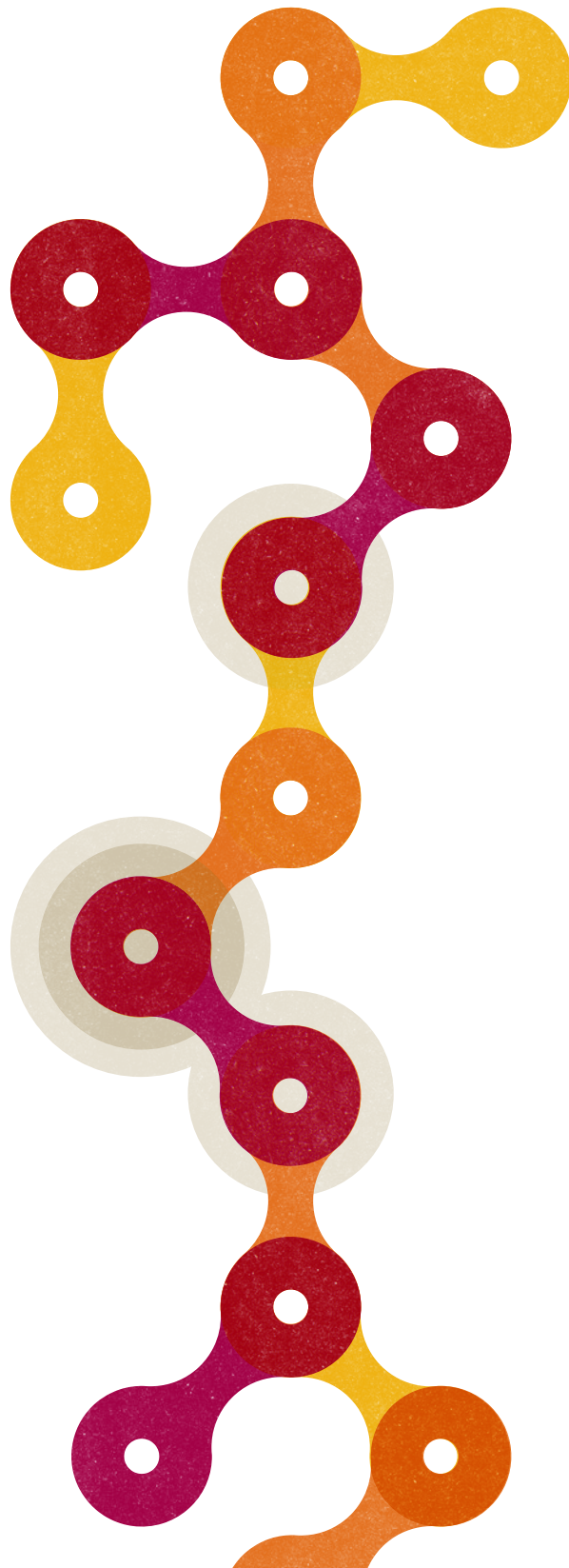
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Methodology

The following represents the findings of research carried out between July and September 2015 by the think-tank Localis on the devolutionary deal process currently in train. It involved the holding of two roundtables – one in London, another in Manchester, interviews of a wide range of senior local and national government figures – and a survey completed by more than 176 key local government stakeholders. In August a further survey was sent to LEAs and answered by 22 such organisations. Mapping and data analysis completed using Grant Thornton's Place Analytics service.

Thank you to Alex Thomson, Jack Airey and Richard Carr of Localis for their work on this report, and to all participants in interviews, round-table discussions and surveys.



Foreword

The discussions currently taking place between local authorities and Whitehall will shape the way public services are commissioned and delivered for decades to come. This in turn will influence the quality of life for millions of citizens across England. With such talks set to continue over the coming months and years, it is important to gain not only a greater understanding of their nature thus far, but also to show how both sides – central and local – can derive the maximum benefit from this historic opportunity. If these deals deliver as we believe they can, it could be the catalyst for devolution on a much grander scale, reshaping the country to face the challenges ahead.

At present, the Treasury is having to weigh up devolving power away from its purview at precisely the time, with a deficit still to clear, it might normally wish to keep an iron hand on the tiller. This does not mean devolution is impossible – indeed it remains a political priority – but it is up to local government and related partners to continue to show they are prepared to take tough decisions regarding scarce resources. And that when they do take those decisions, they are informed and driven by economic necessity and the best long-term outcomes for an area, not temporary local political accommodation.

By shedding light on the current round of talks and proffering suggestions to those in central and local government, our research is intended to help guide this process.



Paul Dossett

Partner and Head of Local Government
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Alex Thomson

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Key findings

1 The devolution deals agenda will be iterative and evolve over this parliament.

Many areas are still establishing the economic geography they are going to approach the Government with and how this will interact with neighbouring bids. Furthermore, once areas prove to the Government that devolution to their locale has 'worked', many will pursue further deals with additional powers.

2 Existing deals suggest that skills, transport and economic development are the areas where a devolutionary case can be most effectively made. However, there is hesitancy around pushing for health and social care.

Only 15% of our survey respondents identified the latter as the area they think could bring the most benefit to local residents and many places told us they would be waiting on the results from Greater Manchester before committing to any healthcare devolution.

3 Demonstrable trust and a 'unity of purpose' across participating organisations is key in giving the Government confidence to devolve.

However many places are failing to do this.

Places need to show how they will do so in terms of growth and public sector reform through a clear, shared local vision and economic evidence base. This is particularly important where there is limited track record of joint working between local partners.

Places need to show how they will do so in terms of growth and public sector reform through a clear, shared local vision and economic evidence base.

4 Fiscal devolution remains an area that many places are pursuing this parliament, but few are likely to substantially attain.

Though retention of additional business rates growth remains possible in this round of deals, the devolution of more sizeable fiscal powers – such as the ability to set additional bands of council tax rates – seems unlikely.

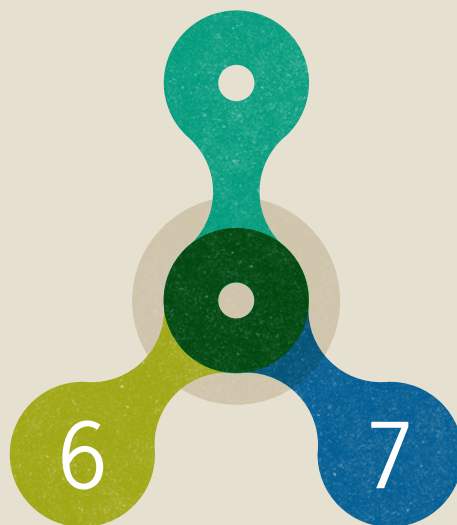
5 The importance of having non-local authority bodies outside cannot be overstated.

Our survey results show that most LEPs felt engaged and positive about discussions, but buy-in is often much weaker for other key partners such as CCGs, universities, housing associations, the voluntary sector and the wider business community.

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6 Much of the early discussion surrounding current devolution proposals has concerned governance structures rather than outcomes.

In particular, the challenges of establishing a combined authority/mayor have sometimes dominated local discussions to the detriment of their progress. Proposed improvements to residents' lives should come first; governance second.



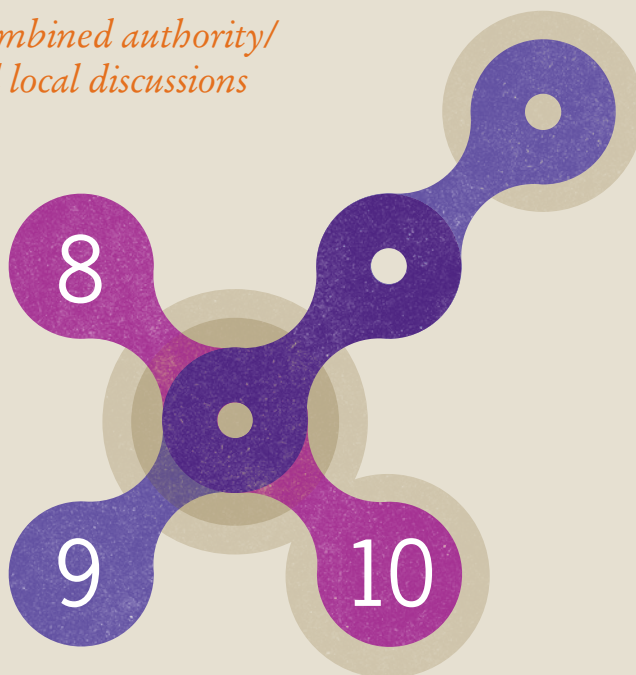
7 Areas willing to accept a combined authority and directly-elected mayor are more likely to receive the substantial powers they want.

Though some within local government accept the accountability argument and are 'biting the bullet', others are ignoring it, and this is seen to be unrealistic by Whitehall insiders.

The challenges of establishing a combined authority/mayor have sometimes dominated local discussions to the detriment of their progress.

8 'Me-tooism' is unlikely to succeed.

It is for local areas to make the case for the powers that will most benefit their place, not enter negotiations with central government expecting a menu of options, to be allotted powers based on a template of what other places have secured.



9 Where there is no obvious economic geography for authorities to come together at combined authority level, mezzanine level agreements covering multiple footprints for different powers might be an option to pursue devolution.

Both central and local government figures suggested that this approach could be a way forward for areas where there is no obvious economic geography to support a combined authority.

10 Ultimately devolution proposals will be judged by the Treasury against their ability to further local and national growth and productivity agendas.

Alongside the need to reflect the national fiscal context, areas should prioritise meeting these in their proposals.

Introduction

This report is aimed at getting under the bonnet of the devolutionary conversations taking place between Whitehall and local government across England. Though several city regions will have successfully negotiated substantial devolution deals by the end of this year – and many others will be midway through submitting proposals – devolution will be a long and iterative process, so this report is positioned to reflect this process so far.

It offers lessons for best practice, a guide to those authorities seeking to undertake future conversations with the centre and looks at how the devolutionary case can be made both in public and around the negotiating table. With concepts such as the Northern Powerhouse taking hold devolution is now well and truly on the political agenda, and to significant public acclaim. In September 2014 a YouGov poll revealed almost twice as many people think ‘the direction we’re going on devolution is overall a good thing’ compared to those taking a negative view.¹ In April 2015 three-quarters of 18 to 24 years told ComRes that their local council was ‘best placed to make decisions about services for young people,’ compared to just 12% who backed MPs’ ability to do similar. Almost two-thirds of these younger voters claimed that a manifesto commitment to shift powers and funds

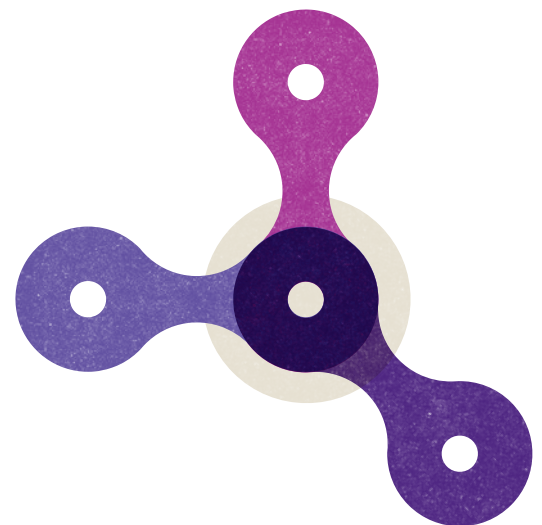
to their local community would be important in getting them out to vote at the General Election.²

Given relatively recent history, this clamour is rather new. The last century of British politics has seen a consistent movement towards the greater centralisation of both powers and funds. As Britain entered the First World War in 1914 local government accounted for 52% of all UK public spending. By 1950 councils’ share had fallen to 28%, and today it comprises less than a quarter (23%).³ The same centralisation pattern exists in tax as well, with a huge proportion of the UK’s fundraising powers collected by central rather than local government – especially when compared to other European countries.⁴ The conversations taking place across the country at present are intended to reverse that trend and this report seeks to arm those taking part in such negotiations.

Importantly the new devolution deals agenda builds on a marked shift in emphasis over the past five years. The Coalition Agreement of May 2010 promised to “promote the radical devolution of power and greater financial autonomy to local government and community groups”.⁵ Handing down powers over planning to local communities, creating a General Power of Competence to give councils greater

legal freedoms, and a pledge to “phase out the ring fencing of grants” were all part of this agenda. In difficult financial circumstances much was accomplished. Yet more remains to be done. This report sets out to place both local authorities and central government in a position to maximise this new consensus in the coming years.

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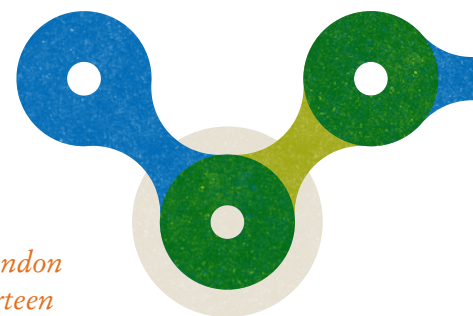
¹ <https://yougov.co.uk/news/2014/09/22/uk-nations-regional-policies-devolution/>

² http://www.local.gov.uk/media-releases/-/journal_content/56/10180/7166749/NEWS

³ <http://ukpublicspending.co.uk>

⁴ http://www.grant-thornton.co.uk/Global/Publication_pdf/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government.pdf

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/78977/coalition_programme_for_government.pdf



City deals

Devolution negotiations build on a precedent which includes the various city deals negotiated between individual localities and central government. Announced between 2011 and 2013 two waves of city deals provided councils with greater responsibilities in exchange for greater accountability. The largest eight English cities outside of London (wave one) followed by the next largest fourteen cities and the six areas with the largest recent population growth (wave two) were awarded a range of bespoke powers. Government forecasts for wave one put the combined benefits at 175,000 jobs and 37,000 new apprenticeships over the next two decades.⁶ The National Audit Office estimates the total devolution in wave one at a value of £2.3 billion.⁷ Importantly, the deals were an attempt to pull together funds sitting within various central government departments – eight in wave one alone – at the local level and capitalise on the additionalities this could bring. In three of the cases the city deal has led to a subsequent further round of devolution at the combined authority level (see page 13). At a technical level, links have been forged between localities and the Cities Policy Unit in Whitehall which suggests further progress may be possible. In June 2014 the CLG Select Committee noted that although city deals brought

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“considerable benefits” it was “essential that the process develops on”.⁸ Fiscal devolution was raised as a significant target here – though what follows suggests this in particular may be a rather more long-term goal.

It is worth noting that, although no doubt a sign of progress, the conversation does to some degree need to take a different tone to that seen in the city deals. One central source told us that “the original city deals weren’t very deal like; giving people things. They were very much based on a concept of ‘tell us what you want and we’ll try to give it to you’. We’d be more willing to give more if they had been offering more, but they weren’t offering a lot. None of them came to us saying ‘you know what, we’re going to be the place where we build an incredible number of houses and take it on the chin if you give us some money for roads and transport’”.⁹ A more proactive attempt from local government to understand what the centre wants remains a key feature of what follows.

New structures at the local level

The Coalition Government also extended the broad architecture of decision making at the local level. In terms of economic development the creation of 39 LEPs brought together representatives of small and large business, universities and skills providers and local council leaders to plan future growth from the bottom up. The new LEPs were provisionally resourced with £18.5 billion worth of public money over the 2011–2021 period, and given powers including bidding for and allocating new enterprise zones and drawing up a strategic economic plan for their locality. Some have suggested further powers in skills, transport and planning should be awarded to them – in concert with democratic bodies such as councils and combined authorities. Should LEPs be further resourced a March 2015 Localis report indicated they could help deliver £144 billion of extra GVA across England by 2020.¹⁰ In June 2015, Department for Communities and Local Government

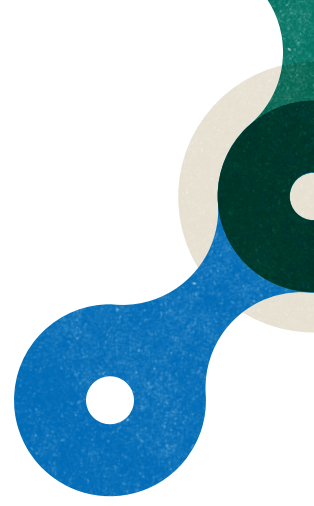
⁶ <https://www.gov.uk/government/publications/2010-to-2015-government-policy-city-deals-and-growth-deals/2010-to-2015-government-policy-city-deals-and-growth-deals>

⁷ <http://www.nao.org.uk/wp-content/uploads/2015/07/Devolving-responsibilities-to-cities-in-England-Wave-One-City-Deals-Summary.pdf>

⁸ <http://www.publications.parliament.uk/pa/cm201415/cmselect/cmcomloc/503/50310.htm>

⁹ Interviewee

¹⁰ http://www.localis.org.uk/images/locj2390_thenextsteps_web_final.pdf



(DCLG) Secretary of State Greg Clark confirmed that no devolution deal would be workable unless LEPs were “at the heart” of proposals.

In terms of health, new clinical commissioning groups (CCGs) were created to provide clinician-led expertise on the purchase and allocation of a range of health services including elective hospital care, mental health services, community-led practice and others. By 2015, 211 different CCGs had been set up, comprising over 3,000 board members. Meanwhile, health and wellbeing boards were established in each top-tier and unitary authority to bring together health professionals, councillors, CCGs and adult, children and public health services to increase inter-silo collaboration and work in a more joined-up manner across government.

Beyond these structures, it is worth noting how recent reforms to the education system may effect matters too. The last few governments have all encouraged schools to exist beyond the control of the local education authority (LEA). In particular,

university technical colleges (UTCs) have explicitly blurred the line between public and private sector with each UTC involving a private sector sponsor to help guide the next generation’s skills provision. Each of free schools, previous academies and UTCs are free of LEA control, and thus see funds transfer directly from the Department for Education to individual institutions without a local government middle man. With the Government’s emphasis on joined-up collaboration between local stakeholders bidding for devolved powers on the one hand and the productivity/long-term skills agenda on the other, such institutions may have a supporting role to play as and where locally appropriate. But there is work to do in joining up stakeholders here. A recent Localis report noted that “Further Education colleges are under-represented [on LEP boards], with only just over half (20) all LEPs utilising such expertise... If LEPs are to take a long-term view on skills this should be rectified”.¹¹ More generally, reforms to LEPs may well go hand in hand with bids for devolution.

Devolution to London, Scotland and Wales

Devolution was afforded to London, Wales and, most significantly, Scotland during the late 1990s.

The Mayor of London now manages an annual budget of around £17 billion. Among many powers – many of which are held outside the GLA itself – they have responsibility over the strategic direction of the Metropolitan Police,¹² the aims, budget and effectiveness of Transport for London and delivering a housing strategy to meet the needs of London’s (growing) population.¹³ These powers originally rested on the Greater London Authority Act of 1999 but a further such Act in 2007 extended the mayor’s remit in planning, housing, health and the environment (while also extending the London Assembly’s powers of scrutiny). Combined with the substantial leverage of the city’s devolved bodies mentioned above, London has relatively significant sway over its governance. And as one officer told us, “the striking thing about London is that, as it has matured, the Treasury and DCLG have been able to work with them more and more. They didn’t get everything up-front, but have played their hand well”.¹⁴

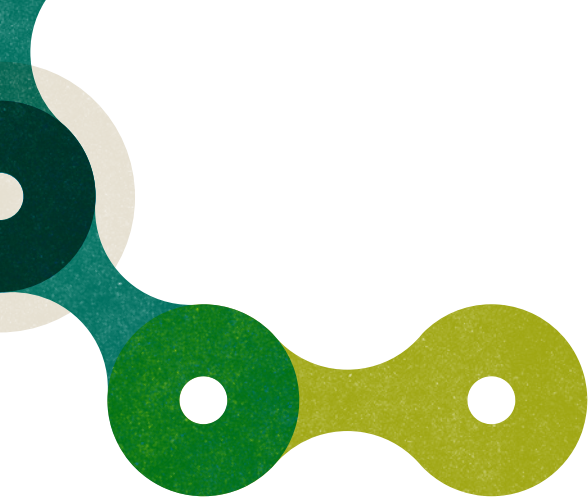
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¹¹ http://www.localis.org.uk/images/locj2390_thenextleaps_web_final.pdf

¹² Functioning as the local police and crime commissioner

¹³ <http://www.londonelects.org.uk/im-voter/what-mayor-london-and-london-assembly-do>

¹⁴ Interviewee



Likewise, in 1998 the Welsh Assembly was created. While it has no tax-raising powers it is able to influence the rate of council tax set by local authorities (since it part funds them through a devolved grant). Since 2006 it has been able to initiate primary legislation (formally ratified in a 2011 referendum) meaning it no longer has to consult Westminster on the twenty areas that are devolved to it. These include aspects of economic development, the health service, housing and highways and transport.

But it is north of the border where English eyes may perhaps look most enviously, and no conversation about English devolution can pass without reference to the Scottish question. Following the No vote in the 2014 referendum the Smith Commission – tasked with redrawing the settlement between Westminster and Scotland – pronounced that “significantly more devolved spending in Scotland will now come from tax raised in Scotland with the remainder coming from the block grant provided by the UK Government. To balance this increased financial responsibility, the Scottish Parliament will be given increased borrowing powers, to be agreed with the UK Government, to support capital investment and ensure budgetary stability”.¹⁵ With the Scotland Bill presently making its way through parliament, Holyrood is to be

given the power to set thresholds and rates of income tax and retain all the money raised in Scotland. They are to be directly assigned half total Scottish VAT receipts, and will be passed welfare powers totalling £2.5 billion, including the ability to control work programmes and payment schedules of Universal Credit.¹⁶

The combined authority experience

If less dramatic than the Scottish question, perhaps the most important harbinger of future English devolution however has been the various bespoke agreements the Government reached with combined authorities in Greater Manchester (the GMCA), Sheffield and Leeds. The combined authority

The prospect of forming a combined authority as a condition of further devolution was approved by 82% of our 176 survey respondents, by far the most popular choice in this regard.

structure has offered, to-date, an indirectly elected sub-regional tier of local governance to serve strategic interests in cities outside of London. Several combined authorities have come on stream since 2010: Greater Manchester (2011), Liverpool City Region (2014), North East Combined Authority (2014), Sheffield City Region (2014) and West Yorkshire (2014). The West Midlands Combined Authority was announced this year (to be established next April) and

several more proposals are in the pipeline including Derbyshire, Nottinghamshire and a joint bid from Buckinghamshire, Oxfordshire and Northamptonshire. Details of funds and powers accorded to established authorities are outlined in the next section.

The nuts and bolts of setting up a combined authority – a process which has tended to take 12–18 months so far¹⁷ – involve a governance review by each participating council, the preparation of a scheme that meets the conditions of the 2009 Act which formally mandated the creation of combined authorities, a Government consultation to assess whether this scheme indeed fits the bill and formal

approval by parliament.¹⁸ The on-going Cities and Local Government Devolution Bill includes provisions to allow the creation of a CA mayoralty, something at present prohibited (but will be in place for Greater Manchester by 2017). It is worth noting that the prospect of forming a combined authority as a condition of further devolution was approved by 82% of our 176 survey respondents, by far the most popular choice in this regard.

¹⁵ https://www.smith-commission.scot/wp-content/uploads/2014/11/The_Smith_Commission_Report-1.pdf

¹⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/430324/Scotland_Bill_2015_-_Explanatory_Notes.pdf#

¹⁷ Though it should be noted that the GMCA was established after several decades of joint working between the ten authorities in Greater Manchester. The Association of Greater Manchester Authorities (AGMA) which represented them all was created in 1986.

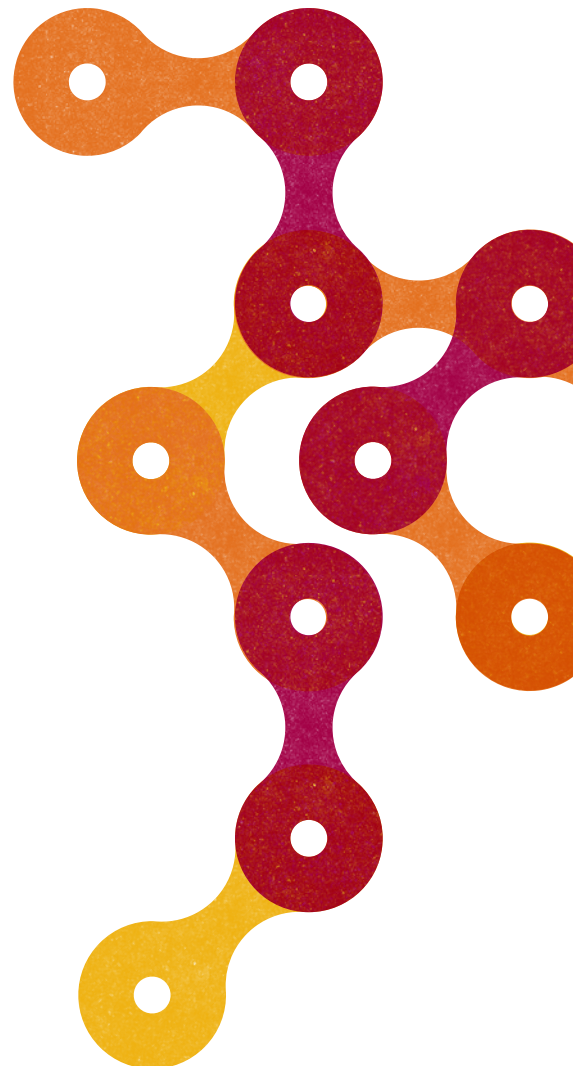
¹⁸ http://www.local.gov.uk/devolution/-/journal_content/56/10180/6922375/ARTICLE

A devolutionary consensus?

While the bill has seen some amendments passed on a party basis in the Lords, the good news is that – disagreements on particular clauses or not – the broad direction of travel on devolution has clearly changed. Until recently Westminster opinion tended to favour the hoarding of power centrally, but the 2015 election season saw all parties clambering to make the biggest manifesto offer to the public on devolution. Andrew Adonis' 2014 review for the Labour Party noted that "Combined Authorities... should be strongly encouraged on the successful model of the Greater Manchester Combined Authority. There should be a substantial new devolution of Business Rates income to these Combined Authorities, in return for an agreement on key infrastructure investments to drive regional growth".¹⁹ Likewise, in their 2015 manifesto the Liberal Democrats argued for the creation of "Devolution on Demand, enabling even greater devolution of powers from Westminster to Councils or groups of Councils working together". This included "devolve[ing] more power and resources to groups of local authorities and local enterprise partnerships, starting with back-to-work support".²⁰

And after promising "to devolve far-reaching powers over economic development, transport and social care to large cities which choose to have elected mayors" in their manifesto, the Conservatives have used the first few months of majority government to go further on devolution even than the Coalition. As well as pointing to a subsequently concluded deal with Cornwall, the 2015 Summer Budget noted that "the Government remains open to any further proposals from local areas for devolution of significant powers in return for a mayor, in time for conclusion ahead of the Spending Review". It noted that the Government was committed to "building strong city regions by devolving further powers to Greater Manchester and working towards devolution deals with the Sheffield City Region, Liverpool City Region, and Leeds, West Yorkshire and partner authorities as part of building a Northern Powerhouse".²¹ As to the eventual outcome of this Greg Clark has noted that "the best way, rather than having administrative tidiness is to do what we're doing... it's going to look like how England is, which is a combination of different places".²² Authorities looking to be presented with a default menu of options regarding devolution may wish to take note of this.

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¹⁹ http://www.yourbritain.org.uk/uploads/editor/files/Adonis_Review.pdf

²⁰ <http://ucrel.lancs.ac.uk/wmatrix/ukmanifestos2015/localpdf/LiberalDemocrats.pdf>

²¹ <https://www.gov.uk/government/publications/summer-budget-2015/summer-budget-2015>

²² The World This Weekend, BBC Radio 4, 26 July 2015.

Why devolve? The benefits of passing power down

Political momentum aside, there are five arguments which can aid English local government's broad desire for devolution.

1 The UK is clearly an outlier when it comes to the degree of taxpayer funds hoarded centrally

In 2013 the OECD recorded the following ratios of local to central government spend.²³ In Japan local government spending was equivalent to 86% of the centre, the fifty American states spent 80% of the outlay of federal government and local government saw the following ratios in other leading economies: Germany 57%, France 52% and Italy 51%. The German statistic arguably errs on the cautious in any case. If Germany's lander (state) and landkreise (counties and urban districts) are combined, then non-federal spend exceeds that of the centre by one and a half times (154%). Either way, the UK's record of local spend accounting for £1 for every £4 spent by the centre does not make healthy reading by comparison. This has clear consequences – in 2010 London accounted for 28% of UK GDP compared to the equivalent figures of 5% for Berlin and 7% for New York.²⁴ Centrally-assigned spending can often lead to centrally-located growth. Fiscal devolution is a critical part of the rebalancing agenda.

2 English local government's service delivery record compares favourably with the centre in a number of ways

Three quarters of those surveyed by the LGA in February reported that they most trusted their local council to make decisions about how services are provided in their local area, compared to just 19% for central government.²⁵ Despite much publicised shifts in funding, the National Audit Office notes that "local authorities have coped well in financial terms with reductions [in grant]". In March 2015 University College London's Public Policy Unit concluded that "cities with a self-reliant economy appear to be more resilient to economic shocks than those dependent on...central investment".²⁶

3 Devolution offers a way of reinvigorating local democracy

Westminster's remoteness is not just about perceptions regarding the aloofness of some MPs – but geography matters too. With 68% of the population of England living outside London and the South East, but three-quarters of spending determined from a collection of grandiose buildings in SW1, some people have been inarguably disenchanted at this mismatch. This is borne out by voter turnout. In the May 2014 local elections, voter turnout was 36% across England²⁷ compared to an English turnout of 66% at the 2015 General Election.²⁸ In short, an institution (parliament) with four times the spend of councils saw almost double the turnout at its election.

Contrast this with decentralised Germany where the lowest turnout at any state legislature election in the former Federal Republic (West Germany) since 1945 was the recent 50% seen in Bremen.²⁹ With the exclusion of General Election years, England as a whole hasn't hit this minimum German threshold in decades. Denuded of power, English local democracy is also deserted by voters. We hope that, as in London, mayoral elections will bring greater participation than previous local elections. With more power vesting at the local level and the associated local media coverage, there should follow greater democratic engagement.

²³ All via OECD stat

²⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443898/Productivity_Plan_web.pdf

²⁵ <http://www.local.gov.uk/documents/10180/7340790/NEW.pdf/d411f3c6-5127-4dea-a744-8d5456cd4fa3>

²⁶ https://www.ucl.ac.uk/public-policy/public-policy-briefings/Crisis_briefing

²⁷ http://www.electoralcommission.org.uk/_data/assets/pdf_file/0010/169867/EP-and-local-elections-report-May-2014.pdf

²⁸ <http://www.ukpolitical.info/Turnout45.htm>

²⁹ http://www.nwzonline.de/politik/aermere-gehen-seltener-zur-wahl_a_28,0,581627382.html

4 There is an opportunity for business – particularly small and medium-sized businesses – to be plugged into the public service supply chain should devolution take hold

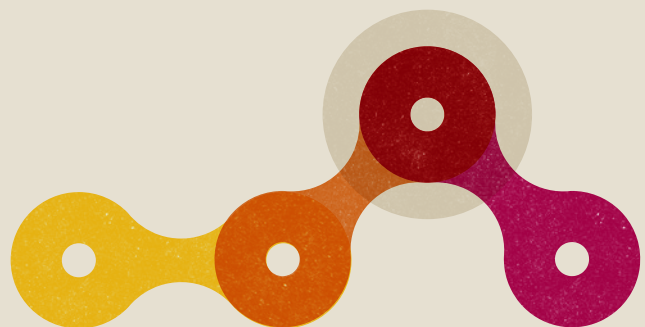
There is a marked difference between the record of central and local government here. The 2010-2015 Coalition prioritised raising the level of central government procurement of SMEs from 7% to 25%. Though it did not meet this, it was able to achieve 10% of direct procurement with 16% across the supply chain.³⁰ This was clearly an achievement – but the effort required to shift even this far speaks to how much local government outperforms the centre in this regard. A 2013 Centre for Local Economic Strategies and Federation of Small Businesses (CLES-FSB) study places the volume of total local authority procurement spend with SMEs at 47p in every pound.³¹ This money in turn tends to stay local – small firms put an estimated 49p in each £1 they receive back into the local economy.

This pro-business approach would build on existing practice. As Clive Betts MP, Chair of the Communities and Local Government Select Committee, told us, of late local government has carved out a “better relationship with business, [and] a greater understanding that they have a common interest”. He reports businesses also telling him that, when it comes to engaging with councils, “we don’t always see eye to eye, but we can make our case and have our voice heard in a way that you can’t always do at a central department level”.³² If business is to help drive productivity and growth in the coming years, this may be best done from the bottom-up.

5 Finally, devolution offers a real opportunity to pursue innovative new approaches including place-based and outcome-focused services, breaking away from Whitehall silos

As one officer told us, “if you haven’t got a common aim and common vision, particularly around public service redesign the Government may well judge ‘what’s in it for us?’”.³³ This taps into the community budgets agenda launched by the Coalition (building to some degree on Labour’s Total Place initiative) which starts from the idea that better value for the taxpayer can be achieved by pooling and merging budgets across traditional public sector organisational silos. But, more than that, it all goes back to outcomes. Local government is often better placed than the centre to broker bespoke deals across departmental, intra-public sector lines, and with the business community.

Fundamentally, if you were concerned with designing the best possible landscape for English public services, the best question to start from is unlikely to be ‘what is the best way we can appease and deal with centralised monoliths?’ Devolution can reboot the conversation entirely. It also seems the Treasury see it this way too; recently they noted that the general drive behind their approach to devolution is “to maximise efficiency, local economic growth and the integration of public services”.³⁴



³⁰ <https://www.gov.uk/government/publications/2010-to-2015-government-policy-government-buying/2010-to-2015-government-policy-government-buying>

³¹ <http://www.fsb.org.uk/policy/assets/local-procurement-2013.pdf>

³² Betts interview

³³ Interviewee

³⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/447101/a_country_that_lives_within_its_means.pdf

Cities and Local Government Devolution Bill 2015

The Conservative Party promised in their manifesto to “devolve powers and budgets to boost local growth in England”. That same document pledged to devolve “far-reaching powers over economic development, transport and social care to large cities which choose to have elected mayors... [and] deliver more bespoke Growth Deals with local councils, where locally supported, and back Local Enterprise Partnerships to promote jobs and growth”.³⁵

The Government was swift to implement the Cities and Local Government Devolution Bill to make good on this pledge. This bill provides “the Secretary of State for Communities and Local Government with a series of order and regulation making powers, allowing for the devolution of functions currently owned by central government and local public bodies. It is intended as the means of delivering local ‘devolution deals’, agreed between combined authorities and central government, such as the Greater Manchester Agreement”.³⁶

It is an enabling piece of legislation allowing the Secretary of State to proceed on a case-by-case basis to reach a deal with each participating locality. At the time of writing, clauses 16 through 21 deal with the devolution of powers to presently constituted

local authorities. However, the bill also allows for devolution to occur to existing combined authorities or new combined authorities which receive parliamentary approval. Combined authorities are no longer limited to economic development, transport and regeneration functions and can now operate on a broader scope. The Secretary of State also gains the right to press on with a deal with a combined authority even if one or more authorities within that arrangement disapprove (and said recalcitrant authority is removed from the proposal). The bill enables combined authorities to have elected mayors for the first time and the Government has indicated its desire (though not formally mandated) for this to be the delivery vehicle where appropriate. As part of the bill these mayors will be able to assume the function of the police and crime commissioner (as is the case with the GMCA).

What we have therefore is political push for devolution, the evolving legislative framework to allow the Government to proceed on that basis and a record across the United Kingdom on which to build. Next we must address the timescale and nature of this process going forward.

Jim O’Neill, Commercial Secretary to the Treasury, has set out the Government’s proposed timetable for the devolution deals:

*“We are now encouraging places to move quickly and ambitiously to agree devolution deals, with those who want to be first in line submitting their proposals, which include provision for a mayor, by 4 September if they want to do a deal by the time of the spending review [on 25 November]. We will, however, of course consider submissions from all places that have strong, credible proposals after the spending review too”.*³⁷

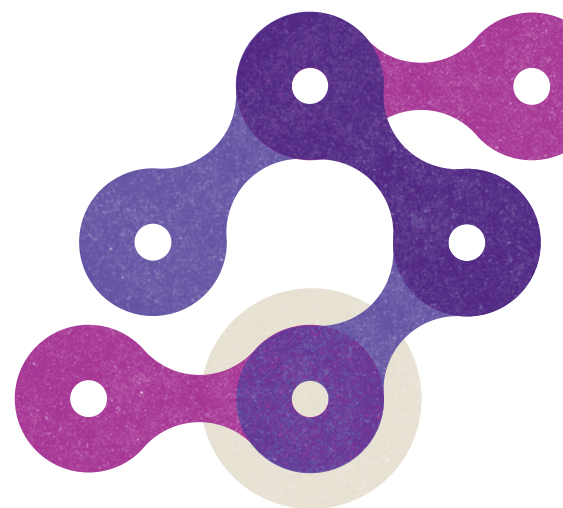
This suggests that:

- a) metro-mayors will make up the bulk (though, as Cornwall proves, not the sum total) of the early deals
- b) it is likely that non-metropolitan deals will continue to be shaped and announced into 2016.

³⁵ <https://s3-eu-west-1.amazonaws.com/manifesto2015/ConservativeManifesto2015.pdf>

³⁶ <http://www.parliament.uk/business/news/2015/june/lords-cities-and-local-government-devolution-bill/>

³⁷ LGC, 3 August 2015



For some, this is an unfair result for rural areas which were left behind in the city deal process and are at the back of the queue in this round of devolution deals. Nonetheless, to help authorities capitalise on the new devolutionary landscape during this period of continued negotiation, this report directs its attention on four key areas we invite councils to consider:

- **Economic geography.** Are you the right set of authorities to bid for new powers?
- **Powers.** Are your devolutionary requests realistic and feasible?
- **Structures.** Do you have the institutional capacity, track record and the right accountability and governance frameworks in place to give the Government confidence to devolve? What might these be?
- **Winning the argument.** How can you make the most positive case for devolution? Why should the centre devolve to you?

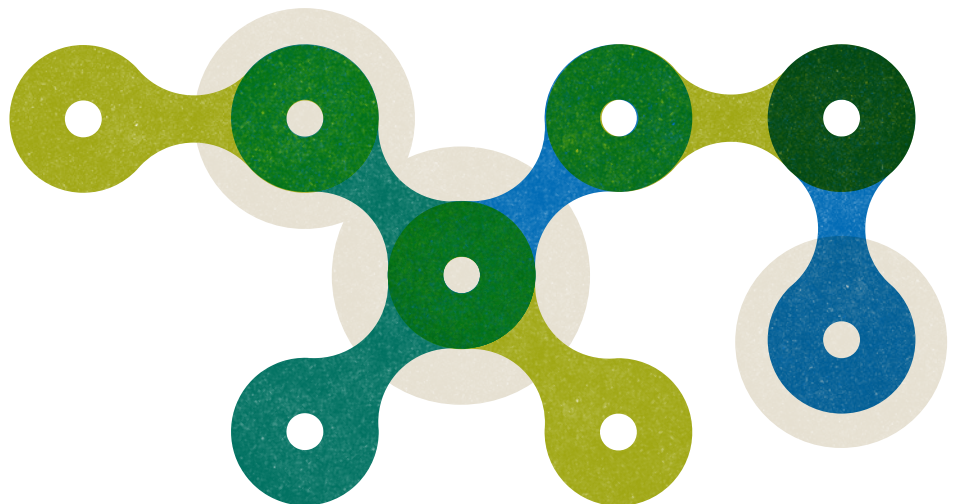
Since this report is published during the negotiating period prior to November's Spending Review there may well be further announcements, so it is not prescriptive but rather reflective. Its aim is to help arm negotiators from councils in their conversations with Whitehall. After all, if both sides have a greater understanding of the other's point of view, conversations will be more convivial and progress on devolution more comprehensive.

To help authorities capitalise on the new devolutionary landscape during this period of continued negotiation, this report directs its attention on four key areas we invite councils to consider: economic geography; powers; structures; and winning the argument.

Guiding principles of this research

Our research – conducted over the summer of 2015 – involves both quantitative and qualitative approaches. On the first, a survey of 176 local authority chief executives, chief finance officers, council leaders, deputy leaders and key cabinet members with economic-facing portfolios was undertaken on a range of questions to do with the devolutionary process – and results are delineated in what follows. We conducted a separate survey of 32 local enterprise partnership board members, chief executives and chairs to provide some comparative data.

On the second, 22 free-flowing interviews were conducted with a range of figures in both authorities with recent experience of devolutionary conversations with the centre and, to get a central perspective on talks, their counterparts in Whitehall. Likewise, roundtable discussions were held in London on 5 August and Manchester on 12 August involving 23 local and central government stakeholders. Quotes from these discussions are used throughout (suitably anonymised).



Deals agreed to date

At the time of writing, three deals have been agreed at the combined authority level, and one with the unitary authority of Cornwall. To date, deals have largely centred on urban areas and some commenters suggested to us that this prioritisation was unfair. Indeed, the County Council Network (CCN)/District Council Network (DCN) joint statement on ‘Devolution, Growth and Public Sector Reform’ suggests that in ignoring more rural areas, the Government will hinder “its core aims of securing economic recovery, reducing the deficit and reforming public services”.³⁸

The other side of the coin however is that the Treasury’s 4 September deadline has largely served as one for urban areas – rural areas, therefore, may see their deals take a little longer to announce, but then they will have more time to hone them which, if used well, may allow them to gain more powers. One urban stakeholder even told us that he’d prefer to be playing a longer game: “If civil servants have more time to consider the risks of a proposition, they’ll be more open minded. Short deadlines can often equal institutional conservatism”.³⁹ It is also possible that additional time for non-city areas will help to iron out

any differences between district and county councils who pledged to work together on devolution deals, as per the CCN/DCN joint statement referred to above.

Greater Manchester Combined Authority (GMCA)

The GMCA constitutes the frontrunner of English devolution outside of London. In November 2014 the Government agreed⁴⁰ to devolve the following powers to a new, directly elected Mayor of Greater Manchester:

- Control of a new £300 million Housing Investment Fund
- Control of an Earn Back deal regarding the local retention of £30 million of additional tax receipts for a thirty-year period
- Responsibility for a devolved and consolidated transport budget
- Responsibility for franchised bus services and for integrating smart ticketing*
- Strategic planning powers including the power to create a statutory spatial framework for Greater Manchester*
- Assume the role of the police and crime commissioner

Alongside this package, the GMCA itself received:

- responsibility for devolved business support budgets including UKTI export advice, Manufacturing Advice Service and Growth Accelerator monies
- control over the Apprenticeship Grant for Employers in the area and powers to reshape local FE provision
- joint commissioning powers over the Work Programme
- control over an expanded working well pilot, with central money linked to performance up to a fixed departmental expenditure limit
- an invitation to develop a plan for integrating health and social care across the area.

In February 2015 this final bullet point was expanded into an agreement between Greater Manchester and NHS England to pool £6 billion of NHS and social care budgets at the local level.⁴¹

*Requiring approval and/or consultation from the GMCA. Mayoral spending plans can also be amended should two-thirds of GMCA cabinet members agree. The statutory spatial framework will require unanimous agreement among the cabinet.

³⁸ <http://www.countycouncilsnetwork.org.uk/library/july-2013/file97/>

³⁹ Interviewee

⁴⁰ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/369858/Greater_Manchester_Agreement_1.pdf

⁴¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443087/Greater_Manchester_Further_Devolution.pdf

In July prevention and intervention were placed at the head of the creation of a single GMCA team to oversee the new health and social care spend.⁴²

The city region’s devolution deal has also recently been extended further. The July 2015 Budget included the announcement that the mayor would receive control over the fire services and that the GMCA’s planning powers would be strengthened.⁴³ And it has been reported that the combined authority will take control of the region’s European Regional Development Fund and European Social Fund allocations, totalling £300 million.⁴⁴ One Greater Manchester source told us that “we spent sixty days working out what we wanted to achieve, and a day on governance structures”.⁴⁵

“... we spent sixty days working out what we wanted to achieve, and a day on governance structures”

This reflects the point we make elsewhere that, even if they think the centre is pushing this too much, local government is wise not to get too bogged down in these types of discussions. Beginning with a clean slate of ‘what can we do differently and better than the centre’ is generally more productive. If a wider slate of powers comes with the price of more robust governance, local stakeholders may well be in a better position to agree such terms if they approach the conversation that way round. Function then form, in other words. The conclusion to this document sets this out further.

Manchester tells us...

- The Government will reward a history of previous joint working and resulting mutual trust between authorities with further powers
- A shared vision between local partners and an economic evidence base to support it are vital
- A mayoralty will bring significant devolution
- Health and social care is a big ticket item that is on the devolutionary agenda
- When deciding what devolution should mean to each area, how to enhance outcomes for residents could come first, then the associated governance changes

DEALS TO DATE

	Mayor?	Business support	Health and social care	Housing	Planning	PCC powers	Skills	Tax retention	Transport operations	Work programme
Cornwall	No									
GMCA	Yes		£6bn	£300m				£30m		
Leeds	No									
Sheffield	No									

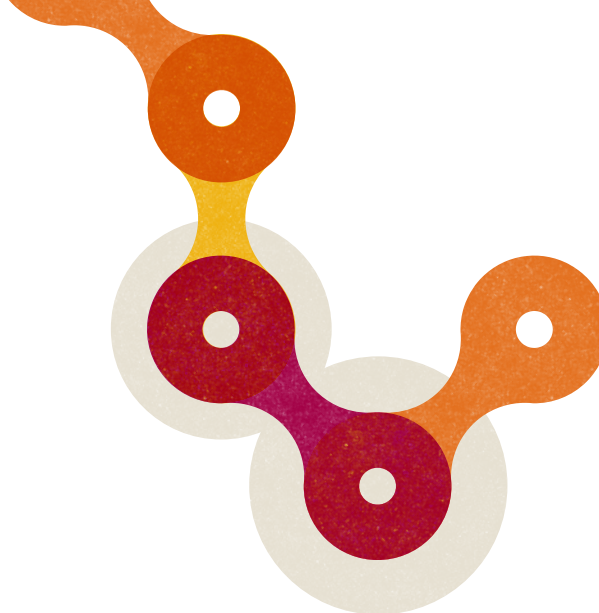
- Greater formal control
- Greater collaboration/input

⁴² <http://www.bbc.co.uk/news/uk-england-manchester-33477953>

⁴³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443232/50325_Summer_Budget_15_Web_Accessible.pdf

⁴⁴ <http://www.lgcplus.com/news/devolution/greater-manchester-to-get-control-of-300m-european-funding/5089581.article>

⁴⁵ Interviewee



Leeds/West Yorkshire Combined Authority

The March 2015 agreement between the Government and the West Midlands Combined Authority (encompassing the Leeds City Region) included:

- greater control over the region's adult skills budget
- a share of the apprenticeship grant for employers
- a larger role in local housing and planning, though still working with central agencies.

The summer budget affirmed the Government's commitment to go further than this in the coming months.⁴⁶

Sheffield

In December 2014 it was announced⁴⁷ the Sheffield City Region Combined Authority would receive the following powers and funds:

- the rolling out of an 'oyster-style' smart ticketing system on local bus services
- responsibility for the majority of the Adult Skills Budget – with conversations taking place over joint commissioning of the Work Programme in 2017
- devolution of business support measures, with enterprise spending coming directly under the city region's purview
- non-specific proposals to work with the HCA over the sale of public land, and with the Highways Agency and Network Rail over local transport issues.

Cornwall

In July 2015 a devolution deal for Cornwall was announced which will give:

- Cornwall Council powers for franchising and improving bus services
- Cornwall Council the power to select the projects – working with local partners – it wants to see benefit from pre-allocated inward investment funding
- Cornwall Council and the Isles of Scilly Council greater ability to work with local health organisations to help integrate health and social care
- the LEP more say on boosting local skill levels and integrating local business support.

Leeds and Sheffield tell us...

- The combined authority model will deliver powers beyond the 2011–2013 city deals...
- ...but these will undershoot anything a mayoralty could deliver by a significant degree

Cornwall tells us...

- Devolution outside the big cities is possible...
- ...but, again, the lack of a mayor limits how far devolution will go.
- Cornwall's unique geography also gives them advantages more complex localities will not have

⁴⁶ <http://www.westyorks-ca.gov.uk/News/Articles/summerbudget/>

⁴⁷ <https://www.gov.uk/government/news/oyster-style-cards-for-sheffield-as-deputy-pm-agrees-devolution-deal>

The mechanics of devolution

This section deals with the mechanics of devolution – what the scope of devolutionary asks should look like and how authorities can place themselves on a solid footing before they begin discussions in earnest with the centre.

First things first, the good news is that negotiations seem to have progressed relatively well to date. Several authorities we have spoken to report an upbeat nature of their conversations with central government. One city-based respondent noted that “we’re forward thinking and there is a recognition that we’re on the right track”.⁴⁸ Another county interviewee told us it was the “most positive negotiating experience I’ve ever had. The Government genuinely tried to do this in partnership. The civil service is on board. Everyone has tried to get this to a place where everyone is happy”.⁴⁹ Not everyone felt this way. One interviewee asked, “is this really devolution? MPs and the Civil Service continuing to run things from Whitehall?”.⁵⁰

From our survey, over 72% of respondents reported their conversations with central government were constructive or very constructive compared to just 9% feeling the opposite (19% of respondents said conversations were initially unconstructive but improving of late).

One Whitehall source told us that “the premise that [the deals] are quite an iterative process that continues to develop is understood. The bespoke nature of the negotiation process is on the whole welcomed”.⁵¹

The big exception here is a perception that some conversations have become hampered by talk of governance – the structures by which devolution may be achieved – and not enough energy has been expended on the rationale – what the best outcomes for residents look like and how this can be achieved. One councillor we spoke to has “refused to take part in conversations surrounding governance models before we realise where the deal itself is going”.⁵² Sometimes this is viewed as a product of central whim, but council representatives we spoke to recognise that some within local government may have over-prioritised it too. Where trusted relationships are not present, this is clearly an issue that rubs alongside short-term political expediency.

The need to sort the governance question is certainly understandable. A key theme of what follows is that if local authorities walk into negotiations with their asks in a muddled, obviously patched-together form, they will be given short shrift. We discuss mayors in this regard later.

From our survey, over 72% of respondents reported their conversations with central government were constructive or very constructive compared to just 9% feeling the opposite.

Opposite: growth and dynamism in emerging devolution geographies

To help frame the debate on economic geography we have used Grant Thornton’s Place Analytics tool to build an indicative picture of the areas working on devolution and assessed these emerging economic geographies using our growth and dynamism indices:

- Our **High Growth Index** identifies those places that have experienced the fastest economic and social growth over the last eight years, taking into account both the rate and extent of change
- Our **Dynamism Index** focuses on the quality of growth, identifying places where growth has contributed to local economic value

We have also included three detailed case studies of different types of area pitching for devolution to help explore the question: what is economic geography?

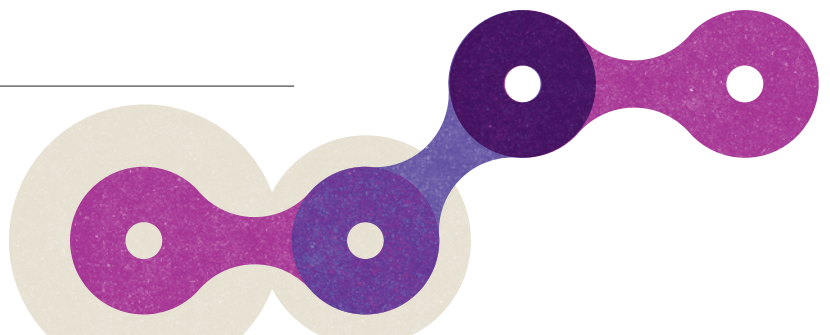
⁴⁸ Interviewee

⁴⁹ Interviewee

⁵⁰ Interviewee

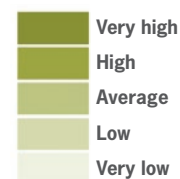
⁵¹ Interviewee

⁵² Interviewee

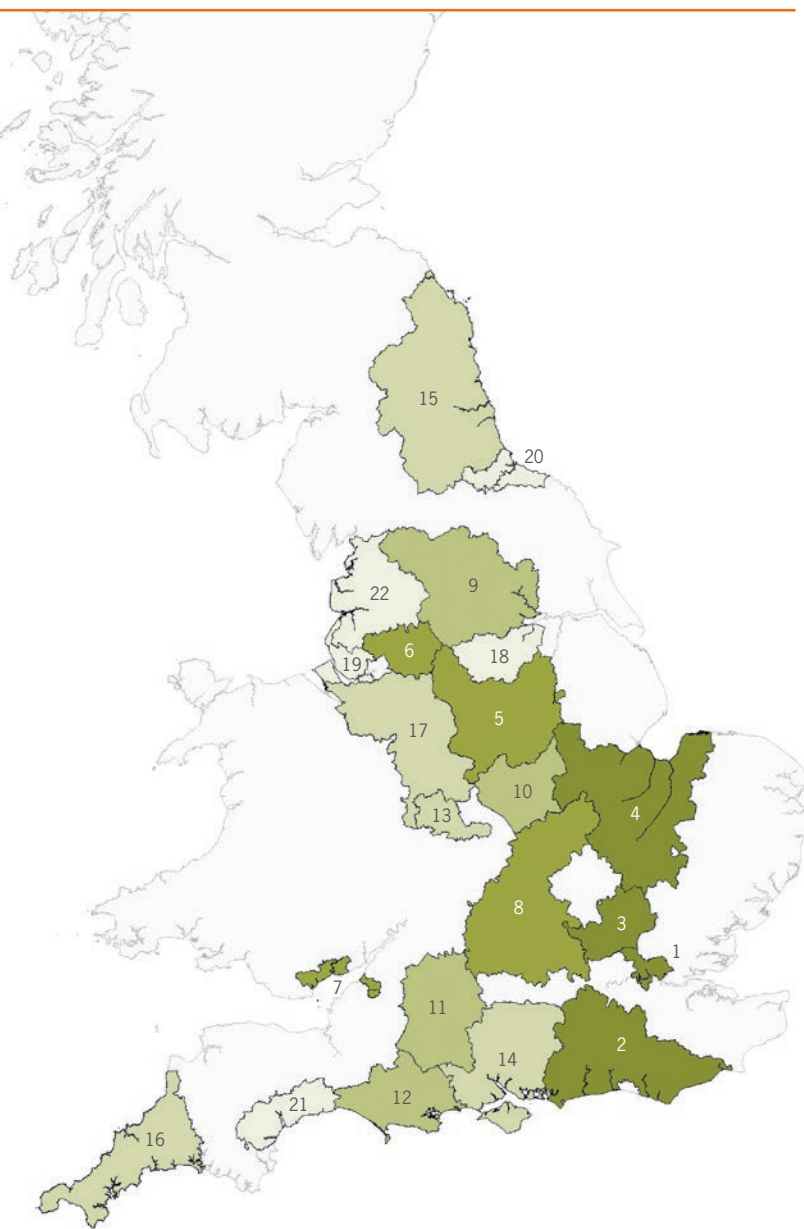


High Growth Index

A picture of economic and social growth in the indicative areas working on devolution.



Rank	Combined authority	HGI score
1	NE London Boroughs	348
2	Surrey/E & W Sussex	148
3	Hertfordshire	147
4	East of England	137
5	D2 N2	120
6	Greater Manchester CA	110
7	Western Super City	106
8	Northants, Bucks & Oxfordshire	104
9	Leeds City Region WYCA	99
10	Leicestershire Districts	97
11	Wiltshire & Swindon	97
12	Poole, Bournemouth & Dorset Authorities	95
13	West Midlands	93
14	Hampshire & Isle of Wight	90
15	North East CA	70
16	Cornwall	62
17	Staffordshire, Stoke & Cheshire	60
18	Sheffield City Region CA	52
19	Liverpool City Region CA	51
20	Tees Valley CA	48
21	Greater Exeter, Greater Devon	45
22	Lancashire, Blackpool & Blackburn with Darwen	21



Our High Growth Index measures the following for 2004–2012:

- Employee growth
- Business growth
- Resident population growth
- Resident working age growth

The map highlights a corridor of highest growth from Surrey and Sussex, through London, into Hertfordshire and on to Cambridge. Strong performance is also found in city regions such as Leeds and Greater Manchester, indicating the role played by major cities as key drivers of growth.

For further detail on our growth and dynamism indices visit <http://www.grantthornton.co.uk/en/where-growth-happens/>

Size matters: Are you the right set of authorities with the right geography?

Although many geographies remain to be ironed out, the concept of pan-authority collaboration is clearly adding value to many devolutionary bids. 59% of respondents we surveyed revealed that if the Government had not prioritised collaboration between authorities in bids for devolution, they would not have looked to negotiate such a deal on their own. Scaling-up will likely mean more devolution across the board therefore, particularly where authorities can make the hard-headed business case for a genuine travel to work area in the case of economic powers or a particular set of combined demographics for health and social care. Bigger will not always mean better, but it certainly makes sense in some policy areas – such as transport and infrastructure – in which places could look to bid for devolution beyond the combined authority level.

Certainly the precise lines on a map still matter. Most survey respondents (74%) indicated they felt their bid was based on a genuinely functional economic area, but this still leaves 1 in 5 which disagreed (5% of respondents didn't know). Replacing a non-functional smaller economic area with a non-functional bigger area is not going to whet the centre's appetite for meaningful devolution. Since 2010 the

Government has generally stressed the following, non-binding but indicative criteria for a functional area: “there is no universal approach... and the relevant factors will depend on the particular policies and markets being considered. 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”.⁵³ Demonstrating such

Government has generally stressed the following, non-binding but indicative criteria for a functional area: “there is no universal approach... and the relevant factors will depend on the particular policies and markets being considered”.

interconnections helps evidence the broader ‘unity of purpose’ points we discuss below.

Despite the advantages of such collaboration an important question however remains: should an anchor authority (or several) drive a bid forward, or should bids move en masse at all times? The West Midlands example is instructive that there is some flexibility here. Initially the seven metropolitan authorities of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton will pursue combined authority status. But “all agree that a Combined Authority covering the

much wider and important geography across the three Local Enterprise Partnership areas is crucial. This could involve 13 more councils joining the West Midlands Combined Authority”.⁵⁴ Our survey suggests around 6 in ten bids are being driven by one or a small group of authorities.

This approach can however produce problems. One respondent noted that “the Government is sometimes selective about which authority chief executives, leaders,

etc it talks to. Interestingly, different departments often talk to different people, [and a] lack of a single Government voice is a problem for us”.⁵⁵ Another interviewee remarked that they are talking to twelve different people across different government departments. Gloucestershire's statement of intent includes its frustration concerning “multiple conversations with the Government” and the desire to replace it with one conversation with government that provides “a single view of public sector assets to drive growth and investment at the local level”.⁵⁶

⁵³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32113/10-1226-understanding-local-growth.pdf

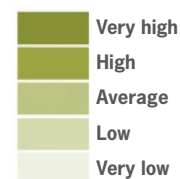
⁵⁴ <http://www.westmidlandscombinedauthority.org.uk/assets/docs/WestMidlandsCombinedAuthorityLaunchStatement6JULY2015.pdf>

⁵⁵ Survey

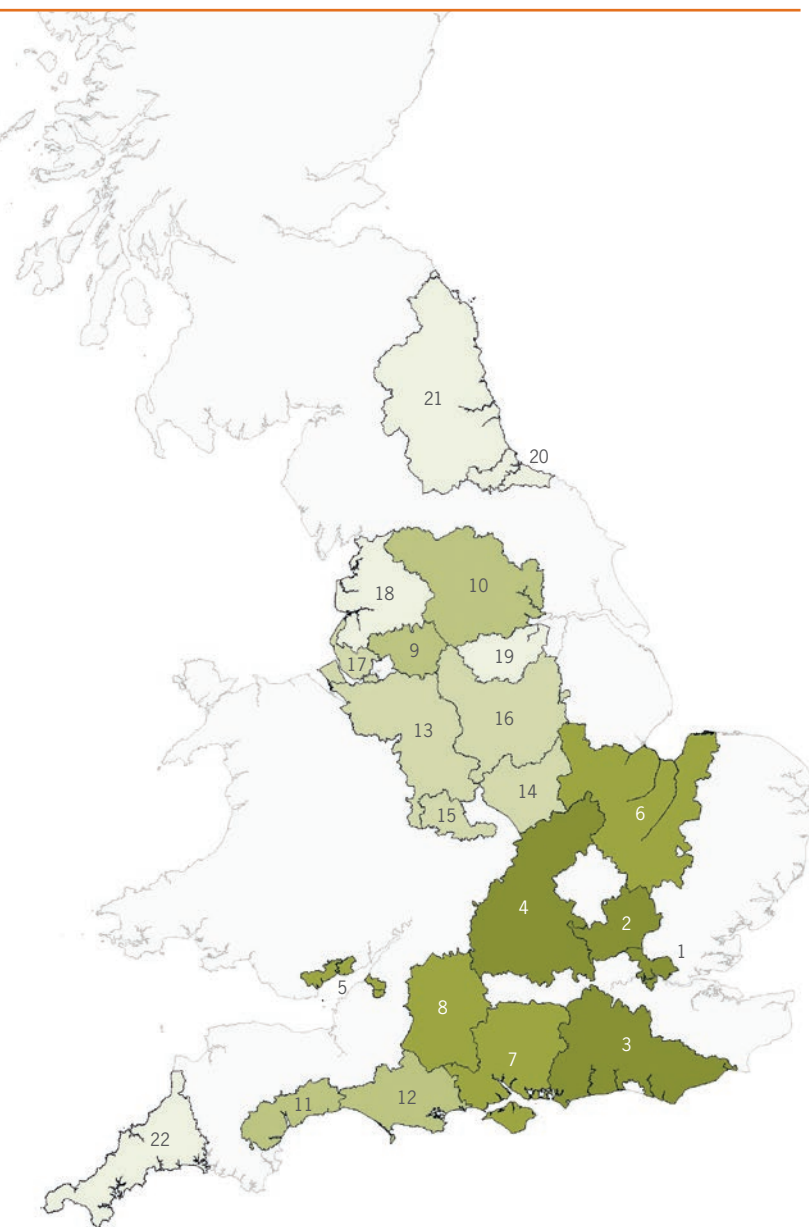
⁵⁶ <http://www.gloucestershire.gov.uk/CHttpHandler.ashx?id=64009&p=0>

Dynamism Index

A picture of entrepreneurship, economic activity and productivity in the indicative areas working on devolution.



Rank	Combined authority	Dynamism
1	NE London Boroughs	129
2	Hertfordshire	125
3	Surrey/E & W Sussex	120
4	Northants, Bucks & Oxfordshire	117
5	Western Super City	116
6	East of England	110
7	Hampshire & Isle of Wight	110
8	Wiltshire & Swindon	107
9	Greater Manchester CA	101
10	Leeds City Region WYCA	98
11	Greater Exeter, Greater Devon	96
12	Poole, Bournemouth & Dorset Authorities	95
13	Staffordshire, Stoke & Cheshire	94
14	Leicestershire Districts	92
15	West Midlands	91
16	D2 N2	90
17	Liverpool City Region CA	88
18	Lancashire, Blackpool & Blackburn with Darwen	87
19	Sheffield City Region CA	85
20	Tees Valley CA	84
21	North East CA	83
22	Cornwall	80



Our Dynamism Index combines the following:

- Knowledge workers (K-driven sectors)
- Knowledge occupations (professional, managerial, technical)
- High skills (NVQ4+)
- Knowledge intensive businesses (professional, scientific & technical; information & communication; business admin & support services)
- Business births (business formation rate)
- Patents granted (per 100,000 working age)
- Transport (air, rail, road, ports, local infrastructure)

The map clearly highlights that the highest levels of dynamism are found in the south east of England around London and the surrounding home counties.

For further detail on our growth and dynamism indices visit <http://www.granthornton.co.uk/en/where-growth-happens/>

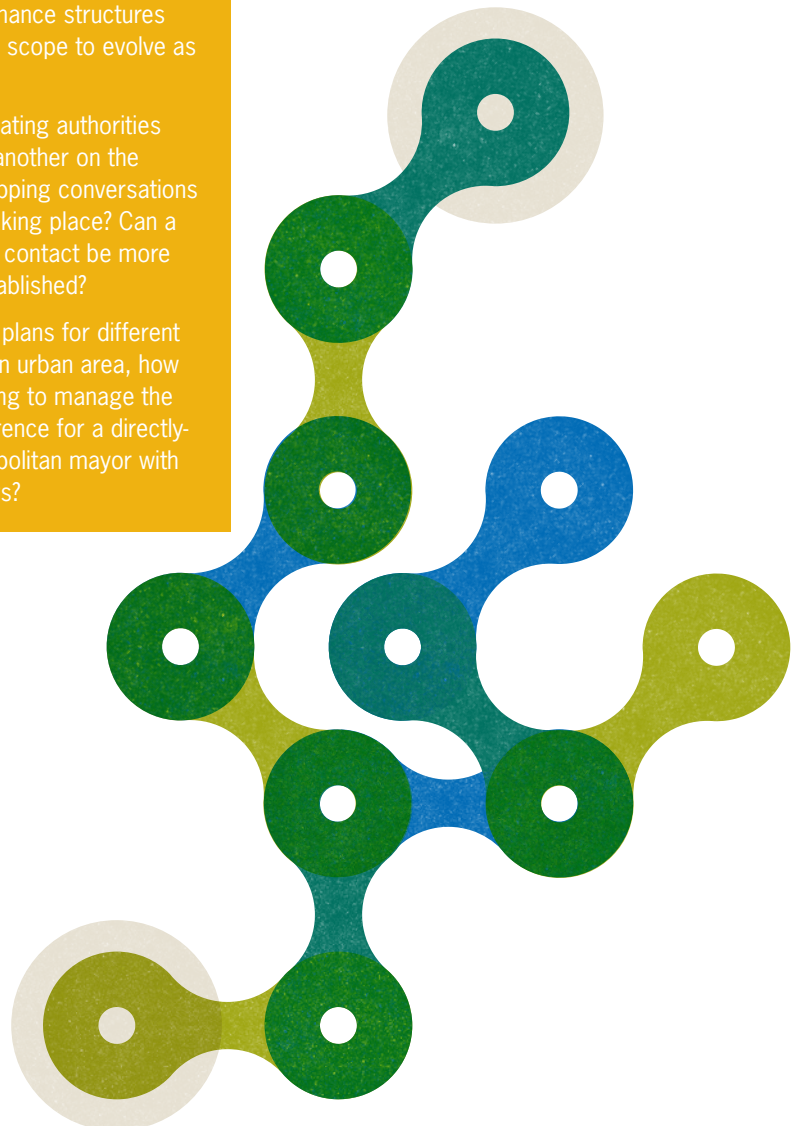
It also remains to be seen whether any bid will attempt to bring forward more than one Combined Authority for different policy footprints. One survey respondent told us that their locality was “exploring a devolution deal on a bigger footprint than the original city deal... and this is causing tensions. While we might want a bigger footprint for health and social care issues to reflect CCG boundaries it does not make sense on an economic footprint in quite the same way”.⁵⁷

The likely determining factor here will be the urban/rural divide. In rural areas the above example of two different health/economic geographies may gain some traction. But in metropolitan areas, a directly-elected metro mayor is the clear priority of the centre. Throughout the process authorities must note the interplay between powers and geography. As in the health/economy example above, the devolution of different powers may occur to different combinations of authorities within an arrangement, at different levels and different times. The trade-off here is ensuring all arrangements maintain the same degree of rigour in the governance.

Key questions:

- Does your bid evidence a functional economic area? If applicable, how has moving up to combined authority geography helped it?
- If more authorities are scheduled/proposed to join any combined authority agreement in the future, do your governance structures have sufficient scope to evolve as necessary?
- Are all participating authorities updating one another on the several overlapping conversations that may be taking place? Can a single point of contact be more effectively established?
- What are your plans for different footprints? If an urban area, how are you planning to manage the centre's preference for a directly-elected metropolitan mayor with uniform powers?

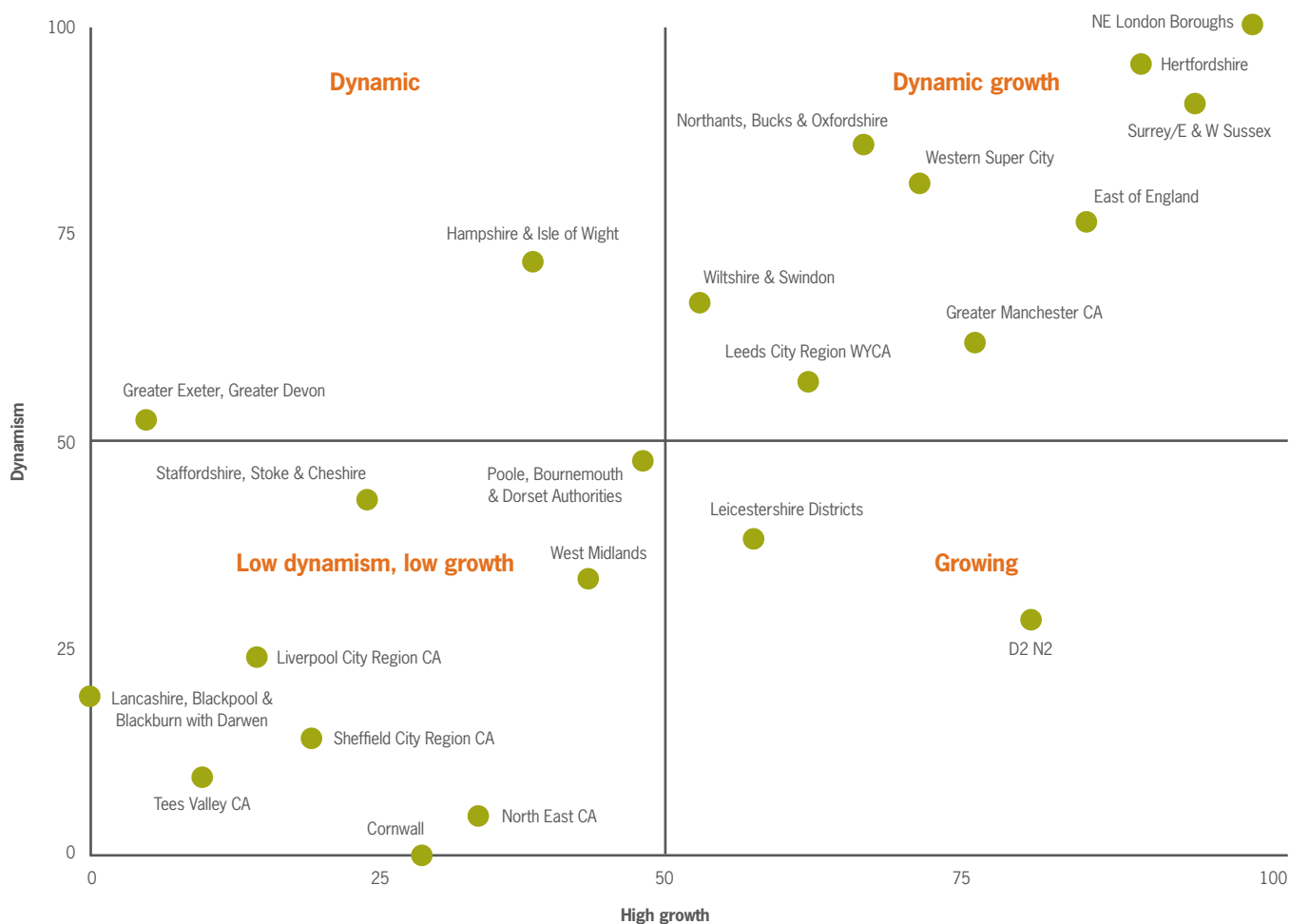
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⁵⁷ Survey

Growth and dynamism

Dynamic growth matrix



Those areas categorised as low dynamism/low growth tend to be more rural or peripheral places, or declining former industrial areas. Places in the dynamic quadrant are generally higher value, more dynamic local economies that are slow-growing. They tend to be places on the fringes of cities which have attracted more specialised high value/high tech businesses. The opportunity for these places will be to build on their dynamic enterprises and business stock successes by encouraging further growth. In the growing quadrant there are fast growing places where local economies are less dynamic. These places may be coastal or semi-rural locations. Here, improving the quality and value of the local business base will be key to long-term success and sustainability. The places in the dynamic growth quadrant are the key drivers of growth and dynamism in the UK. They include London and a number of city regions, together with large parts of the south east and east of England. Building on, creating linkages to and perhaps spreading their success will be key to future UK economic success.

Do all authorities within the arrangement agree?

Broadly our respondents have reported that conversations with neighbouring authorities with whom they wish to forge a collaboration have proceeded positively – with **66%** making that case. Given that these relationships will be majorly tested in the next few years, this is clearly a good start. That said with **1 in 7** respondents indicating that conversations had been unconstructive or very unconstructive it is clearly not unknown for combined authority proposals to hit a snag. Partly this has been resolved through the provisions of the 2015 Cities and Local Government Devolution Bill – unwilling authorities can opt out of any deal – but our research reveals further patterns among the sector.

One councillor told us that “the issue is not between me and the centre, it is between me and the other players in the area”. He further noted that “the biggest problem is people. Local government doesn’t always have the skill or the will to do the deals”.⁵⁸ The lines on a map, and through them entrenched fiefdoms, can be hard to shift. Another local government source described the difficulties his council had had in trying to agree a bid with neighbouring authorities, even when there was a strong steer from ministers that a united front was required.

It is obviously easier where the geography is simpler. As a roundtable participant told us, “a good starting point is that everyone living in London knows they are living in London”.⁵⁹ One Westminster voice noted that “Cornwall provides some clues – it was presumably easier to do a devolution deal because it has clarity of leadership and the announcement had some of the forward work that was set out contingent on further developments looking at the governance arrangements”.⁶⁰ This was also to some extent the case in Greater Manchester, where half the governance structures were already established (ie the combined authority) and strong relationships with the centre already existed. But most places will not have that luxury.

Given that trust was such a key theme identified in particular by our London roundtable, it will often be better to go with a smaller deal when partnerships are less established, rather than to put all chips on the table on day one as Greater Manchester was able to. Indeed, as one participant told us “to build trust, it might be better to do a deal on certain things up front, and come back to the tough stuff later”.⁶¹ Given that devolution deals will often build on existing city deals there is a certain logic here – places gaining a deal in this round of devolution deals will

“to build trust, it might be better to do a deal on certain things up front, and come back to the tough stuff later.”

be well placed to get a further iteration of devolution later in the parliament. This will particularly be the case in areas where evidencing joint working and unity of purpose is more difficult. Mitigating against this longer-term thinking, admittedly, are the financial jaws of doom that threaten public sector organisations over the next few years.

In any case, do you simply redraw the map? On non-metropolitan areas we encountered the suggestion that if plans were to be drawn up to achieve “the rationalisation of [second-tier] members and the lifting of some of the strategic planning functions up a level, that would be very welcome to the centre. But this still has to be a bottom-up initiative”.⁶² Some survey respondents agreed to a point – responses included “set up unitary authorities asap”, the fact that “involving double figures numbers of districts, unitaries and a county or counties is very time consuming” and an acknowledgement that “devolution asks are often outside districts’ responsibilities”.⁶³

⁵⁸ Interviewee

⁵⁹ London roundtable

⁶⁰ Interviewee

⁶¹ London RT

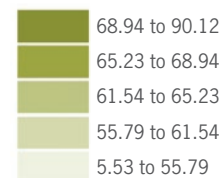
⁶² Interviewee

⁶³ Survey

Combined authority case study: economic geography

Liverpool City Region

Employment rate by LSOA



Unsurprisingly, Liverpool is the economic driving force of the city region. It accounts for almost 40% of the region's employment force and 31% of its businesses, despite covering only 15% of the area's land mass.

The map indicates that large parts of the city region exhibit residential employment rates in the lowest 20% of LSOAs nationally, highlighting a significant challenge to the region as a whole.

Key statistics

Local authorities	6
Population	1,517,500
Size (hectares)	72,398

Economic conditions

Employees	580,207
Businesses	33,710
JSA claimants	20,563

Travel to work

Commuting in	74,570
Commuting out	97,012
Commuting within	464,599

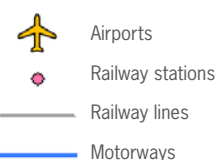
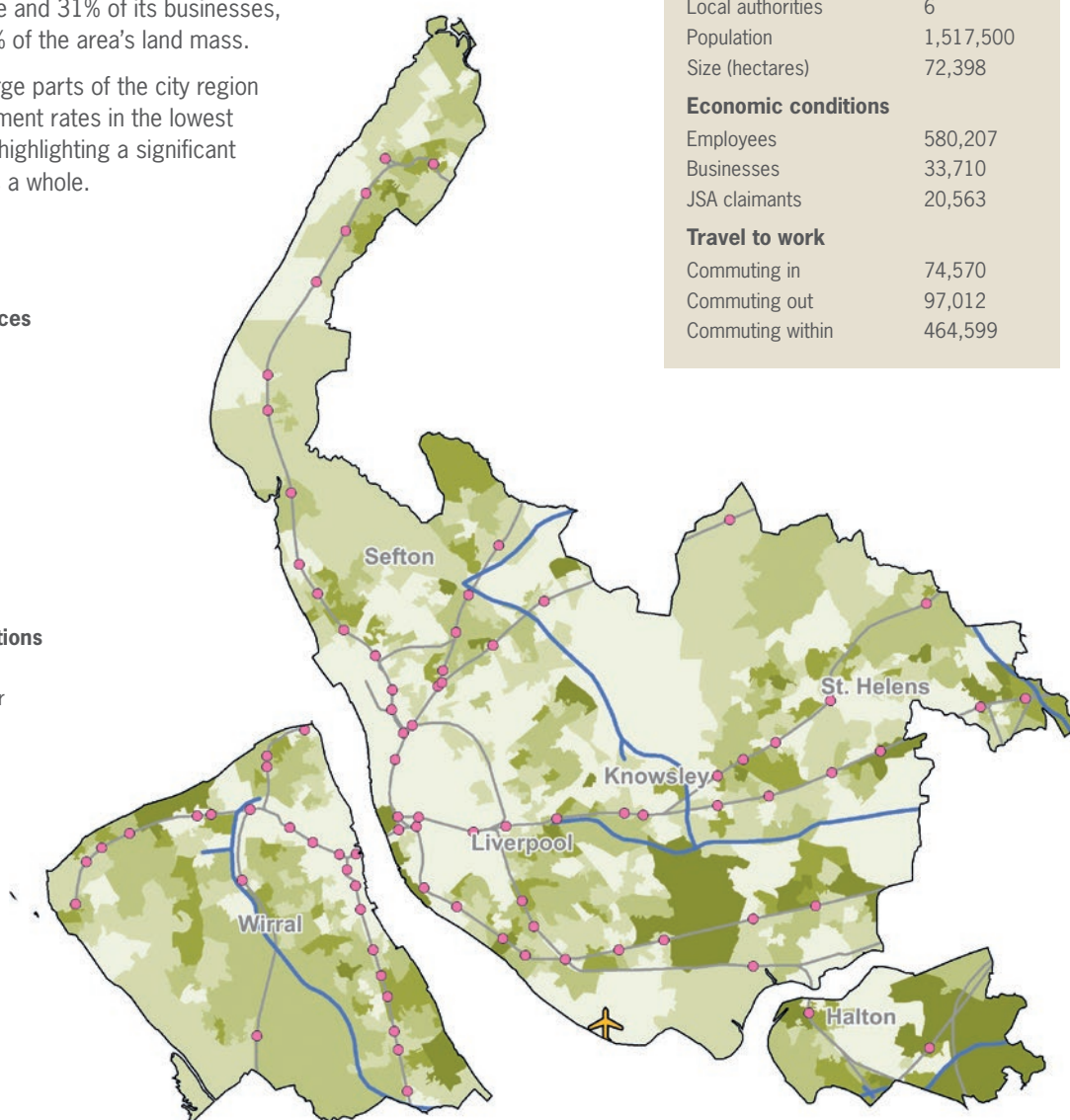
Travel to work

Top 10 commuter residences

- 1 Cheshire West & Chester
- 2 Warrington
- 3 West Lancashire
- 4 Wigan
- 5 Flintshire
- 6 Cheshire East
- 7 Manchester
- 8 Trafford
- 9 Salford
- 10 Bolton

Top 10 commuter destinations

- 1 Warrington
- 2 Cheshire West and Chester
- 3 West Lancashire
- 4 Wigan
- 5 Manchester
- 6 Flintshire
- 7 Trafford
- 8 Salford
- 9 Cheshire East
- 10 Preston



What comes through crystal clear is that there can be no fudging the difficult political decisions. Trying to claim, for example, an economic prosperity board as equivalent to a combined authority and expecting the same level of powers is an absolute non-starter. Even if it was willing, the Government would have a tough time explaining equivalent rewards to areas willing to accept a combined authority or mayor, and those who had kept their 'awkward' authorities nominally on board by maintaining less robust governance arrangements. Essentially the difficult conversations must be had before devolutionary proposals come before the Government, and if that means excluding a particularly difficult district council from an arrangement then that may be a last resort a particular bid may have to face.

That said, central government representatives have told us they do foresee the potential for mezzanine level agreements. In short, levels

there might be a strong case for making interventions at that level. Devolving transport to one area and housing to a neighbouring, more affordable locality is also something that could be done in tandem. This for example has occurred in the north with the formation of Transport for the North, bringing together metropolitan combined authorities on an issue where the footprint extends much further than one combined authority area. Again however authorities need to be canny. The prospect of large city X and neighbouring counties Y and Z being part of the same deal may be difficult due to a lack of pre-existing trust and collaboration, an inability to draw an effective political map with suitably robust governance and the overlapping of too many LEPs, CCGs or other related stakeholders. Evidencing discussions with neighbouring deals may be the best approach here.

Finally, there is the prospect of particular authorities becoming isolated

as an incentive to act collaboratively with neighbouring authorities. But if any authority is being excluded against their wishes and contrary to the contours of local economic geography, then it should be the role of ministers to use their influence to ensure common sense is applied.

If, however, an area chooses to stand outside the devolution deal process, it may still wish to exercise informal (or semi-formal) oversight through existing pan-area bodies such as the LEP or CCG or agree memoranda of understanding with adjoining deal areas on matters of joint concern such as shared services, management or the pooling of resource.

Key questions:

- Do you understand the local economic geography? If so, does your articulation of it to the centre look coherent and stable?
- If an authority at the geographic periphery of your bid is not entirely happy, should they be part of a separate bid (with perhaps mezzanine level cooperation between the two)?
- If a neighbouring authority is to be excluded entirely from your and neighbouring deals, how will you manage this?

What comes through crystal clear is that there can be no fudging the difficult political decisions. Trying to claim, for example, an economic prosperity board as equivalent to a combined authority and expecting the same level of powers is an absolute non-starter.

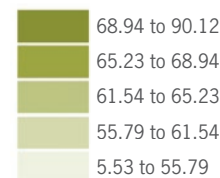
as well as partners and lines on a map matter. If, for example, Bristol and Cardiff wanted to co-ordinate transport asks to central government

islands amid a sea of devolution. If a particular area is unable to find a deal to join, it may well miss out on new powers altogether. In part this acts

Combined authority case study: economic geography

Northants, Bucks & Oxfordshire

Employment rate by LSOA



The large number of commuters travelling out of the area to work (163,807) highlights the key role the region plays as a commuter belt into large urban areas such as London and Milton Keynes.

Much of the region demonstrates residential employment rates in the top 20% of LSOAs nationally, while there seems to be a strong correlation between higher employment rates and presence of key transport infrastructure.

Key statistics

Local authorities	16
Population	1,908,900
Size (hectares)	653,384

Economic conditions

Employees	849,919
Businesses	82,810
JSA claimants	12,016

Travel to work

Commuting in	126,723
Commuting out	163,807
Commuting within	588,763

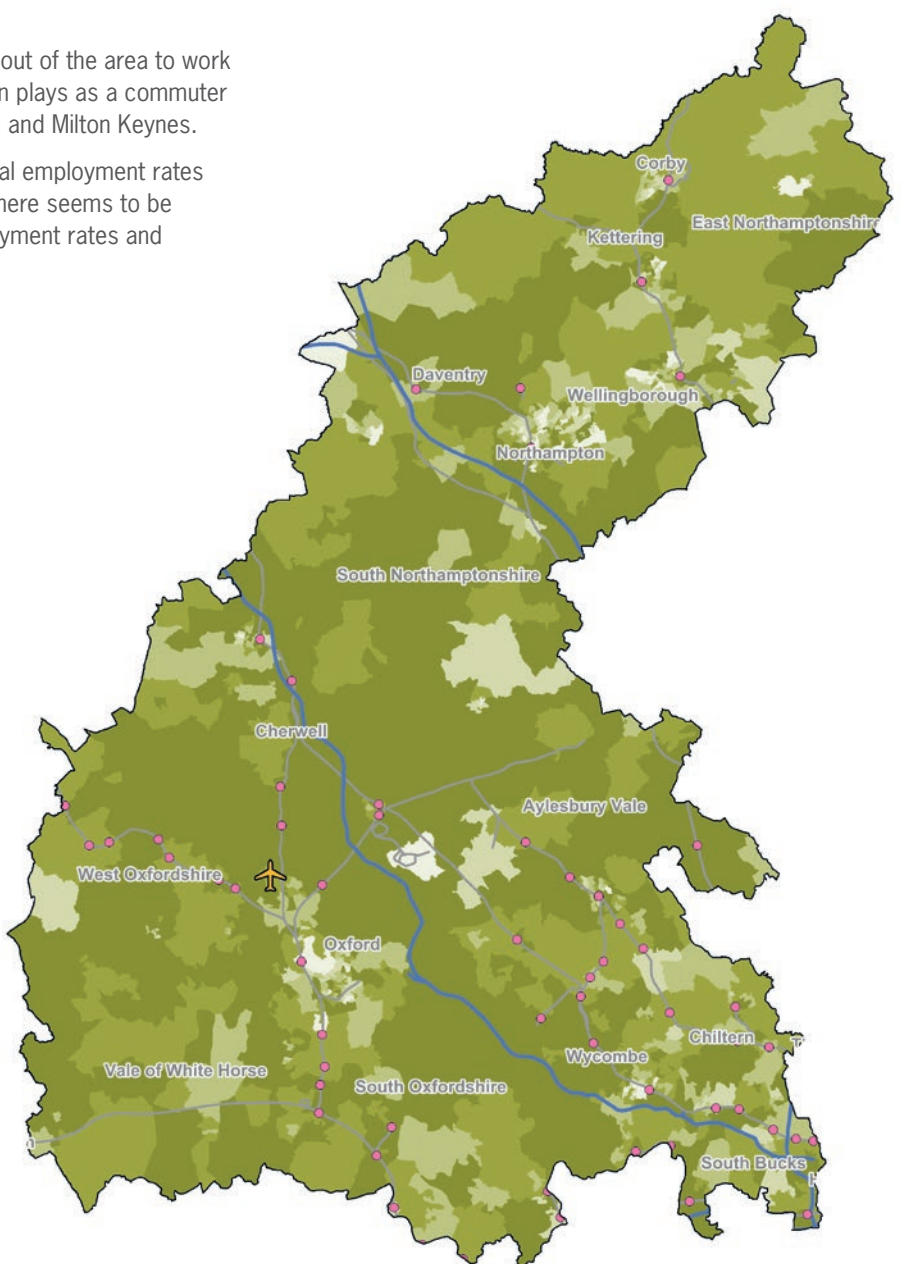
Travel to work

Top 10 commuter residences

- 1 Milton Keynes
- 2 Windsor and Maidenhead
- 3 Slough
- 4 Rugby
- 5 Reading
- 6 Swindon
- 7 Dacorum
- 8 Hillingdon
- 9 Central Bedfordshire
- 10 West Berkshire

Top 10 commuter destinations

- 1 Milton Keynes
- 2 Westminster/City of London
- 3 Hillingdon
- 4 Slough
- 5 Windsor and Maidenhead
- 6 Reading
- 7 Dacorum
- 8 Bedford
- 9 Camden
- 10 Central Bedfordshire



Beyond the town hall: what other stakeholders should we get on board?

One county chief executive stated that “DCLG have been eager to have the LEP involved”.⁶⁴ In the case of Cornwall the LEP (co-terminus with the unitary authority) has served as a co-signatory on the devolution deal. In other areas where the LEP boundary aligns with the collective authorities’ boundaries (eg city regions) the local LEP has on the whole been engaged in the devolution bid. Most however reported that due to the embryonic nature of their discussions it had been too early to get the LEP involved. According to one senior figure from an authority which has successfully negotiated a deal, they may wish to re-think this, noting, “generally get everyone on board before you go to government with your ask”.⁶⁵ Perhaps this is beginning to filter through. A Whitehall figure noted that “LEPs were grumbling that they were being left out. But now we are seeing a lot less of that – partly because the political message has been strong from ministers, Lord Heseltine and others. Once the local politicians sort themselves out, the general feeling is that LEPs bring something to the table”.⁶⁶

Views from the LEPs

In addition to local authorities, we surveyed 32 people across 22 LEP boards in England. Although the results were broadly positive (70% were in regular contact with the local authority representative negotiating their deal with the centre) of their experience to date, there were other interesting findings. These included:

- 96% agree or strongly agree that devolution will bring local economic gain
- 39% have not been asked to help prepare or verify existing claims set out in the evidence base for their area's devolutionary pitch
- 33% indicate the local private sector has had no involvement at all in the devolutionary process to date

LEPs are emblematic of some of the issues surrounding ‘unity of purpose’ we outline below. A Westminster source noted that “where there aren’t combined authorities you can have other arrangements and the LEP will span a broader geography. There is a growing realisation that strategically this is what government is looking for and financially authorities are being driven in that direction as well. They need to work together on shared services – not just the back office stuff but also the wider strategic view”.⁶⁷ We touch on the benefits such joint working brings to bids below. But going beyond the town hall helps evidence two points:

- 1 have you previous experience of joint working?
- 2 do you have local support networks of experts that can be drawn in if things begin to go wrong?

Most are getting this general picture however. The new West Midlands bid has noted the fact that “in the private sector, key business leaders and employer organisations, such as the Chambers of Commerce, have a vital role to play. In the public sector, the police and health commissioners and providers of every kind are going to be vital to the delivery of our vision. The university sector, further education colleges and the third sector will also play a significant role. We are committed to finding the most appropriate means of involving all our stakeholders and progress with our proposals as we begin the delivery of our vision for the West Midlands and the establishment of the Combined Authority in April 2016”.⁶⁸

⁶⁴ Interviewee

⁶⁵ Interviewee

⁶⁶ Interviewee

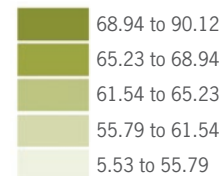
⁶⁷ Interviewee

⁶⁸ <http://www.westmidlandscombinedauthority.org.uk/assets/docs/WestMidlandsCombinedAuthorityLaunchStatement6JULY2015.pdf>

Combined authority case study: economic geography

Greater Exeter & Greater Devon

Employment rate by LSOA



As the only major urban area within the region, Exeter accounts for the vast majority of its economic landscape. Despite covering only 3% of the total land mass of the region, Exeter accounts for approximately 32% of its population and 50% of its employees.

Interestingly, it is the only one of the three combined authority case studies where more people commute into the area than out of it, further indicating the attraction of Exeter as an economic hub in an otherwise rural region.

Key statistics

Local authorities	3
Population	388,100
Size (hectares)	153,525

Economic conditions

Employees	171,224
Businesses	14,500
JSA claimants	1,878

Travel to work

Commuting in	32,877
Commuting out	20,972
Commuting within	117,496

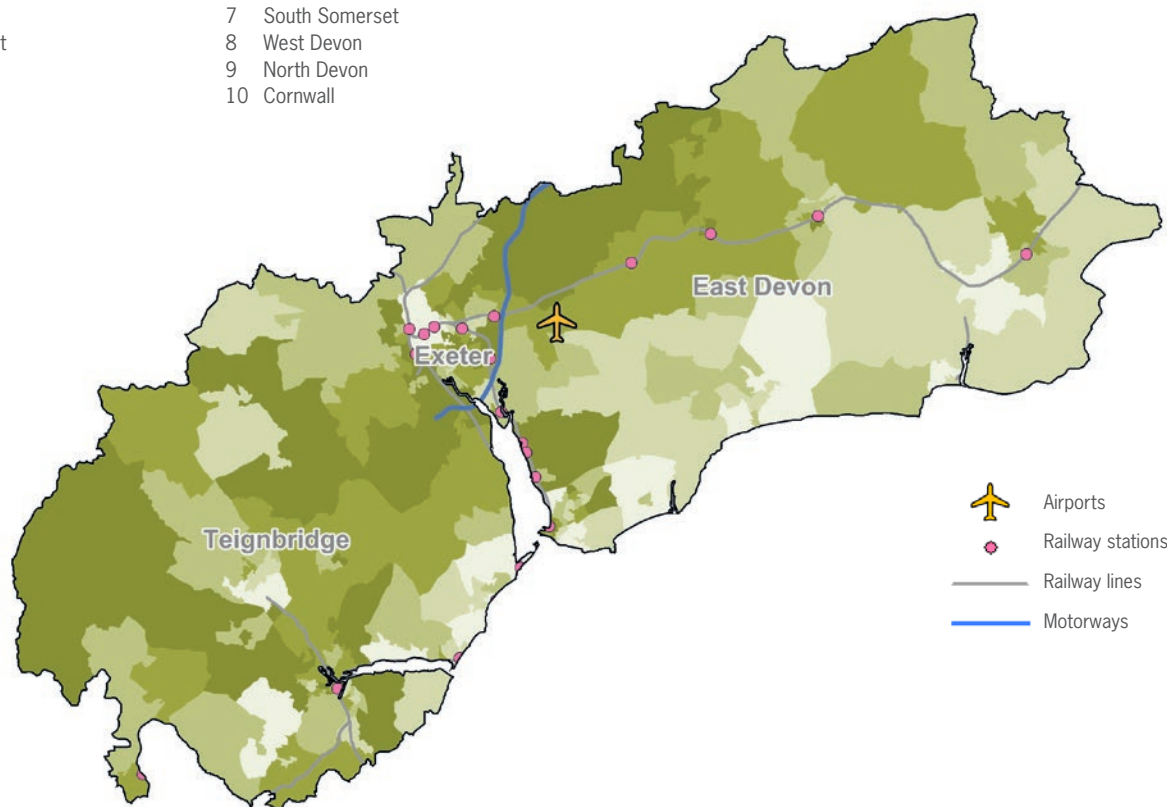
Travel to work

Top 10 commuter residences

- 1 Mid Devon
- 2 Torbay
- 3 South Hams
- 4 Plymouth
- 5 West Devon
- 6 Taunton Deane
- 7 Cornwall
- 8 South Somerset
- 9 North Devon
- 10 West Dorset

Top 10 commuter destinations

- 1 Torbay
- 2 Mid Devon
- 3 South Hams
- 4 Plymouth
- 5 Taunton Deane
- 6 West Dorset
- 7 South Somerset
- 8 West Devon
- 9 North Devon
- 10 Cornwall



Our research has identified that healthcare, in particular, is a non-starter in terms of devolution if the various organisations are not supportive. Indeed the memorandum of understanding which sets out the framework for devolution to Greater Manchester (GM) was developed and agreed to by all GM local authorities, GM CCGs and NHS England, and involved wide consultation with other local stakeholders such as local NHS providers. Broadly, the more robust bids can be in terms of specific collaborative relationships and records the better.

Key questions:

- Is your LEP, CCG and health and wellbeing board willing to sign off on your asks to the centre? If not, how might you explain why not? And if not, how can you embed a more positive relationship in the coming years ahead of a future deal?
- Does your bid include scope for the involvement of these organisations in the future?
- Does the private sector have a meaningful voice? Can you evidence prior or future consultation with them?

What powers?

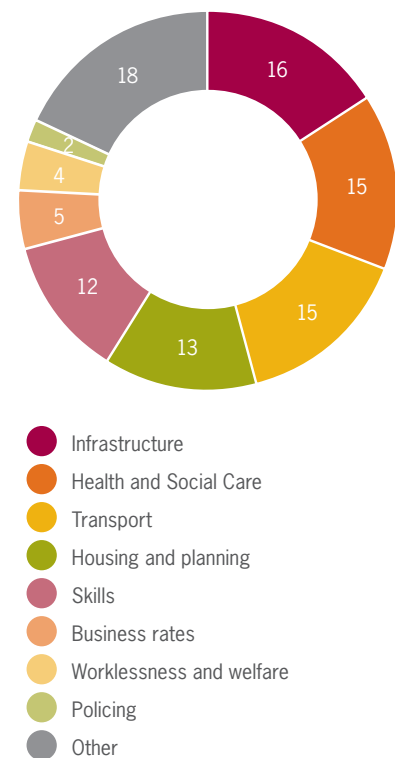
The watchwords here are ‘differently’ and ‘better’. Authorities are not innately owed powers by the centre, but must prove what they can add to their local residents’ day-to-day lives and how they can deliver this in an effective and innovative way. Any conversation which starts from the presumption that because neighbouring authority X received particular powers or concentrated on a particular policy area that they should too will be off to a bad start. The desire to innovate rather than identikit must mark such discussions. As one government source told us, “I think what was different with the way Greater Manchester approached this was not just arguing that you’re going to be able to do something better, but actually do it different so you know what you’re talking about... It was that you can see things from a GM perspective that would be difficult trying to do so at a national level”.⁶⁹

That said, we can at least sketch out the history of the previous deals. The table on page 14 illustrates the powers Cornwall, Leeds, Manchester and Sheffield devolution deals have been able to extract to date. Stripping out the broader provisions of Greater Manchester, the predominant asks would seem to concern greater say over skills, local transport and ticketing schemes, and aspects of business

support. There may be a natural evolution here for some places – of the 39 growth deals for example, all contained a skills element, all but one included a transport focus, and 32 included significant aspects of business support.⁷⁰

According to our survey the devolution of powers to the following areas are seen as the most beneficial to local residents (respondents were asked to pick only one choice):

Survey: most beneficial power to local residents (%)



⁶⁹ Manchester Roundtable

⁷⁰ <http://www.centreforcities.org/wp-content/uploads/2014/08/14-07-22-Local-growth-deals-Policy-briefing.pdf>

One respondent noted that “there should be a devolution prospectus of things that government will automatically reject or automatically agree (which might be expressed as a range in some cases, as ambition may vary locally) – instead of wasting time negotiating from the start in each case”.⁷¹ This is unlikely to happen. The Government in public – and in the course of conversations held in private for this research – has made clear its priorities that authorities should show how they can innovate, as we note.

To reiterate, the centre’s case here – perhaps not unreasonably – is that councils need to show that they can genuinely provide something additional: piggybacking on local government’s generally positive record is not enough. Each authority must demonstrate how they can add value to both their local economy and the national picture. Comments from the Whitehall representatives we have spoken to indicate that local government recognises this requirement.⁷² As one leading voice in the sector told us, “we’re only going to take on things that we can deliver better than the national schemes. If, say, health is performing quite well in our locality why would we touch it?”⁷³ But it is still true to say that not expecting something for nothing could be further embedded across the board.

If there has been some convergence around a skills-transport-business support (plus health and social care and housing/planning for more advanced deals) structure for deals to date, it is worth sketching out the position of Government too. This is necessarily broad – the Government will have to negotiate on a place by place basis of course – but we have a few clues here – in particular the priorities of the Treasury’s July 2015 Productivity Plan detailed below.

The centre’s case here – perhaps not unreasonably – is that councils need to show that they can genuinely provide something additional: piggybacking on local government’s generally positive record is not enough.

Building on the skills packages included in all devolution deals to date, the July 2015 document “anticipates that many colleges will be invited to specialise according to local economic priorities”. The Government also notes that they will “enable local involvement in the ongoing commissioning of provision”. Both these may suggest that greater collaboration with the LEP in advance of any deal is a worthwhile pursuit, and indeed bids may wish to secure the backing of local college heads before going to the negotiating table.

Similar advances are expected to be made with regard to developing management capability in SMEs –

with responsibility for designing and delivering such programmes expected to be part of future packages. The oyster-style smart ticketing seen in the Sheffield deal has likewise been highlighted for rollout as and where appropriate elsewhere.

Lastly, in terms of planning, the future Mayor of Greater Manchester will be given powers to produce development corporations and promote compulsory purchase orders (exercisable only with the consent

of the GMCA cabinet member representing the relevant borough in which the power is to be used).

It is also worth noting the Treasury’s approach to devolution in the forthcoming Spending Review. In a policy paper published soon after the Productivity Plan, they note that the general impetus behind their approach to devolution is “to maximise efficiency, local economic growth and the integration of public services”.⁷⁴ Given that the next waves of devolution deals are likely to be announced in the Spending Review, it seems imperative that those proposals – and indeed future ones – meet these objectives.

⁷¹ Survey

⁷² London and Manchester Roundtables

⁷³ Interviewee

⁷⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/447101/a_country_that_lives_within_its_means.pdf

Beyond productivity, health is clearly viewed as something of a rubicon that many are reluctant to cross given the associated risks. One Westminster figure told us that “we’re seeing growing interest in public service reform, but places are cautious around the health and social care integration bits”.⁷⁵ One roundtable participant noted that in their area “officers have been nervous about getting into the health system space and yet when engaging with members it has been these areas where they have wanted to be the most radical”.⁷⁶ As a somewhat speculative finding – given our survey indicates a clear shift from bids being member led at the beginning to officers coming more to the fore as negotiations on the detail begin in earnest with Whitehall – it may be that health has been raised but subsequently removed from bid asks as the process evolves.

In any event, in those areas of the country where provision is broadly functioning well the council or councils may indeed not wish to rock to boat, but there is still merit in involving – and being seen to involve – CCGs and health and wellbeing boards. The iterative nature of these deals, and the way in which Greater Manchester (and indeed successive Mayors of London) have taken initially devolved powers and sought others suggests authorities should not close doors. Indeed, one councillor told us

One statement that seems to encapsulate much of what the Government is after emerges from the West Midlands who “recognise that this is an important step to enabling further economic growth at a faster pace for our areas while undertaking necessary public sector reform and, in due course, achieving further devolved powers from Government”.

that the Department of Health have been broadly sympathetic to passing powers down: he had been told by senior Westminster figures that “we should give it to you to get past the blockers in the NHS”.⁷⁷ If an area wants to take on health in future years, the longer-term the relationships the better. There is no harm in building the bridges now, even if it waits until a second round of devolution. This is particularly the case given that NHS England’s Five Year Forward View outlines ambitions for healthcare to be more locally-oriented and partnership-based; and as a result the organisation’s chief executive, Simon Stevens, has been an enthusiastic supporter of GM’s healthcare devolution.

One statement that seems to encapsulate much of what the Government is after emerges from the West Midlands who “recognise that this is an important step to enabling further economic growth at a faster pace for our areas while undertaking necessary public sector reform and, in due course, achieving further devolved powers from Government”.⁷⁸ Further economic growth to build on the 2009 Combined Authority powers surrounding

regeneration, public sector reform to deliver efficiencies and gaining more powers in due course seems a reasonable description of how many authorities are viewing the initial proceedings.

A Westminster figure noted that “in the policy space where [councils] are more used to operating, their ideas are better developed – eg transport, infrastructure funding, housing – those classic economic powers. In the welfare, skills and labour market areas you see some good ideas, but sometimes they need quite a lot of work. They know they want to do something, but they’re not really sure what”.⁷⁹ This was broadly mirrored by the comments of one local authority figure: “the Government are keen on transport and housing but very wary on welfare. DWP remains the tough nut to crack. We believe we could deliver work programme style schemes far better, and I’d argue we have a strong case here, but it isn’t going to fly”.⁸⁰ Another local authority figure similarly noted that “the two areas where we could save the most money by having greater powers would be health and welfare, yet these are the two that we will struggle to get”.⁸¹

⁷⁵ Interviewee

⁷⁶ London roundtable

⁷⁷ Interviewee

⁷⁸ <http://www.westmidlandscombinedauthority.org.uk/assets/docs/WestMidlandsCombinedAuthorityLaunchStatement6JULY2015.pdf>

⁷⁹ Interviewee

⁸⁰ Interviewee

⁸¹ Interviewee

Should we ask for fiscal devolution?

The Government has made clear that proposals must be fiscally neutral at a minimum. Councils clearly understand the broad economic picture – with **57%** believing the need to control national expenditure was one of the three key barriers to devolution at present.

That said, they may be somewhat unrealistic in one key area. Local government has relatively high hopes for fiscal devolution in the relatively near future. **47%** believe a deal will include fiscal devolution inside this parliament, with a further **35%** thinking it could occur within the next parliament. This is despite Greg Clark recently stating that he “was not persuaded” that fiscal devolution was “necessary or desirable”.⁸²

One commenter argued that the “current proposals are too focussed on decentralisation rather than devolution and I don’t believe HMT will ever devolve tax raising/altering powers or allow for varied tax levels in England”.⁸³ Retention of business rates growth was afforded to Greater Manchester, Cambridgeshire and Peterborough in the March 2015 Budget, but powers beyond this – certainly to the point of raising new taxes – seem unlikely in the near future. One southern council leader responded

in the survey that “the Government will find it difficult to relax purse strings but it has to for devolution to be meaningful”.⁸⁴

Each bid will need to consider whether asking for such powers is a) realistic and b) if not, serves as a useful bargaining chip to gain lesser powers. It may be argued by the centre that local government has not sufficiently and collectively made the case for fiscal devolution to date. If Greater Manchester has received £30 million of additional growth-related tax retention after thirty years of AGMA, the likelihood of other areas getting more seems minimal at best.

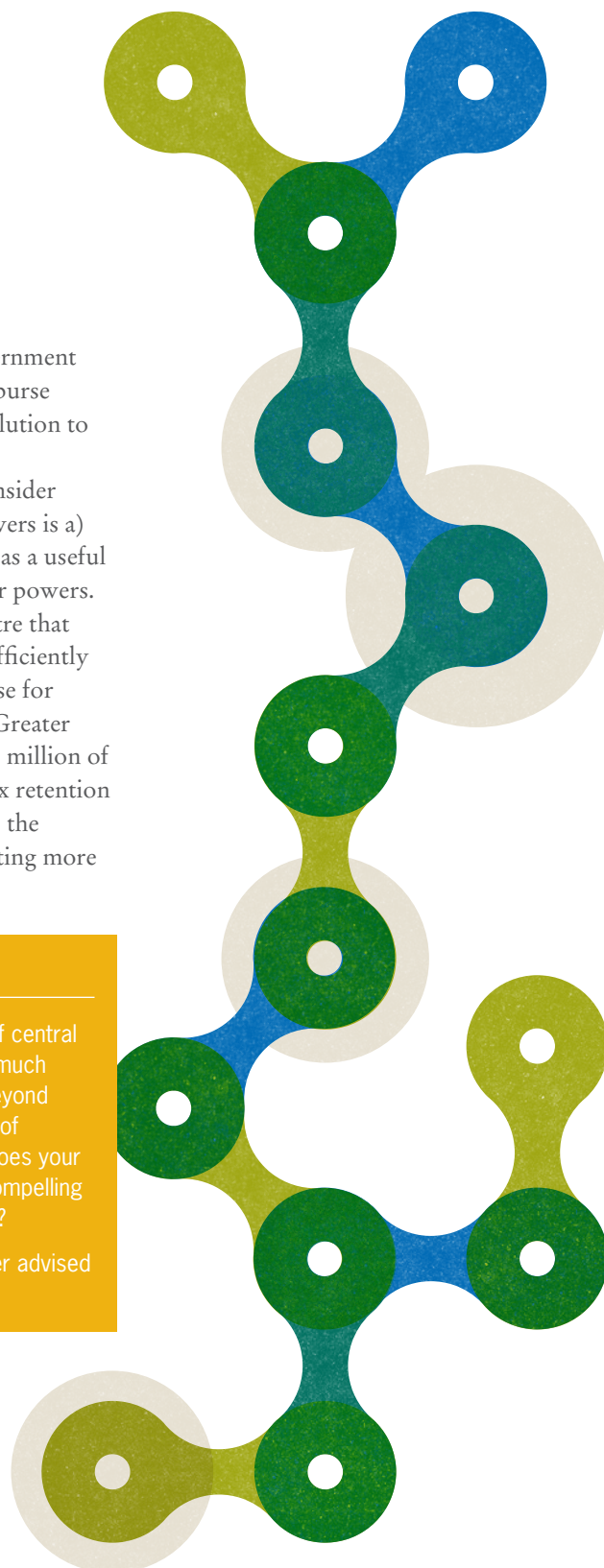
Key questions:

- Given the unwillingness of central government to concede much fiscal ground on areas beyond increased local retention of business rates at best, does your bid make a sufficiently compelling case for fiscal devolution?
- If not, would you be better advised to prioritise other areas?

⁸² LGC, 8 July 2015.

⁸³ Survey

⁸⁴ Survey



Giving the confidence to devolve

Can you evidence unity of purpose?

A key aspect our discussions with Westminster stakeholders revealed was the need for ‘unity of purpose’. This concerns a history of working together and expressing a clear vision for the local area which unites stakeholders across local government, health, economic development and other agencies. The Government, understandably enough, does not want to see deals which are reluctantly patched together, but robust proposals which will not crack under the first sign of local tension. In a sense, imposing a deadline on core cities might be argued to run slightly counter to this objective, but we are where we are. Clearly, not every locality will be in a position to parlay the kind of long-term collaborative work/experience of operating a united structure of Greater Manchester, but there are other ways to evidence this.

Asking our survey respondents to rate particular areas from 1 to 5 as to what they felt ‘central government prioritises’, **32%** pointed to ‘strong local leadership’ and **25%** to ‘headroom for local government growth’ as being the most important. But when it came to evidencing ‘a long-term collaboration between local authorities and/or other public/private sector bodies’ and ‘evidence of local public sector innovation’ only **13%**

and **11%** attributed similar emphasis. There is a clear mismatch here.

At a very basic level this is about evidencing trust and giving confidence regarding future cohesion. As one councillor at our London roundtable noted, “talking about deals is talking about individuals. Ten to fifteen people genuinely being able to work together”.⁸⁵ Here we must concede there is just an element of luck – do areas have the right people elected

‘Unity of purpose’... concerns a history of working together and expressing a clear vision for the local area which unites stakeholders across local government, health, economic development and other agencies.

and in place to make a deal possible? But every area can at least attempt to override a disadvantageous or build upon a fortunate position in this regard.

Clearly there are hurdles to be cleared and this won’t be an overnight process. Bringing together leaders from across the public sector to work together in ways that they had only occasionally done before is challenging. To add to that, there will be deep cultural schisms to overcome for which collaborative local leadership will be key. But as noted, unity of purpose can indeed involve looking beyond the town hall. At present our survey respondents mainly suggested that it was too early to assume what

form this cross-sector collaboration would take – though **91%** did stress that the local LEP was (or LEPs were) playing at least a partially active part of their proposal package. Our research suggests this needs to be embedded at an early stage. Collaboration with other areas of the public sector – though being improved through joint commercial endeavours – has been mixed to date. But proposals are showing signs of understanding this.

In the West Midlands the three LEPs participating in the proposed combined authority have agreed to produce an overarching strategic economic plan for the proposed region.⁸⁶ A regeneration and development growth board is to be set up with staff drawn from the LEPs to facilitate “co-ordinated investment from both the public and private sectors”.

Another national figure told us that “the Government wants to see commitment to public service reform and not just authorities doing it because they think the Government has prioritised this”. This is particularly true of the big ticket stuff. This source further suggests that “successful

⁸⁵ London RT

⁸⁶ <http://www.westmidlandscombinedauthority.org.uk/assets/docs/WestMidlandsCombinedAuthorityLaunchStatement6JULY2015.pdf>

health and wellbeing boards where people clearly get on is a good start [for the Government]. A lot of this is about trust”.⁸⁷ Some may not wish to go there immediately. A county councillor told us that “there is high risk associated with health and social care so we will wait and watch those that include it in their deals”.⁸⁸ On the other hand, **15%** of our survey respondents picked health and social care as the area in which devolution would bring the greatest benefit to their residents compared, for example, to **4%** for worklessness and welfare. Collaboration is absolutely key here: a Westminster source told us that “when health and social care is in play, it only works when you have the other bodies at the table. The question is does that happen from the off – or does the centre give them a bit of a nudge? And that may vary”.⁸⁹

Beyond the LEP where some progress has often been made, working with bodies beyond local government appears to be a general limitation of some bids at present. In part, as a few respondents pointed out, this stems from bids being at the embryonic stage. But a lesson of our research is that such collaboration can barely begin too soon. At present **47%** of respondents reported no active involvement from the local CCG in their bid, many recording a similar lack of engagement with universities (**40%**), housing

associations (**76%**), the voluntary sector (**77%**) and private sector stakeholders outside the LEP (**55%**). As noted above, 33% of our LEP based respondents recorded no local business involvement in the process at all.

There is of course a trade-off – the council or combined authority group of councils will provide the democratic spine of any devolutionary deal, but particularly with regard to the above point about the lack of Greater Manchester style records in most places, authorities need to demonstrate they can reach out beyond the town hall and engage with key local stakeholders. From its point of view, after all, the Government does not want to devolve power just to have to claw it back amidst intra-public sector squabbling. De-risking this for the Treasury and other government departments was raised by several of our interviewees.

While not everywhere is Greater Manchester the signs have been encouraging. A Whitehall stakeholder noted that in terms of collaboration authorities “are getting better – it’s increasingly seen as a pre-requisite. GM is seen as the classic example. They don’t always agree, but you very rarely see that in the open or in government negotiations. Among constituent authorities it can be slower to get an agreement – you see that in the city devolution deals – where the places

quicker to achieve that were named in the budget and others are taking a little bit longer”.⁹⁰

A long-term goal of the LGA’s Independent Commission on Local Government Finance is to see “different agencies working together at the sub-national level [to] redesign services and capture better outcomes by collaboration across traditional service boundaries. The expectation is that within these areas councils and their partners will work collaboratively to manage differences in capacity and resources between their constituent parts”.⁹¹ If that reality will doubtless vary across the country, evidencing that at least some steps have been taken towards it would be a good start.

Key questions:

- If you lack the direct record of Greater Manchester in terms of pan-authority working, what can you offer the Government as a sign that your arrangement will not dissolve should implementation prove difficult?
- What is your relationship like with the local LEP, CCG and health and wellbeing board? How early can you get them involved in your bid?

⁸⁷ Interviewee

⁸⁸ Survey

⁸⁹ Interviewee

⁹⁰ Interviewee

⁹¹ Via <http://www.localfinancecommission.org/documents/iclcf-final-report>

Is the governance right?

Governance, one respondent told us, has dominated their conversations with the centre to date. They estimate that 85% of discussions have been on governance rather than what devolution could do to improve residents' lives.⁹² Whatever the rights and wrongs of that, clearly authorities are going to have to have the answers to an issue the Government perceives as of crucial importance.

As noted in our introduction, since 2010 local government has gained a series of new stakeholders to deal with – ranging from LEPs to health and wellbeing boards. Two waves of city deals have passed down powers to various localities in areas such as business support, skills and employment and unlocking public sector land. At the same time, several localities have implemented combined authority agreements, and upon the passage of the Cities and Local Government Devolution Bill will have the option of pursuing a mayoralty for such structures.

This is progress, but it immediately brings three governance questions to any future devolutionary bid:

- 1 Is central government going to devolve significantly more powers to you than those included in the city/growth deals without serious governance reform (eg the adoption of a directly-elected mayor)?
- 2 If you are collaborating already through LEPs and similar pan-authority bodies, why should you not go to the next level and have a formal combined authority agreement? If the Government proposes that and you are against it, what will be your argument?
- 3 Could/should you have a mayor and what would the governance benefits be to that?

In essence this boils down to thinking what does the Government – the gatekeeper to powers and funds – actually want. Several interviewees clearly understood this – with one acknowledging the need to “think through what the consequences to [central] government might be. There’s a bit of leeway but, in the end, they’ll okay or refuse a deal based on ‘what does it mean for us?’”.⁹³ Catering to the provisions of the Government’s new Implementation Taskforces may

not be a bad place to start. Whether it be scouring the Terms of Reference from housing (“drive efforts to increase the supply... and driving public sector land sales”), health and social care (“deliver... an integrated system”) and Earn or Learn (“support three million new apprenticeships; make sure that all young people are either earning or learning”) Taskforces, the desire to make conversations with the centre fit into these goals – and even into the language of Whitehall – was highlighted by one Whitehall insider as key.⁹⁴

Points 1 and 2 above are essentially interlinked, and the progress made in the various city and growth deals may make the leap from ‘combined board’ to ‘combined authority’ level one worth taking for some areas. Some clearly had this explicitly in mind. The Greater Cambridge City Deal noted their willingness to “build on the simplified planning measures and initiatives outlined above as the City Deal evolves, and will formalise this joint working across planning authorities as part of the move towards a combined authority governance structure”.⁹⁵ At the very least, for one, business rates devolution cannot have been harmed by this willingness to meet the centre’s desire in this regard.

⁹² Interviewee

⁹³ Interviewee

⁹⁴ Interviewee; https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/433440/150608_Committee_list_for_publication.pdf

⁹⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/321722/Greater_Cambridge_City_Deal_Document.pdf

Others have met the Government's requirements for city deal level powers, but may wish to go further in the coming months and years. In their City Deal Greater Brighton created an economic board to sit between the local LEP and member authorities, an innovation panel "to oversee... activity across the area and to act as its main consultative body on innovation for Government departments" and a skills and employment group to do similar in that policy area.⁹⁶ Perhaps because of such creations, one survey respondent outside that locality told us that "mayors and combined authorities aren't for everywhere – section 101 of the 1974 Local Government Act mandates joint committees which should be considered going forward". Similarly, Staffordshire and Stoke-on-Trent elected to introduce "a city deal executive board underpinned by a legally binding collaboration agreement between the parties, setting out clear terms of reference for responsibilities and accountabilities, supported by a shared private sector lead programme delivery mechanism. This agreement is contractually binding on all the parties and this creates the stability for long-term delivery by partnership".⁹⁷

Such areas may consider Gloucestershire's approach to proceedings in its statement of intent:

"our shared geography, experience, capability, ambition and enthusiasm means we're ready to [go] forward and ask for a discussion with government about how we go further faster with a whole structure and accountability, through a combined authority".⁹⁸ Once again, other than personal or political rivalries, what is the genuine reason stopping an authority taking the Gloucestershire/Cambridge route and

powers in return for a mayor".⁹⁹ In July leaders in the North East wrote to Greg Clark stating their willingness to accept a mayor in exchange for a "radical" devolution deal.¹⁰⁰ Later that month, Darren Cooper, leader of Sandwell council told the BBC that in terms of the West Midlands deal: "we are going to put a radical agenda to government and we are going to see what we can get out of government

In the Summer Budget the Government indicated that it "remains open to any further proposals from local areas for devolution of significant powers in return for a mayor".

converting pre-existing collaboration into a combined authority? A reason may exist in some places, but they will need to be able to evidence it if they want further powers out of the Government.

As to mayors, to some degree it will depend on views on the ground and how much power an area wants. Leeds has been able to achieve its March 2015 suite of powers without an elected mayor, but for the transference of significant powers to a city or city region a mayoralty remains the strong preference. In the Summer Budget the Government indicated that it "remains open to any further proposals from local areas for devolution of significant

without a mayor. [At the same time,] we are going to ask, what if we do have a mayor? And then we'll ask people to make a decision on that".¹⁰¹ Our research suggests such an approach may be sub-optimal.

One interviewee told us that "we are at the point where we will do a deal with a mayor or we won't do a deal at all. The Government has been pretty relaxed about structures of much of the modus operandi in terms of accountability reforms etc – the mayor has been the big ask".¹⁰² For their part, one senior unitary councillor told us that "our local authority would accept a directly elected Mayor if the prize was attractive".¹⁰³

⁹⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/288903/Greater_Brighton_City_Deal.pdf

⁹⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/289615/Stoke-on-Trent_and_Staffordshire_City_Deal.pdf

⁹⁸ <http://www.gloucestershire.gov.uk/CHttpHandler.ashx?id=64009&p=0>

⁹⁹ Interviewee https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443232/50325_Summer_Budget_15_Web_Accessible.pdf

¹⁰⁰ LGC, 20 July 2015.

¹⁰¹ The World This Weekend, BBC Radio 4, 26 July 2015.

¹⁰² Interviewee

¹⁰³ Survey

Directly elected mayors may empower a particular person (and make or break a particular career), but it may serve to undermine the likelihood of other talented leaders to emerge.

There is of course a downside. One interviewee told us that directly elected mayors may empower a particular person (and make or break a particular career), but it may serve to undermine the likelihood of other talented leaders to emerge. They argued: ‘why hang around to be bossed about by a directly elected metro mayor. If someone with the gift of the gab will sit above council leaders, how will you get those leaders to stand in the first place?’.¹⁰⁴ A final line of criticism was reserved for the House of Lords who, it was felt, “still talk about local government as if what it was like when they were involved thirty years ago”.

As to where this will all lead, one Whitehall insider speculated that in a few years’ time “a reasonable number (though probably not all) of the core cities and their regions will have something akin to a metro-mayor –

though perhaps with a bit of variation around the model. There may be one or two other smaller cities that move to a mayoral model, but I think we’ll then likely be in county deal territory which will involve some further rationalisation of local government”.¹⁰⁵

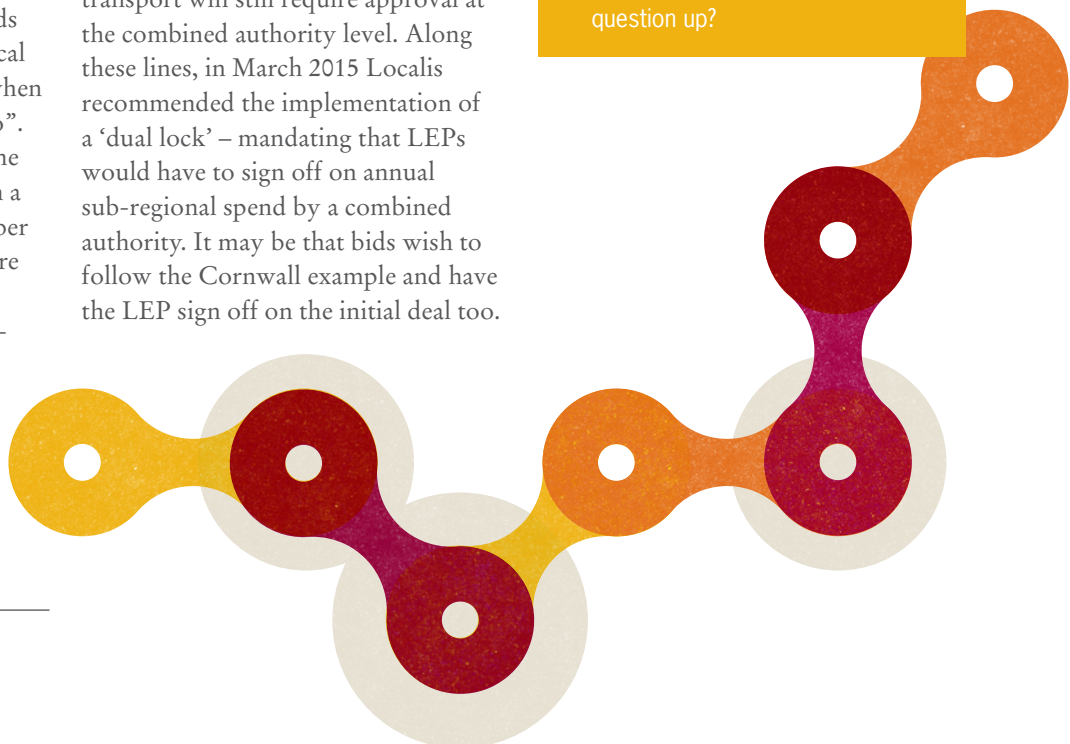
It is clear that having a mayor brings with it the possibility of greater devolution. Combined authorities can get authorities to a certain level – broadly, the ability to have a greater say over where centrally allocated monies are dispersed – but it is clear that their willingness to accept a mayor has lifted Greater Manchester above and beyond the pack. Mayoral sceptics may take note of the caveats built into Manchester’s new position – key powers surrounding planning and transport will still require approval at the combined authority level. Along these lines, in March 2015 Localis recommended the implementation of a ‘dual lock’ – mandating that LEPs would have to sign off on annual sub-regional spend by a combined authority. It may be that bids wish to follow the Cornwall example and have the LEP sign off on the initial deal too.

Key questions:

- Is central government going to devolve significantly more powers to you than those included in the city/growth deals without serious governance reform?
- If you are collaborating already through LEPs and similar pan-authority bodies, why should you not go to the next level and have a formal combined authority agreement?
- Could/should you have a mayor and what is the likely devolutionary benefit?
- If you are frustrated that governance is monopolising your conversations with the centre how can you most effectively wrap the question up?

¹⁰⁴ Interviewee

¹⁰⁵ Interviewee



Are accountability measures in place?

It is worth noting that several of deals already contain an element of performance evaluation. Greater Manchester’s ‘earn back’ and Leeds’ ‘gain share’ city deal both involve the creation of an independent panel – appointed in consultation with HMT, the Cities Unit and the cities themselves – to evaluate their performance over a five-year period.

In terms of wider scrutiny a Westminster stakeholder we spoke to identified the importance of “scrutiny by elected members and by members independent enough to make it real”. They noted that “some scrutiny committees are better about providing real, effective scrutiny than others”.¹⁰⁶ A local public accounts committee – independent and forthright like its parliamentary equivalent – was also identified by this source as a key factor. **41%** of survey respondents agreed they would accept this measure as a price of devolution. Greater Manchester’s deal again stated that “a scrutiny function would be necessary in order to hold the mayor and the GMCA to account by examining the effectiveness of their policies, decisions and actions”.¹⁰⁷ The LGA/CIPFA Independent Commission on Local

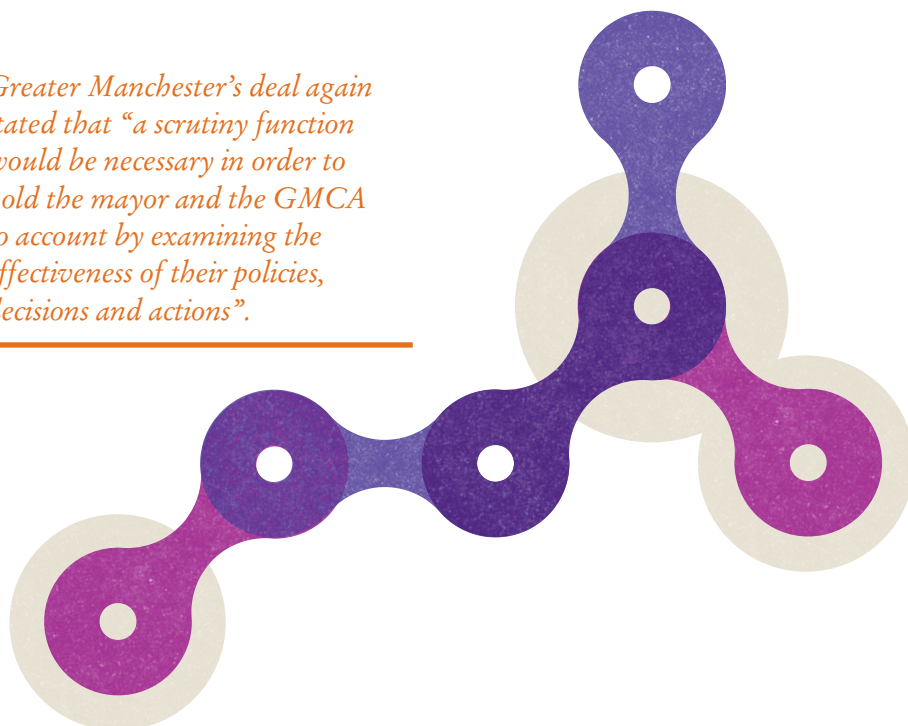
Government Finance argued that “local public accounts committees should be established in pioneer sub-national areas to scrutinise value for money for all public services”.¹⁰⁸

Newer bids are attempting to build in some form of scrutiny. In the West Midlands three new independent commissions are being formed to help shape the agenda of the proposed combined authority. Support from government is being sought in the appointment of the chair and to outline objectives and they will range across three key areas: productivity, land and mental health/public services.¹⁰⁹

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Key questions:

- Fundamentally, what will happen if a newly devolved function underperforms?
- What evaluation measures are in place and how will these be consistent across the country?
- What does the centre want of you in each of your proposed policy asks? Could you co-design both scrutiny panels and particular targets with the centre?



¹⁰⁶ Interviewee

¹⁰⁷ http://www.agma.gov.uk/cms_media/files/gm_agreement_final6.pdf?static=1

¹⁰⁸ Via <http://www.localfinancecommission.org/documents/iclgf-final-report>

¹⁰⁹ <http://www.westmidlandscombinedauthority.org.uk/assets/docs/WestMidlandsCombinedAuthorityLaunchStatement6JULY2015.pdf>

Is your bid robust?

One form of a functional economic market area (FEMA) assessment has been undertaken by each proposed combined authority to date. This includes metrics such as travel to work areas and housing market data. From these a 'self-containment ratio' can be calculated which outlines how much of the in-work population lives within the proposed new economic geography. To date self-containment percentages have ranged from 93% in the North East to 83% in Liverpool.¹¹⁰ Undertaking a FEMA remains a minimum requirement of any devolutionary bid – if a locality does not know its economic geography it is a bit much to expect the Government to devolve it powers. But hitting a minimum of four fifths self-containment seems something of a minimum bar.

Beyond bringing the requisite attractive statistics to the table localities also need to play by the accounting rules of the game. One county respondent pointed to the “need to get over green book hurdles. I don't have a problem with that incidentally, but it is not an inconsiderable hurdle”.¹¹¹ Greater Manchester's agreement included that their “gateway assessment should be consistent with the HMT Green Book, which sets out the framework for evaluation of all policies and programmes,

and where relevant with the more detailed transport cost-benefit analysis guidance issued by the Department for Transport (DfT)”.¹¹² Bids which try to gloss over these details are likely to be given short shrift. Reviewing the (currently) 118 page document and setting out how their locality's bid accords with it should be a minimum requirement of a bid.¹¹³

As noted, the early involvement of LEPs, CCGs, health and wellbeing boards, local business and essentially any key stakeholders with some plausible degree of separation from the relevant authorities can aid robustness too. The centre will of

sector are on board this may become seen as of lower importance), but also provides plausible deniability to central government if things go sour in a devolved arrangement. The latter may not be the most uplifting of aims, but given power is the centre's to devolve it may be a realistic one.

Others have speculated on robustness too. Devolution to date has often been about devolving a greater say over centrally devolved spend, rather than full autonomy. In this regard the NAO has “identified two key principles that help to ensure central and local government maximise the benefit of jointly

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course run its own sums on the projections included in any statement of intent from a locality, but that statement will be given more credence if others beyond its direct authors can help design its parameters and ultimately verify its goals. This helps not only mitigate against some of the democratic arguments against combined authorities (leaders may not be directly elected, but if key local players outside the local government

owned programmes”. In short, each programme needs to be both “initiated successfully” and “overseen effectively”.

The first of these involves “clear, well communicated” objectives “agreed by all the partners involved” which involve “a clear and logical link between the programme's objectives and its funding and delivery mechanisms”.¹¹⁴

¹¹⁰ <http://www.westmidlandscombinedauthority.org.uk/assets/docs/WestMidlandsCombinedAuthorityLaunchStatement6JULY2015.pdf>

¹¹¹ Interviewee

¹¹² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/369858/Greater_Manchester_Agreement_i.pdf

¹¹³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf

¹¹⁴ <http://www.nao.org.uk/wp-content/uploads/2015/07/Devolving-responsibilities-to-cities-in-England-Wave-One-City-Deals.pdf>

The second embeds “monitoring and evaluation processes in the delivery of programmes”, necessitates “quantifiable and measurable outcomes to identify problems early and refine... delivery” and keeps such measures “clear and simple”.¹¹⁵

Our research bears this out. Greater Manchester’s benchmarking of agreed targets and agreement to “commission an independent assessment of the economic benefits and economic impact of the investments made under the scheme, including whether the projects have been delivered on time and to budget” is key. This assessment will be funded by Greater Manchester, but agreed at the outset with HMT, and will take place every five years. The next five-year tranche of funding will be unlocked if HMT is satisfied that ‘the independent assessment shows the investment to have met the objectives and contributed to national growth.’¹¹⁶ The latter point is crucial – part of the negotiation process with the centre will involve producing the future benchmarks, and that is something it is important to strike as beneficial a deal as possible on.

Greater Manchester has done the hard thinking on such questions for decades. Where AGMA has provided the political links, New Economy Manchester has helped deliver a broad, robust business case for these to be turned into concrete devolution (and identified the key early wins). One central stakeholder told us that he’d seen some “innovative [bids], some not... [but] they all have less of a think tank function than GM with New Economy and so forth. As a result you see a lot of money spent [and] a central gain to them”.¹¹⁷ Many other areas of the country will be operating with a disadvantage in this regard, hence the increased importance on delivering the elements of robustness highlighted here.

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Lastly, an interesting question emerges around peer review too. One senior figure told us that he thinks “the LGA needs to work out its role in the shifting landscape”. He could see “a role for the LGA and the sector to police underperforming authorities more than they do at present”. Pointing to current ad hoc arrangements “regarding peer review stuff”, he suggested that “DCLG should give the LGA the powers to make it happen” – “they should say ‘if you don’t have a LGA peer review you’ll have a DCLG peer review’ and take it from there”.¹¹⁸

Key questions:

- Who is willing to put their name to your bid beyond the councils directly in line to receive powers?
- What evidence do you have that your bid is not just based on your own optimistic future projections?

¹¹⁵ <http://www.nao.org.uk/wp-content/uploads/2015/07/Devolving-responsibilities-to-cities-in-England-Wave-One-City-Deals.pdf>

¹¹⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/369858/Greater_Manchester_Agreement_1.pdf

¹¹⁷ Interviewee

¹¹⁸ Interviewee

Making the case for devolution

But what happens when an authority gets to the negotiating table? How can they make a positive case for devolution that is not just ‘devolution for devolution’s sake?’ There are several points that need to be considered here.

Impacts to date

The first is ‘impact’, and what that actually means. In June 2015 the National Audit Office carried out an evaluation of the first wave of city deals introduced by the Coalition Government. They concluded that: “the programmes where cities have achieved an early impact use funding mechanisms that align local objectives with departments’ assurance requirements”.¹¹⁹ Generally, our conversations have suggested that localities which had signed a city deal were “much better equipped and much more comfortable with the relative lack of rules and process. And therefore their pitch was in a place to negotiate”.¹²⁰

Generally, our conversations have suggested that localities which had signed a city deal were “much better equipped and much more comfortable with the relative lack of rules and process. And therefore their pitch was in a place to negotiate”.

On their actual success in the brass tacks Whitehall insiders we spoke to noted that the city and growth deals to date were important, but that it was hard to measure specific impacts as yet. One told us that it was “hard to draw the distinction that [the deals] have driven growth – it’s too early, and in the grand scheme of local economies, they are quite small. But have they had a transformative impact on the way that cities look at growth across geographies and given them a chance to address specific policy developments relevant to their local economy? Yes”.¹²¹ In a sense the vision behind the city and growth deals may be as important to Whitehall as an actual effect they have had at the margins to date. It may, in particular circumstances, be more profitable to say “our growth deal has had minimal economic impact to date, but here are the structures and new working patterns it has initiated – and these would stick with or without further devolution”.

Some understand this. One county council stakeholder stated that “if nothing else, the deals process has brought greater clarity on the partnerships and visions between different public sector organisations. If it had done nothing else that would be a good thing”.¹²² As the NAO note, this is true of local-central relations too – pointing to the city deals process having “initiated new relationships between cities and departments. Some of the programmes in the deals have progressed as part of subsequent policies, such as growth deals and devolution deals. For example, the West Yorkshire Transport Fund, which Leeds first proposed in its city deal, commenced as part of its growth deal”.¹²³ These are no doubt positive, though we note some caveats below.

The financial impact of previously devolved economic levers on skills and growth may have been minimal in some areas purely as a matter of timing. It is difficult (though not impossible) to evidence much use, for example, of a Single Local Growth Fund which was only devolved in April.

¹¹⁹ <http://www.nao.org.uk/wp-content/uploads/2015/07/Devolving-responsibilities-to-cities-in-England-Wave-One-City-Deals.pdf>

¹²⁰ Interviewee

¹²¹ Interviewee

¹²² Interviewee

¹²³ <http://www.nao.org.uk/wp-content/uploads/2015/07/Devolving-responsibilities-to-cities-in-England-Wave-One-City-Deals.pdf>

Experience of delivery models

60% of respondents to our survey believed their devolution proposals to be ‘fairly’ or ‘very’ robust. This leaves around **1 in 5** who see their proposals as ‘fairly’ or very ‘weak’.

The stance we have continually encountered from central policy makers is that local authorities’ aim should be to prove themselves capable and to view the extra powers as providing that little bit of extra help to build on their solid record. Devolution is not, in other words, something for nothing but should be a natural evolution akin to payments by results. Deliver the goods and the centre should pass down more of them.

A local government figure told us that “we’ll see how much weight is attached to shared service agreements by the Government when the results of those councils with a history of working in this area trickle in”.¹²⁴ They further noted that “it could be that these bids are quite vague, but if they are able to get government

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approval based on a prior track record of working well together through previous shared agreements, that’ll be a big sign”.¹²⁵

The Government’s prioritisation of innovation will ultimately be tested at the negotiating table in the coming weeks. But the quantifiable success stories of devolved powers, funds and pilot schemes should, naturally enough, be at the heart of devolution bids. Indeed, if the complaint from local government is “we are spending too much time in negotiations talking about governance structures”, evidencing why their precise form will not be so important – because key stakeholders generally get along anyway – becomes crucial.

Devolving for growth and productivity

Judging by the deals in Leeds, Manchester and Sheffield growth is very much the order of the day. So far the Government has been willing to devolve various functions surrounding business support, skills and transport – cognate to the growth and productivity agendas.

A key challenge for bids is to evidence that economic rather than political goals will remain the focus of all at the negotiating table. This again comes back to the unity of purpose arguments above – has a bid been robustly prepared, looks like it will

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hold and been designed for the needs of residents rather than as an act of inter-council compromise?

Grant Thornton’s Place Analytics software is able to model the potential impact of combined authority agreements across England. Using various indicators from employment to growth to local skills levels, it is able to project the additionalities various collaborations may bring.

The Government has avoided offering a menu of powers for councils to pick from. As one civil servant told us, “councils asking for a menu should be careful what they wish for – it might well serve to shrink the offer”.¹²⁶ But what councils can do to bolster their case is to analyse areas the Government is placing priority on.

In this regard the July 2015 Productivity Plan has much local authorities bidding for a devolution deal should be tapping into. Some of these we covered in our previous section under ‘What powers?’ but the key challenges for local government are worth re-iterating.

¹²⁴ Interviewee

¹²⁵ Interviewee

¹²⁶ London roundtable

Central desires within the Productivity Plan and the scope for devolution the Government sets out are included below:

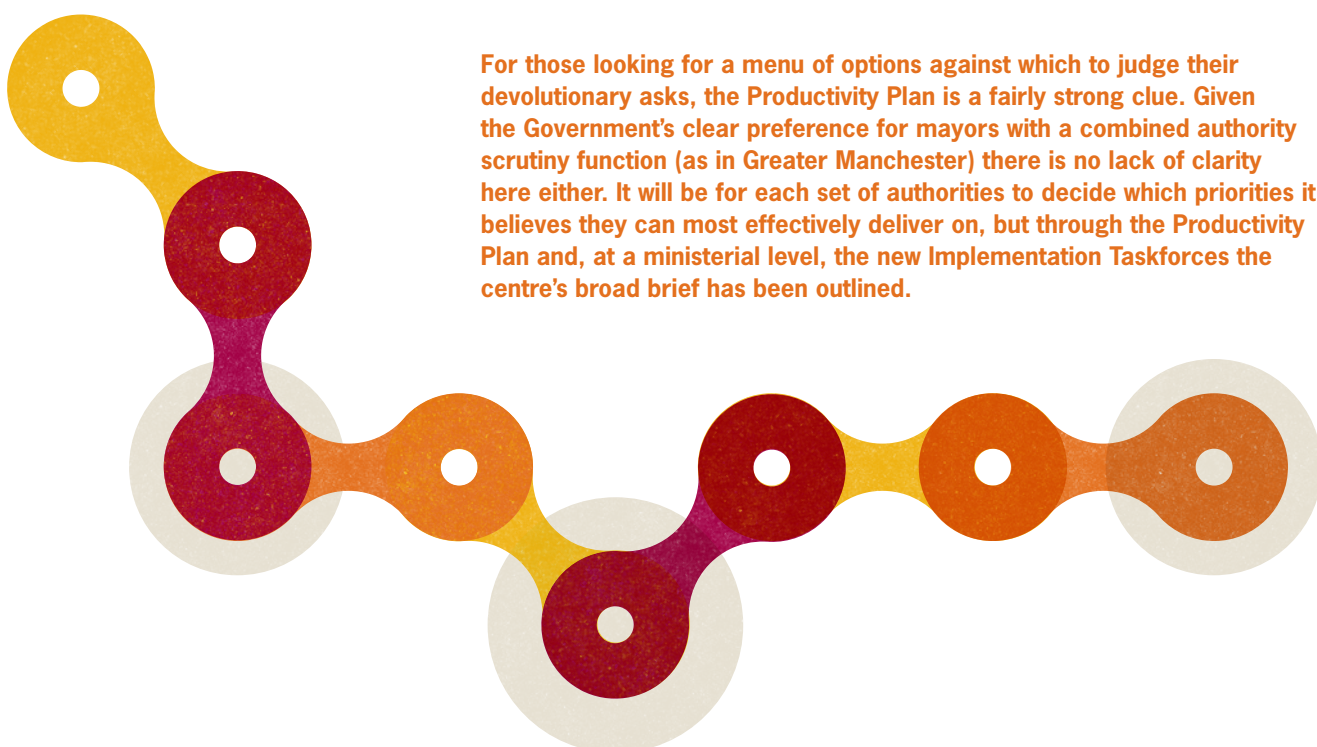
Central government desire	The Government offer to...
<p>Skills “strong local areas and employers to take a leading role in establishing a post-16 skills system that is responsive to local economic priorities”</p>	<p>“invite local areas to participate in the reshaping and re-commissioning of local provision to set it on an efficient and financially resilient footing” [reward] “areas with the strongest governance and levers to shape provision, building on the skills flexibilities agreed with Greater Manchester, London and Sheffield... [and] following on from this restructuring process... enable local involvement in the on-going commissioning of provision”</p>
<p>Housing “Housing is a national priority, and the Government will work with mayors and Combined Authorities to provide the tools they need”</p>	<p>London “...enter into discussions for the devolution of major new planning powers to the Mayor of London”¹²⁷ “...bring forward proposals to allow the mayor to call in planning applications of 50 homes or more”</p> <p>Across England “...work with mayors in London and across the country to use new powers in the Devolution Bill to use development corporations to deliver higher-density development in designated areas”</p> <p>Greater Manchester “...devolve new powers to the future Mayor of Greater Manchester, giving them the tools to drive forward complex, brownfield developments” “...bring forward proposals to allow the mayor to produce Development Corporations, and promote Compulsory Purchase Orders”¹²⁸</p>
<p>Business support “to make sure that it is easy to start a business, that the best new businesses can scale up rapidly, and that they can fulfil their long-term potential”</p>	<p>“...explore options for devolving responsibility for designing and delivering [advice and support to develop management capability in SMEs] to local areas as part of city devolution”</p>
<p>Economic development (and mayors) “The Government wants to build on the success of the deal with Greater Manchester, to give more cities the freedom and powers to enable investment and make decisions in the best interest of their metro area”</p>	<p>“...consult on devolving powers on Sunday trading to city mayors and local authorities. This will look at allowing mayors and local authorities to extend Sunday trading” “...remain open to any further proposals from local areas for devolution of significant powers in return for a mayor, in time for conclusion ahead of the Spending Review”</p>

Continues over

¹²⁷ ‘Beginning with wharves and sightlines, in consultation with Londoners’

¹²⁸ ‘These powers will be exercisable with the consent of the Cabinet member representing the borough in which the power is to be used.’

Central government desire	The Government offer to...
<p>Transport “Cities require high-quality transport if they are to be successful, as well as the powers to deliver a fully integrated public transport system that truly serves the needs of their residents and businesses”</p>	<p>“...devolv[e] far reaching powers over transport to the North’s mayor-led city regions to deliver fully integrated public transport systems, supported by Oyster-style smart and integrated ticketing systems” “...establish T[ransport] f[or the] N[orth] as a statutory body with statutory duties to set out its transport policies and investment priorities in a long-term transport strategy for the North, underpinned by £30 million of additional funding over three years to support TfN’s running costs and enable them to advance their work programme”</p>
<p>Regions and the Midlands “The Government is committed to driving economic growth throughout all of the country’s regions and is strongly supportive of the steps taken in the Midlands to develop a pan-regional approach to transport”</p>	<p>“...to support a regional approach to skills. The Government will work with LEPs, the local partners and the emerging combined authorities to scale up this work across the Midlands, looking to agree a clear and detailed delivery plan in autumn 2015”</p>
<p>Public service reform “Public services represent around 20% of the economy, and so improving their productivity and efficiency will have major benefits for the economy, taxpayers and those who use these Services”</p>	<p>“...outline specific initiatives [in the Spending Review], based on the following principles: service redesign: shifting delivery to the local level, to put the public at the heart of service delivery; integrating front line services; and promoting early intervention to unlock savings”</p>



For those looking for a menu of options against which to judge their devolutionary asks, the Productivity Plan is a fairly strong clue. Given the Government’s clear preference for mayors with a combined authority scrutiny function (as in Greater Manchester) there is no lack of clarity here either. It will be for each set of authorities to decide which priorities it believes they can most effectively deliver on, but through the Productivity Plan and, at a ministerial level, the new Implementation Taskforces the centre’s broad brief has been outlined.

Leadership

With notable exceptions (eg Greater Manchester), our research indicates that members rather than officers have most often provided the initial impetus for devolutionary bids. While **42%** of respondents believed members had driven the process in the early stage (with **15%** thinking there had been equal member-officer drive, and **40%** pointing to officers), when it came to leading the detail of negotiations with Whitehall the splits were equal – with **21%** pointing to member priority, **21%** to officers and **34%** to an equal member-officer share.

Speaking to one key Westminster figure, it is clear some devolutionary bids may already be evidencing leadership by getting to the table at all. He notes that “except for a few limited people councillors don’t really get the sub-regional case. They don’t primarily even think to their city, but to their ward... You do of course get more visionary leaders – but these need to drive home the sub-regional case above and beyond councillors’ concerns”.¹²⁹

While mayors may not work for every locality (there has not been, for example, a mayor for Cornwall included in their deal), there are clear advantages of both time and accountability. One Westminster

While mayors may not work for every locality... there are clear advantages of both time and accountability. One Westminster voice noted that “I’m not in love with mayors as a concept, but one thing they do do is solve the legitimacy question.”

voice noted that “I’m not in love with mayors as a concept, but one thing they do do is solve the legitimacy question. Mayors can derive their power from the electorate and avoid the vexed question of who is going to chair a combined authority which experience suggests can kick the can down the road at least six months”.¹³⁰

Generally bids have tended to be led by a vanguard of authorities to which others later join. A national policymaker told us that “I say this as an outsider, but to do a Manchester-type arrangement, it seems to me you grab a handful of people – say, two enterprising chief executives, two Labour leaders, and one from the Tories and Lib Dems and agree to drive the thing through come what may”. Our survey indicates that **32%** of bids have been led by one authority, and a further **27%** by several. Although certainly not unheard of, it does appear that total pan-authority coverage from initial scoping stage to final implementation is at least not the norm.

At the negotiating table knowledge of the Treasury and Civil Service mind-sets has been highlighted. While HMT have historically been regarded by some as opposed to devolution on principle, one Westminster voice argues this may be changing: “the Treasury were a roadblock a few years ago but in some sense today they are further ahead on thinking services can be delivered better and cheaper. DWP, for example, are miles behind. [Arguably] the Treasury can help drive devolution in saying local government can do things better and cheaper”.¹³¹ The presence of a sympathetic local MP may help. Clive Betts argues that in terms of MPs “not many don’t buy devolution. When I came to the house [after serving as leader of Sheffield City Council], the view was that local government was second rate, but not now”.¹³²

¹²⁹ Interviewee

¹³⁰ Interviewee

¹³¹ Interviewee

¹³² Clive Betts Interview

The need for a democratic mandate?

Most of the people we spoke to expressed ambivalence at best to the need for a democratic mandate – at least in the form of a local referendum – to back up any asks for devolved powers. Only 18% of survey respondents we spoke to would back that option as a ‘reasonable’ ask of any authority seeking devolution. No Westminster-based interviewees raised it as a necessary pre-condition either – one noted that “in the natural order of things, the local press and some degree of consultation is clearly a good thing, but it’s not a must at all – it certainly wasn’t the case with Greater Manchester”.¹³³

Most of the people we spoke to expressed ambivalence at best to the need for a democratic mandate – at least in the form of a local referendum – to back up any asks for devolved powers.

The one democratic example we have already touched upon – mayors – is an exception to this general rule, but historically (certainly in the case of the two Mayors of London to date) these have often parlayed their forceful personalities into acquiring new powers on a somewhat ad hoc basis from central government.

Selling it to the public and the media

The devolution agenda is in a far better place than it was five years ago. This is not only true of the broad political consensus for its further implementation, but the economic picture. If in 2010 devolution was tied to a stagnant economy and supposedly apocalyptic cuts to come, in 2015 it is a little different. The public spending squeeze is likely to continue for the next few years, but growth has returned and, despite clear difficulties, local government has borne the storm so far. The argument for devolution is certainly not as politically difficult as it was.

That said, it must be achieved optimally. One problem identified was the sequencing of the devolutionary process. More than one local government stakeholder remarked that the need to keep discussions with the centre under wraps had made the public consultation process difficult. The announcing of what an area’s asks of central government might be have thus sometimes appeared very close to the announcement of the deal itself. Because of the nature of the deals this may not be a problem – some are including language along the lines of ‘dependent on the business plan’ to allow the council wiggle-room to go back out for consultation and account for residents’ views – but it is an issue

each council should prepare for. If post-deal referenda are not option – as the above indicates they are unlikely to be – then councils must engage with the key, impartial stakeholders – business bodies, local skills providers, universities and so on – this report has identified previously.

The actual selling of exercising power away from Whitehall may be less of a tough task and not just because of the improving economic picture. As mentioned, three quarters of those surveyed by the LGA in February reported that they most trusted their local council to make decisions about how services are provided in their local area, compared to just 19% for central government.

The actual selling of exercising power away from Whitehall may be less of a tough task and not just because of the improving economic picture.

And the aforementioned early collaboration with local business may be crucial in tipping the balance. A Grant Thornton survey of November 2014 revealed that medium-sized businesses place local transport budgets (59%), apprenticeship budgets (52%) and business rates (44%) as the key priorities for devolution.

¹³³ Interviewee

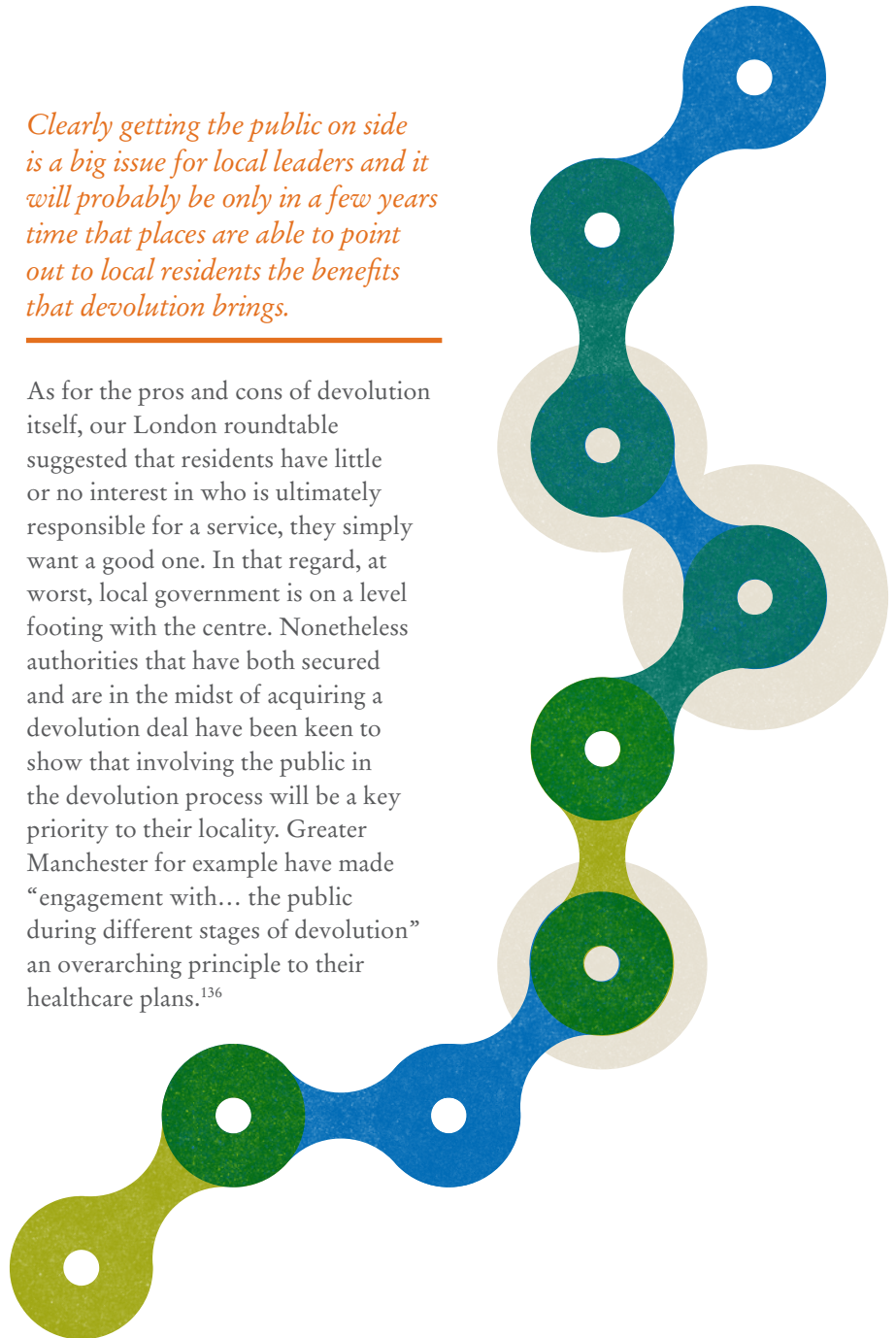
Greater Manchester has secured all three of these areas, while Cambridgeshire, Leeds and Sheffield are among those to make strides on at least one.

Clearly getting the public on side is a big issue for local leaders and it will probably be only in a few years' time that places are able to point out to local residents the benefits that devolution brings. But the more this is done, the more people will buy into the agenda and the more difficult it will make it for the centre to reverse changes.

There may also be a culture shift needed in the houses of parliament. As Clive Betts notes, "MPs cannot resist demanding the minister come to the House and explain why something has gone awry. Culturally we are quite far from a minister being able to reply 'go ask your local council'"¹³⁴ Convincing local MPs to support their local deals may be crucial in tying them to supporting devolution across the board.¹³⁵

Clearly getting the public on side is a big issue for local leaders and it will probably be only in a few years time that places are able to point out to local residents the benefits that devolution brings.

As for the pros and cons of devolution itself, our London roundtable suggested that residents have little or no interest in who is ultimately responsible for a service, they simply want a good one. In that regard, at worst, local government is on a level footing with the centre. Nonetheless authorities that have both secured and are in the midst of acquiring a devolution deal have been keen to show that involving the public in the devolution process will be a key priority to their locality. Greater Manchester for example have made "engagement with... the public during different stages of devolution" an overarching principle to their healthcare plans.¹³⁶



¹³⁴ Clive Betts interview

¹³⁵ Though local MPs will not always be on board. One Yorkshire MP for example has pushed for a Yorkshire-wide devolution deal and the two city region deals to be scrapped.

¹³⁶ Greater Manchester Health and Social Care Devolution Memorandum of Understanding

Concluding checklist

We conclude this report by outlining the big issues councils need to be addressing and the order in which they should be approached.

1 What can we do differently and better?

Greater Manchester has provided a trailblazing example to councils across England. But their example will be best interpreted as a general atmosphere of collaboration and long-term partnership rather than the specifics of the GM deal. In other words, trying to take the powers GM has received ‘off the rack’ and applying them to another set of circumstances is a sub-optimal approach to say the least.

‘Differently’ and ‘better’ both matter in the question above. The Government has made clear its desire to see innovation and the understanding that devolution will mean a non-uniform set of delivery models and governance. It will also want to see results (not least where policy areas have a direct link to national tax receipts and priorities). By showing how they can deliver both and couching their asks in such terms, authorities will take a positive step towards gaining further autonomy.

2 What precise powers do we want and what economic geography is most effective?

Powers and geography are so intrinsically interlinked that the two questions need to be faced at the same time. What an area perceives it can deliver differently but better will inform the powers it prioritises. The nature of the geography (including any mezzanine levels) will flow from this.

Broadly, for example, a metropolitan set of combined authorities may conceive that they can deliver better outcomes for children than central government. They may therefore wish to pursue powers over early years funding and/or troubled families. This may chime with the geography of the metropolitan area, or it may lead a vanguard of councils within the area to conclude that they would be better able to achieve these outcomes by acting with more/less partners. The same group of authorities may also conclude that they can deliver better outcomes for their residents in the area of skills, but on a totally different geographical scale eg linking to a ‘travel to work’ area that stretches beyond the combined authority boundaries.

To do some degree this involves a degree of utilitarianism – maximising outcomes for the highest number of people – which is not always consistent with either the remit of an individual local authority (accountable and responsible for particular lines on a map) or an established grouping of councils in a combined authority. But by showing such thinking, local government can in turn give the centre more faith that its intentions are serious, robust and long-term.

3 What governance do we need to give the centre confidence?

Several local stakeholders have expressed their displeasure at their conversations with the centre being dominated by talk of governance. One way of expediting such discussions however is to ensure the answers to questions 1 and 2 above are clear in the minds of all local negotiators. Authorities which come to the negotiating table with well prepared and specific answers to the above can couch their discussions of governance within these terms. The difference, in other words, is between the authorities frustrated at talk of mayors, but with little coherent plans for what any ‘mayor/non-mayor’ would exercise in any event, and those authorities willing to proactively move on a combined authority/mayor, but also with a firm set of locally appropriate asks that such a figure would have control over.

Acknowledgements

In producing this report Localis researchers interviewed a number of people – some on an anonymous basis – within Whitehall, the NHS and local government. The following represents a list of some of the names that participated in a one-on-one interview, one of the two roundtable discussions that informed this research, or both.

- **Cllr Sean Anstee**, Leader of Trafford Council
- **Erica Ballmann**, Head of Policy and Business Management, Haringey Borough Council
- **Clive Betts MP**, Chair of the Select Committee for Communities and Local Government
- **Sir Howard Bernstein**, Chief Executive, Manchester City Council
- **Neil Border**, Strategic Policy Manager, West Sussex County Council
- **Eamonn Boylan**, Chief Executive, Stockport Borough Council
- **Cllr David Burbage**, Leader of Royal Borough of Windsor and Maidenhead Council
- **Andrew Campbell**, Director General, Finance and Corporate Service, DCLG
- **Cllr Paul Carter**, Leader of Kent County Council
- **Stephen Catchpole**, Managing Director, Tees Valley LEP
- **Mike Emmerich**, Director, Metro Dynamics
- **Donna Hall**, Chief Executive, Wigan Borough Council
- **Ed Hammond**, Head of Programmes (Local Accountability), Centre for Public Scrutiny
- **Andrew Kerr**, (at time of interview) Chief Executive of Cornwall Council
- **Sam Markey**, Senior Implementation Advisor, Cabinet Office
- **Stuart McKellar**, Board Director – Resources, Swindon Borough Council
- **Stephen Meek**, Programme Director, Cambridgeshire and Peterborough Public Services Board
- **John Mothersole**, Chief Executive, Sheffield City Council
- **Chris Naylor**, Chief Executive, London Borough of Barking and Dagenham
- **Cllr Colin Noble**, Suffolk County Council
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- **Kirsty Pearce**, BIS North West
- **Lord Gary Porter**, Leader of South Holland District Council and Chairman of the LGA
- **Warren Ralls**, Director of the LEP Network
- **Cllr David Renard**, Leader, Swindon Borough Council
- **Tom Riordan**, Chief Executive, Leeds City Council
- **Laurence Rockey**, Deputy Director, Cities and Local Growth Unit, BIS/DCLG
- **Mark Rogers**, Chief Executive, Birmingham City Council
- **Joanne Roney**, Chief Executive, Wakefield City Council
- **Charlie Seward**, Strategic Director, Cheshire West and Chester Council
- **Becky Shaw**, Chief Executive of East Sussex County Council
- **Lord John Shipley**, Liberal Democrat Peer and former Government Cities Adviser
- **Joanna Simons**, Chief Executive of Oxfordshire County Council
- **Tony Smith**, Policy Executive, Birmingham City Council
- **Dick Sorabji**, Corporate Director (Policy and Public Affairs), London Councils
- **Mayor Ian Stewart**, Elected Mayor, Salford City Council
- **Professor Michael Thorne**, Vice Chancellor of Anglia Ruskin University and Board Member, Greater Cambridge and Greater Peterborough LEP
- **Andrew Travers**, Chief Executive, Barnet Council
- **Tom Walker**, Director of Cities and Local Growth Unit, BIS/DCLG
- **Nick Walkley**, Chief Executive of Haringey Borough Council

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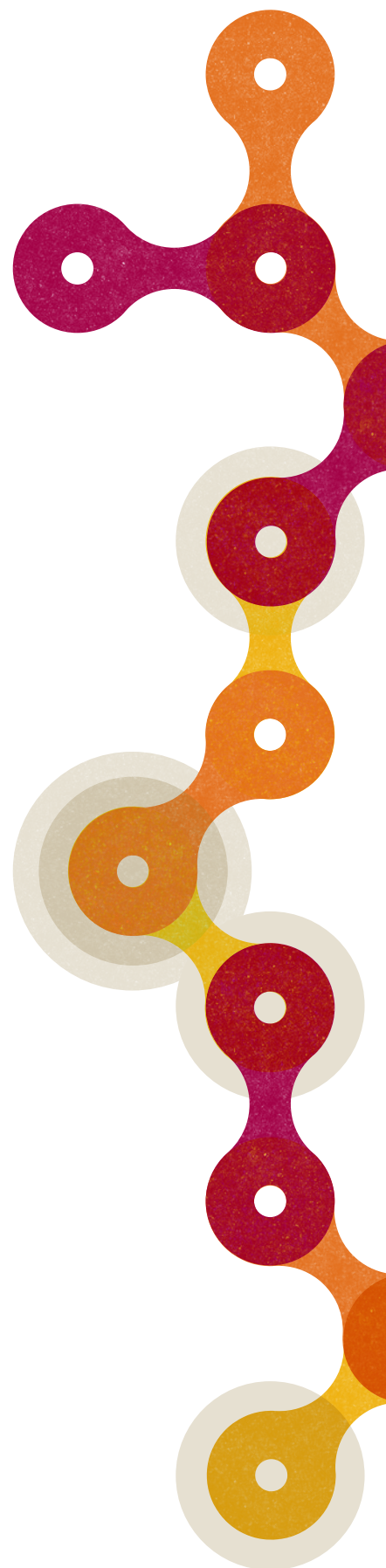
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