

DECENTRALISATION DECADE

A PLAN FOR ECONOMIC PROSPERITY, PUBLIC SERVICE TRANSFORMATION AND DEMOCRATIC RENEWAL IN ENGLAND



REPORT

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Other outputs from the 'Decentralisation Decade' programme of work can be found on <http://www.pwc.co.uk/localgov2014>

WITH THANKS TO



SUMMARY

Over the past century, England has become one of the most centralised nations in the developed world. It was not always this way. England's great cities were founded upon the initiatives of industrial and municipal leaders and civic institutions justifiably proud of their capacity to deliver excellent infrastructure and efficient public services. Even in recent times, powers have been handed from the Westminster government to Scotland, Wales and Northern Ireland which few would now consider taking back. And perhaps the greatest part of England's success in the 21st century has been London, a city with a directly elected mayor and the unusual privilege of holding a range of hard and soft powers that are envied outside the capital.

There is a well-established body of evidence suggesting that centralisation is a problem.

- **Economically**, seven of the eight English 'core cities' outside London have consistently performed below the national average in terms of GDP per capita. This is atypical. In Germany, Italy, Sweden and even France, so-called second-tier cities have been at the forefront of economic growth, wielding clear regional policies and devolved economic development powers to outperform their capital cities. Beyond the English core cities, there is a widespread understanding that the national economy needs regional rebalancing.
- **Public service improvement and efficiency** is a longstanding goal of any government, but is especially pertinent in a nation looking to reduce its fiscal deficit. Nevertheless, the 'new public management' approaches which characterised the 2000s – strict top-down targets and performance management regimes – been eased back on account of their tendency to stifle innovation and local flexibility and to generate service fragmentation, perverse incentives and poor outcomes.
- And **politically** a quiet storm is brewing. Public discontent with the Westminster bubble – politicians, civil servants, media, bankers – is being expressed through a collapse in political party membership, decreasing electoral turnout and the rise of the populist parties. A political system that has been captured by a small group of highly 'professionalised' politicians has led increasingly to deep political inequality in society.

Is decentralisation the answer? In this report, we argue that it is. England's 80-year-long experiment with centralisation has failed. It is time to embark on a new journey: a programme of decentralisation that will liberate the nation, drive prosperity and growth, and provide a new platform for more innovative and effective public service reform and a society which is more equal.

Building on evidence from Japan and Germany, new polling data and findings from a series of high-level roundtables, we make the case for why a 10-year programme of decentralisation, spanning parliaments and built on cross-party support, is urgently required. This is our plan for a 'decentralisation decade'.

Our programme is based upon:

- a set of **principles and lessons** for a phased and asymmetrical yet purposeful approach that offers different powers and responsibilities to different parts of subnational government over a 10-year period
- a series of **safeguards** to ensure that a programme of decentralisation avoids major risks

- some limited **changes to the ‘architecture’ of subnational governance**
- a **clear timetable** for enabling the decentralisation of nearly 40 key administrative, fiscal and political functions of government.

Main recommendations

- Central government should embark on a 10-year programme of decentralisation with a clear timetable and whole-of-government approach.
 - Powers and responsibilities over economic development and key public services should be passed to combined authorities, local authorities and other local bodies as and when they are ready to assume them.
 - Fiscal devolution should be a central plank of the comprehensive spending review to take place in 2015, with five-year funding settlements agreed and an independent body established to take forward further central–local funding reforms.
 - A new wave of combined authorities should be established, including ‘county combined authorities’ in two-tier areas, with all combined authorities setting out clear plans for partnership-working and enhanced democratic accountability.
 - Decentralisation must be underpinned by new legislation to strengthen the constitutional status of local government and its other subnational partners, similar to the Scotland and Wales Acts.
-

Challenges to decentralisation

Despite the weaknesses in the status quo, it cannot be automatically assumed that passing power down from central government to subnational tiers will bring about better outcomes or increased efficiencies. Indeed, there are significant obstacles and objections to consider, four of which stand out:

1. **Local government lacks the competence and capacity** to take on new or additional powers and responsibilities.
2. Decentralisation will create **‘postcode lotteries’ and diminish equality.**
3. **Decentralisation is too difficult and complex** – the proper geography of local decision-making is complex and requires action at different tiers, some of which are overlapping and contested.
4. **The public is not interested** in who provides or makes decisions about public service provision and economic growth.

In each case, there is a growing body of evidence which challenges these objections. Local government has led the way in driving public service efficiencies. A growing number of studies show that ‘overcentralisation’ is now a major cause of inequalities in developed nations. Modern government is sophisticated enough to deal with the complexity of ‘multilevel’ governance. And we have uncovered new evidence that, far from being ambivalent or uninterested, the public is unhappy with the status quo.

Attitudes to decentralisation

As part of our research programme we have drawn upon two new surveys of the general public. We also drew upon the most recent PwC survey of local authority leaders and chief executives and carried out interviews with senior civil servants in key government departments. The details of this new research are set out in chapter 3.

Some of the main findings from this research include:

- The public believes that there is something wrong with the status quo, whether this is the nature of the devolution settlement with the devolved nations compared with England, the imbalance of power between central and local government, or the lack of meaningful English institutions at nation or local level.

- People have a strong sense of attachment to their local area which, although lacking precise definition, is expressed in a greater sense of local efficacy and greater trust in local politicians and local agencies than in national ones.
- People know where real power lies. In both 2009 and 2014, our *Who's Accountable* surveys with PwC found that respondents do notice administrative changes and change their attitudes to public accountability in response to policy change in government.
- There is a strong appetite among local authorities for a new deal between central and local government. Financial reform tops the list of their demands, with a view to investing in infrastructure, regeneration and housing to drive local economic growth. Concerns do exist, however, about their workforce capacity to take on power responsibilities at a time of growing demand for local services.
- Senior civil servants in Whitehall departments, interviewed anonymously, showed cautious support for a process of decentralisation but identified three essential ingredients to enable the kind of step-change in speed and scope that we propose:
 - strong political leadership on the issue
 - coordinated action across government
 - appropriate accountability mechanisms.

Principles for decentralisation

Against this background, then, we believe that five principles should underpin our programme of decentralisation.

1. **Decentralisation must be for a broad and clear purpose.** Although specific proposals to decentralise one function or another may each demonstrate evidence of achieving particular policy aims, a programme of decentralisation must set ambitious goals and demonstrate that it can achieve long-term outcomes in order to gain broad-based support.
2. **Decentralisation must be joined up.** Achieving long-term outcomes requires a coherent and coordinated approach across different departments, at different spatial scales and between a wide range of public, private and voluntary actors, as well as enthusiastic citizens. As a crucial change to current practice, there should be a presumption in favour of decentralised rather than centrally driven policymaking.
3. **Decentralisation will necessarily be asymmetrical.** The appetite and capacity to take on new powers and responsibilities will differ from place to place, and those that are ready to move forward with greater levels of decentralisation should not be constrained by the slower ships in the convoy. This is particularly true for those city-regions where city deals and the formation of combined authorities have already grown the capacity and appetite for change.
4. **Decentralisation takes time.** It has taken over a decade for powers in Scotland, Wales and Northern Ireland to be embedded and for practices and attitudes to take new shape. A decade is the shortest time required for the necessary adaptations to take place centrally and locally and for capacity at subnational levels to grow once again.
5. **Decentralisation requires cross-party support.** The best chance of securing the time needed to implement and embed a real programme of decentralisation is to garner cross-party support and to ensure that national and local governments work in unison rather than in conflict.

Safeguarding against the risks of decentralisation

No genuine transfer of power between tiers of government can be completely without risk. These risks exist on both sides, both for central government in handing

over powers and functions and to those subnational bodies in taking them on. We have identified four key risks for central and local government and other subnational bodies, and set out a series of safeguards to mitigate these risks, both in principle and in practice.

Safeguard 1: An asymmetrical and long-term approach

Concerns about the capacity of local government and other subnational bodies to take responsibility for key functions of government are widespread. But for too long the pace of decentralisation has been dictated by the slowest movers and fears of the worst-case scenario. This has held back those with the greatest potential for growth or with a strong track record of public service efficiency and effectiveness. Not every area will want or be able to proceed at the same pace, but this should not negate the potential benefits that decentralisation can bring to those who are ready to take greater responsibility and control. We propose that:

Recommendation 1: Central government should embark upon a **phased, asymmetrical programme of decentralisation over a minimum of two full parliaments** with clearly identified powers and responsibilities for combined authorities, local authorities and other subnational bodies as and when they are ready to assume them, supported by a **five-year funding settlement**.

We propose that local and combined authorities, depending upon their readiness, should draw down different ‘packages’ of powers and responsibilities at key milestones within the next two parliaments. The details of this programme are set out in chapter 6.

Safeguard 2: Rigorous financial controls and redistributive mechanisms

The corollary of such an unprecedented approach to transferring powers is to ensure that new local freedoms do not expose central government to high levels of financial risk and macroeconomic instability, and that there remains the scope for a level of equalisation and redistribution between more and less prosperous areas. At present the formula used to achieve the local government finance settlement is convoluted and open to political interference, and many of the fiscal benefits of local improvement accrue to the centre rather than more locally. We make three recommendations to provide the necessary fiscal safeguards and a level of transparency, certainty and incentive to subnational bodies.

Recommendation 2: Combined authorities, councils and other subnational bodies seeking any form of fiscal devolution should set out clear plans for **openness, public accountability and local scrutiny** within their governance arrangements. Such a commitment could take a variety of forms, such as a directly elected mayor, combined authority assembly or local public accounts committee.

Recommendation 3: Ahead of the comprehensive spending review in 2015, a new government should set up an **independent review of central–local funding settlements** with a remit to deliver further fiscal devolution but which looks at (a) achieving greater transparency in funding formulae, (b) a reassessment of local need and resources, (c) how to better incentivise growth and investment, and (d) arrangements for any ‘levy’ on disproportionate growth and periodic reassessment or ‘resetting’ of the system.

Recommendation 4: Building on the proposals of the communities and local government select committee, we propose the formation of an **independent body for local fiscal management** with responsibility for overseeing central–local funding arrangements, including subnational financial probity, local borrowing and investment, settlement negotiations, equalisation and redistribution, and periodic revaluation, resetting and review.

Safeguard 3: Core outcome entitlements and a light-touch performance regime

A programme of decentralisation should not be seen as a matter of central government abdicating responsibility for economic or social priorities and outcomes. Neither should it be a mandate for local areas to do what they want. Nonetheless, centrally driven programmes and performance management regimes are ill-equipped to deal with the complexities of local growth and service delivery. In order to achieve a proper central–local balance in performance monitoring and outcomes, we propose:

Recommendation 5: Ahead of any general election, national political parties should outline a small number of **outcome-based ‘core entitlements’** as part of their manifesto commitments (which might then be refined if and when they form a government).

Recommendation 6: Combined authorities, local authorities and other local agencies must set out **clear plans for how they will measure, monitor and evaluate their performance** concerning these core entitlements and how they will seek continual improvement and innovation.

Safeguard 4: Formal codification of central–local arrangements

In its recent report, the political and constitutional reform select committee (PCRC) noted that ‘English local government lacks some of the most basic constitutional protections that are available to some of its counterparts in a number of other mature European democracies’ (PCRC 2013). The fortunes of central and local government are interdependent, and powers and responsibilities need to be seen as shared. This requires a more mature approach to the central–local relationship (Cox 2010). This has been the subject of considerable debate in the past decade, but we support the initiative taken by the PCRC in putting forward a draft ‘code’ comprising 10 articles to initiate a wider debate about the future role of local government.

Moreover, we would go further and recommend:

Recommendation 7: Following the consultation currently being carried out by the PCRC on a codified relationship between central and local government, we propose legislation is brought forward, during the first legislative session of the next parliament, to **strengthen the constitutional status of local government and its other subnational partners** with a view to enabling genuine culture change in the central–local relationship.

Despite the importance of achieving cultural change, our programme of decentralisation should not stand or fall on this recommendation. The majority of our proposals can be achieved without formal codification.

Defining decentralisation

One of the major criticisms of any programme of decentralisation is that it appears too complex and thus too risky. In part, this is because the term ‘decentralisation’ is often used to encompass a wide range of possible types and forms.

Literature on decentralisation defines three main types of decentralisation – broadly **administrative, fiscal and political**.¹ While there is some overlap between each of these types, it is important that for any programme of decentralisation, all three are present in order to ensure a genuine decentralisation of functions, finances and autonomous decision-making.

¹ See section 4.2; for more detail, see Triesman 2007.

Equally, decentralisation can take different forms:

- **deconcentration** – where the centre prescribes the goal, the method and runs the delivery agency
- **delegation** – where the centre prescribes the overall goal but allows subnational partners to determine the method and delivery
- **devolution** – where subnational bodies are responsible for the goal, the method and the delivery, with no direct accountability back to the centre.²

As we develop our programme of decentralisation in the course of this report, we clearly identify the different types and forms of decentralisation proposed and the significance of the ‘spread’ of proposals that constitute it.

The architecture of decentralisation

One of the main questions surrounding decentralisation is at which geographical ‘tier’ it is appropriate for different state functions to lie. The principle of subsidiarity – that power should be exercised by the least centralised authority capable of effective dealing with the matter – open up a wide range of possible interpretations for many government functions, and as a result power is exercised as much by historical accident as by purposeful design. There can be no perfect answer to this question any more than there can be a perfectly designed subnational system to which powers should be devolved.

It might be supposed, then, that the architecture needs significant structural change. This is not the case. Although many would make a good case for local government reorganisation, this should not inhibit significant progress being made within current structures. We know from various studies that there is no ideal subnational architecture and that the most important factor in enabling local economic success is a stable and coherent foundation upon which institutional relationships and strong local leadership can be built.

In the previous section, as one of our safeguards for decentralisation, we argued for a minimum amount of institutional change after the first legislative programme of the next parliament, and for cross-party consensus on the matter. This allows that there may need to be some small changes to the existing architecture, and that government may need to introduce some ‘enabling measures’ to allow subnational bodies to develop their own forms of governance and accountability. This aside, however, the onus of our proposals is clearly on supporting stability and incremental improvement within current arrangements, not wholesale reorganisation.

With this and other principles in mind,³ we propose modest changes within four particular tiers of subnational governance.

A ‘mezzanine’ level

In almost any other developed nation it would be thought inconceivable that the state could function without a ‘regional’ tier of government. In England, however, there appears to be little appetite on the part of the public or politicians to return to ‘regions’. Nonetheless, we do believe that there are a number of areas where collaboration across and above the level of local enterprise partnerships (LEPs) would be beneficial. We propose that a small number of enabling measures should be put in place to allow for this kind of ‘para-LEP’ collaboration on key economic development functions where there is mutual interest in doing so.

² See section 4.3.

³ See section 5.1 for more detail.

We propose that:

Recommendation 8: Government should enable **partnership bodies between combined authorities and local authorities** at a ‘mezzanine’ level across geographies that extend beyond the areas currently bounded by local enterprise partnerships. Such bodies should only be created as required on specific issues such as transport, innovation or inward investment.⁴

Functional economic areas / city- and county-regions

Recently there has been renewed interest in the importance of city-regions in the global economy, the role of functional economic areas,⁵ and ensuring that there is the right institutional framework to support economic prosperity. This has found its most comprehensive institutional expression in the formation of 39 LEPs that cover the whole of England.

Alongside LEPs, there have also been significant moves in the five northern cities towards reconstituted governance, in the form of combined authorities. Based on the formation of Greater Manchester Combined Authority as a statutory body in 2011 – the so-called ‘Manchester model’ – government approved the formation of combined authorities for West Yorkshire, Sheffield, Liverpool and the North East region in April 2014.

These collaborations of contiguous local authorities hold out great hope for better strategic planning around economic development, regeneration and transport, but also, crucially, around more social policy areas such as housing, health and wider public service transformation. The current set of arrangements raises three questions:

- What is the proper relationship between LEPs, combined authorities and other subnational bodies?
- What should happen to those areas that do not fall under a combined authority?
- Are these arrangements suitably robust and accountable to cope with the suite of functions and fiscal powers that a programme of decentralisation should bring?

In response to these questions, we make a number of recommendations.

Recommendation 9: Combined authorities, counties or other upper-tier authorities have a responsibility to set out clearly the partnership structures and their dynamics at the subnational level in a **subnational Partnership Plan** which is reviewed on a regular basis.

Given the impetus behind the combined authority model, and the clear advantages garnered by the mayor of London and the Greater London Authority, it is right to ask whether the combined authority model should be extended beyond the five northern cities. We believe there are compelling reasons why it should, but to those places where local authority collaboration over a functional economic area could bring clear benefits. There is a particular opportunity for counties and districts to enhance their relationships, such that rural areas and other towns and cities can enjoy the benefits that decentralisation might bring. For these reasons we propose that:

Recommendation 10: Central government should create a further **window of opportunity for the formation of a new wave of combined authorities** during the first year of the new parliament. These must be based on clear functional economic geographies with the full consent of all partners and set within wider Partnership Plans (see recommendation 9). After this, in the interests of stability, there should be no further subnational reorganisation until the next full parliament.

4 Normally it would be expected that such areas are geographically contiguous, but provision could also be made for partnerships that do not necessarily exist within a single boundary.

5 There is no tight definition of a functional economic area. Most commentators see these as approximations of labour market or ‘travel-to-work’ areas.

In order for the proposals set out here to have full effect, there are some important ways in which combined authorities and LEPs could be further strengthened.

At present, combined authorities are governed by a committee or board comprising the constituent local authority leaders. Their democratic legitimacy is therefore indirect and their operations tend to be largely invisible to the general public. A range of ‘models’ is available by which these bodies could enhance their democratic legitimacy – including the idea of a directly elected ‘metro mayor’⁶ – but given that different models will suit different situations there should not be any top-down prescription as to the precise steps that should be taken. We recommend therefore:

Recommendation 11: Combined authorities should bring forward plans for **enhanced democratic accountability arrangements** in advance of receiving any additional powers to raise and spend tax revenues at the subnational level, ideally involving some form of direct election. To enable this to happen, government must lay down legislation to permit a variety of different forms of combined authority accountability, including provision for directly elected metro mayors.

There are also numerous ways that LEPs could be strengthened, many of which have been set out in recent reports. We would summarise these as follows:

Recommendation 12: Government needs to **clarify the purpose and functions of LEPs** in a simple, high-level statement that sets out their core remit but leaves specific priorities and other details for LEPs and their partners to determine. This should be backed by **modest levels of core funding**, to complement the core funding and human resource committed by local partners, and a window of opportunity during the first year of the next parliament for a **review and rationalisation of LEP geography**.

Local authority areas

The forms and functions of English local government have accreted over centuries, leaving a complex patchwork. We do not believe that any structural reform is necessary at the local authority level; nonetheless, we agree with ideas developed by the Centre for Public Scrutiny and the recommendation set out by the Local Government Innovation Taskforce. We therefore propose:

Recommendation 13: Local authorities should set up **local public accounts committees** with powers to scrutinise value for money and performance for all public services in their areas.⁷

Neighbourhoods and local communities

The Coalition government has gone some way to encourage neighbourhoods, and communities now have an increasing number of entitlements at their disposal. Nevertheless, there is a great deal of inconsistency across the country as to the nature and quality of neighbourhood governance, particularly in urban areas, where parish and town councils are very often absent. In order to extend the benefits of neighbourhood governance and to broaden their scope, we propose the following:

Recommendation 14: Cross-party support should be given to proposals to **make it easier to form parish, town or neighbourhood councils** and local authorities should be encouraged to support and adopt such proposals. Measures should also be introduced to streamline the process of becoming a ‘quality council’ to enable neighbourhood structures to garner greater local powers.

6 The term ‘metro mayor’ is used to distinguish it from a ‘city mayor’. The former term could apply to any combined authority area (metropolitan or county); the latter term refers to the type of mayor who covers a single local authority boundary, a form that was largely rejected by many cities in referenda held in 2012.

7 Committees would cover the largest electoral division in an area, unless there were statutory or other formal cross-boundary arrangements for place-based budgets, such as combined authorities, in which case committee boundaries would reflect those areas.

Recommendation 15: Quality councils should get **more rights to draw down responsibilities and resources** to take over specific services currently run by local authorities. Such councils would need to draw up a clear plan of how they would deliver the service, why it represents value for money, and how local people would be involved.

A programme of decentralisation

In this report we set out the need to go beyond partial and piecemeal measures to pass power down from central to local government. Drawing upon evidence from countries such as France, Germany and Japan, we have taken inspiration from systemic attempts to make decentralisation a cross-cutting principle for governing.

In order to ensure that our approach in developing a programme of decentralisation is systematic, we carried out an analysis of 13 different government departments and their ‘functions of government’. In total, we identified 83 separate functions; for each of these, we applied eight decentralisation tests.⁸

Having identified a long list of decentralisation priorities, we then explored what outcomes each might achieve, to set the high ambitions and long-term focus that we believe is crucial to the overall project. In doing so we built on the Scottish approach,⁹ but with the intention of agreeing a smaller set of core outcomes than Scotland’s 15.

At the end of this process, we identified seven illustrative outcomes for decentralisation:

1. A better educated, more highly skilled and productive population
2. A more balanced economy
3. More relational public services and a more effective criminal justice system
4. A more inclusive labour market
5. Greater environmental sustainability
6. Higher quality homes and integrated communities
7. Higher levels of democratic participation and accountability

Finally, following detailed consideration of every government function, we identified nearly 40 separate priority ‘actions’ for decentralisation. In each case further analysis was undertaken to consider:

- Which **tier** should this function be decentralised to?
- What **type** of decentralisation could this be described as?
- What would be the most appropriate **timetable** for this aspect of decentralisation to take place over a 10-year period?
- And which **department** would need to ‘let go’?

The summary of the results of this analysis is presented in table A1, here focused on the timetable for functions and actions. It is important to stress that, despite being a 10-year programme, urgent and important action can be taken ahead of the general election and that, while the programme includes some legislative and constitutional measures, there is nothing to stop significant strides being taken in the first days of a new parliament.

A full account of all priorities is laid out in chapter 6, and in tabular form in the annexes to this report.

⁸ See section 6.1 for more details.

⁹ See section 6.2 for more details.

Table A1
Timetable for a decentralisation decade

Prior to general election		
FUNCTION / ACTION	TIER	REFERENCE / DEPARTMENT
National political parties should each commit to a long-term programme of decentralisation with clearly identified powers, responsibilities and milestones to different tiers of subnational government and commitment to a five-year funding settlement for local government.	National	Recommendation 1
National political parties should outline a small number of outcome-based 'core entitlements' as part of their manifesto commitments	National	Recommendation 5
First 100 days of a new government		
FUNCTION / ACTION	TIER	REFERENCE / DEPARTMENT
Government to create a window of opportunity for the formation of a new wave of combined authorities including 'county combined authorities'	Combined authorities	Recommendation 10
A package of economic development measures are offered to combined authority areas and emerging 'mezzanine' partnership bodies including transport, innovation, inward investment, sector-based strategies, energy generation and efficiency (see also spending review 2015 measures below).	Combined authorities / Mezzanine bodies	Details set out in chapter 6
Clarification of the purpose and function of local enterprise partnerships with a window of opportunity for the review and rationalisation of current LEP geography	Combined authorities	Recommendation 12
Sub-national bodies to set out clear Partnership Plans including their plans for openness, public accountability, local scrutiny and how they will measure, monitor and evaluate their performance against national 'core entitlements'.	Combined and local authorities	Recommendations 2, 6 and 9
Combined authorities should bring forward plans for enhanced democratic accountability arrangements in advance of receiving any additional funds or powers to raise and spend tax revenues at the subnational level.	Combined authorities	Recommendation 11
Government to instigate an independent review of central-local funding and form an independent body for local fiscal management	National	Recommendations 3 and 4
First legislative programme		
FUNCTION / ACTION	TIER	REFERENCE / DEPARTMENT
Bring forward legislation to strengthen the constitutional status of local government and its other subnational partners with a view to enabling genuine culture change in the central-local relationship	National	Recommendation 7
Government creates the legislative framework to enable partnership bodies between combined authorities and local authorities which extend beyond the areas currently bounded by local enterprise partnerships at a 'mezzanine' level	Mezzanine	Recommendation 8
Enable local authorities to innovate and institute their own electoral arrangements including alternative voting systems, lowering the voting age etc	Local authorities	CLG
Establish local schools commissioners to commission schools	Combined and local authorities	DfE
Strengthen and simplify the role of health and wellbeing boards	Local authorities	DoH
Take forward proposals to make it easier to form parish, town or neighbourhood councils and provide for more rights to draw down responsibilities and resources to take over specific services currently run by local authorities	Neighbourhood	Recommendations 14 and 15
Creation of local justice panels and restorative justice arrangements	Neighbourhood	Home Office
Spending review 2015		
FUNCTION / ACTION	TIER	REFERENCE / DEPARTMENT
Substantial five-year place-based budgets for economic developments rolling up a wide range of funds including many listed below...	Combined authorities	HMT
Devolve a package of skills and education funding measures including: – apprenticeships, further education and adult skills – all 16–19 EFA funding and responsibilities for careers service	Combined authorities	BIS / DfE – details in chapter 6

Devolve a package of DWP / employment support measures including: – responsibility for ESA employment support – co-commission employment support for JSA claimants with a history of JSA claims (currently Work Programme) – responsibility for services for under-21s, integrated with the job guarantee and youth allowance	Combined and local authorities	DWP – details in chapter 6
Introduction of ‘welfare earnback’ to provide further incentives to keep the benefit bill under control	Combined authorities	DWP / HMT
Extend ‘transport earnback’ and devolve local major transport funding	Combined authorities	DfT
Devolve a series of housing measures including: – housing earnback deals – broad rental market area variation – Affordable Housing Fund and housing capital budgets	Combined and local authorities	CLG – details in chapter 6
Introduce a range of measures to free up local government finances including: – introducing a five-year financial settlement – remove controls on council tax – extend business rate flexibility and retention – freedom to borrow within the prudential code	Combined and local authorities	Recommendation 1b; details in chapter 6
Formation of local public accounts committees	Combined and local authorities	Recommendation 13
Later in Parliament 2015–2020		
FUNCTION / ACTION	TIER	REFERENCE / DEPARTMENT
Decentralise bus and rail regulation	Combined authorities	DfT
Review and rationalise regional police forces	Mezzanine	Home Office
Devolve custody budgets and probation services , starting with under-18s	Local authorities	Home Office
Parliament 2020–2025		
FUNCTION / ACTION	TIER	REFERENCE / DEPARTMENT
Introduce a new system of property taxes and business rates devolved to combined authorities	Combined authorities	HMT / CLG
Assign a proportion of income tax to combined authorities	Combined authorities	HMT

The costs and benefits of decentralisation

Decentralisation is both an art and a science. It would be impossible therefore to set out a detailed or comprehensive cost-benefit analysis of the measures outlined in our programme of decentralisation. However, in the wider context of ongoing fiscal constraint, consideration must be given to the potential costs of a ‘decentralisation decade’, alongside the benefits that we expect it could bring.

The proposals set out in this report have been designed to ensure there is no net cost to the taxpayer over the 10-year period. Indeed, the guiding principle behind the whole approach is that decentralisation will lead to higher economic growth¹⁰ and increased public service efficiency, and so bring significant income and savings to the exchequer.

We have not proposed any systematic reorganisation of subnational government, nor have we proposed the formation of a ‘new layer of bureaucracy’. Our proposals concerning local government reorganisation are deliberately modest and outcome-focused. Where there may be direct costs incurred these have been balanced against the benefits that will accrue over time.

One of the biggest concerns about the fiscal dimensions of the decentralisation programme (that is, the handing-over of fiscal powers to subnational levels) is that these changes may increase the tax burden at the local level. In part, central government must accept that greater subnational autonomy entails the legitimate

¹⁰ According to recent Treasury estimates, if every region of the country was performing economically at the national average, the nation would be £56 billion better off (Osborne 2014).

right of democratically elected local authorities to gather a mandate to set tax rates and then stand or fall on their own decisions. Having said that, our proposals do set out a range of safeguards against wider fiscal risks.

Returning to the three fundamental challenges to centralisation which spur calls for a decentralisation decade – focused on economics, services and politics – let us consider both the benefits that might accrue should our systematic approach be adopted and the kind of country that could evolve over the next 10 years.

First, there is widespread recognition that sustained and balanced economic growth will only come if there is devolution of key economic powers and functions to the drivers of a modern economy: the cities. There is no good reason why, 10 years from now, English cities should not be driving forward UK growth, rivalling the best metro-regions in Germany, France, Spain and the US, and at the same time narrowing the productivity gap with London.

Second, evidence from various rounds of experimentation and innovation in public service improvement at the local level provides great encouragement. It is time, however, to move beyond experimentation. In health and social care, policing and restorative justice or education and skills, there is huge potential to drive systemic improvements at the local level – and to deliver significant savings along the way. In some respects, economic recovery and public service improvement are two sides of the same coin. As the economy grows, some of the upward pressures on acute public services may fall; in this environment, local areas will be able to take the lead on redirecting scarce resources into more preventative services, rather than just meeting acute need and top-down targets.

Finally, it has often been said that the problem with local government is that it is neither local nor government. Ten years from now, with the careful and steady devolution of powers and responsibilities, there could be a revitalisation of politics and policymaking at the local level. We could see a new wave of the brightest and the best entering local government, serving as officers and councillors who are dedicated to driving forward their local area or city-region; innovative, passionate, collaborative, well-known civic leaders contesting mayoral elections, with bold plans for their places and a mandate to improve the performance of local services; and a revived sense of civic passion, with local people better connected to and informed about the decisions that affect their day-to-day lives, and holding the power to both challenge and get involved where it counts.

All of this is possible if power is passed down, not just from the centre to combined authorities, but from combined authorities to local councils and from councils to neighbourhoods and communities. We have set out here a bold and ambitious plan for change – it now falls upon the next government to set the snowball in motion.

1. WHY A DECENTRALISATION DECADE?

1.1 The gathering storm

Over the course of this parliament, the Coalition government has taken various steps to pass powers from central government to cities, businesses and communities in England. Through city deals, local enterprise partnerships (LEPs), the Localism Act and specific measures like free schools and police and crime commissioners (PCCs), there have been clear moves to decentralise. And these have been accompanied by the removal of ringfences, targets and other aspects of the performance management regime that were considered too centralising. More recently, the Labour opposition has set out some of its own plans to invigorate local and combined authorities with greater control over budgets for some aspects of skills, infrastructure, housing and schools (see Adonis 2014). In truth, however, while the direction of travel is positive, these measures are partial and piecemeal.

Over the past decades, England has become one of the most centralised nations in the developed world. **Administratively**, Whitehall departments are loath to concede even the smallest function, fearful of the prospect of ministers being hauled before parliament to account for failings on a distant, local level. **Fiscally**, powers beyond central government are virtually non-existent in England, with national politicians tinkering even with council tax and business rates; austerity has only strengthened Treasury's iron grip on local expenditure. England stands alongside Romania and Bulgaria in the league of local financial autonomy. And **politically**, the mainstream parties are perceived to have become dominated by Westminster elites who are out of touch with the day-to-day lives of the nation.

A quiet storm is brewing:

- Whether or not the Scottish people vote in favour of an independent future, Scotland has been promised a further wave of devolutionary measures, including significant new controls over its own tax and benefits system. Resentment in England is building.
- Whether or not Ukip continues to convert grassroots popularity into electoral success, its concerns about immigration and the European Union have struck a chord throughout the nation, echoing wider discontent that England is being governed in the interests of a small group of professional politicians and so that 'something must change'.
- Whether or not the public support institutional changes in their city-regions, the tide has turned in favour of England's once-great cities returning to a leading role in rebalancing our national economy. These cities are becoming increasingly strident in their calls for new powers.
- And whether or not economic recovery will ease the pressure on public finances, there are few who contemplate anything less than five more years of fiscal austerity, with a consequent need to find radical new approaches to public service reform.

It does not have to be this way. England's great cities were founded upon the initiatives of industrial and municipal leaders and civic institutions justifiably proud of their capacity to deliver excellent infrastructure and efficient public services. At the turn of the century, powers were handed down to Scotland, Wales and Northern Ireland which few would now consider taking back. And perhaps the greatest part of England's success in the 21st century has been London, a city with a directly

elected mayor and the unusual privilege of holding a range of hard and soft powers that are envied outside the capital.

England's 80-year experiment with unparalleled levels of centralisation has failed. It is time to embark on a new journey: a programme of decentralisation that will liberate the nation, drive prosperity and growth, and provide a new platform for more innovative and effective public service reform and a society which is more equal.

This report sets out what such a programme of decentralisation could look like.

1.2 The need for a programme

It is regularly recited that when it comes to devolution – and constitutional matters more generally – Britain does evolution, not revolution. We hold this to be true.

Nevertheless, this is not to say that central government is incapable of significant changes. The devolution of powers to Scotland, Wales, Northern Ireland and London in the early years of this century were bold moves, but they have been introduced incrementally and their success has been a measure of a steady approach to weaning power from the centre and building 'local' capacity.

There is no perfect distribution of powers and responsibilities between central and local governments. Indeed, no two countries have the same systems of governance, placing different functions in the hands of different public, private and voluntary actors. The principle of subsidiarity – that power should be exercised by the least centralised authority capable of effective dealing with the matter – throws open a very wide range of possible interpretations, and as a result power is exercised as much by historical accident as by purposeful design.

For this reason alone, there is never any shortage of ideas as to how government functions should be reorganised. Right now, there are many proposals for different functions of government that people feel should be passed down from central to more local tiers. The role of this report is not to make the case for any single idea. However, we recognise that, by virtue of this incremental approach to constitutional matters, it is too often the case that where specific proposals might be championed through individual initiative they instead fail by virtue of their inability to garner broad-based, long-term support.

Too often, any genuine attempt to decentralise power has been stymied by the inability for government departments to work in concert. For example, initiatives led by the Department for Communities and Local Government (DCLG) to 'join up' public services at the grassroots have faltered as ministers and officials from the relevant sections of the Home Office and Department of Health have been more reluctant to let go of the reins. The process of negotiating city deals has involved shuttle diplomacy from department to department to agree even the most minor freedom or flexibility. It is human nature that few ministers, having finally achieved high office, are then predisposed to give away the powers for which they have so long sought.

There is a political problem too. Political parties come to power often riding high on a wave of good intentions to push power down to the grassroots organisers, upon whom they have depended for electoral success. Once in power, however, the premium is instead placed on 'making a mark', on doing things differently from the previous government. That very often that involves reasserting control from the centre, and the lustre of decentralisation soon fades. By the time a government gathers the confidence and perspective to recognise the value in giving powers away, the next election is upon them and more radical ideas are sent into the long grass.

In short, the systemic pressures to maintain the status quo too often mitigate against anything other than very small and incremental changes. This is why a long-term programme spanning parliaments with cross-party support is urgently required.

We have identified five programmatic principles as being essential to the challenge of overcoming this systemic inertia.

- 1. Decentralisation must be for a broad and clear purpose.** The following chapter will set out some of the arguments that have been made for and against decentralisation in the past, and there is a strong case that decentralisation is, in itself, a good thing. But this is not enough to anchor a programme of radical reform. Although specific proposals to decentralise one function or another may each demonstrate evidence of achieving particular policy aims, a programme of decentralisation must set ambitious goals and demonstrate that it can achieve long-term outcomes in order to gain broad-based support.
- 2. Decentralisation must be joined up.** Achieving these kinds of long-term outcomes requires a coherent and coordinated approach across different departments, at different spatial scales and between a wide range of public, private and voluntary actors, as well as citizens. This cannot be achieved through individual initiative alone, and neither can it be achieved by handing down powers without finance or responsibilities without rights – indeed, this has been an imbalance that has hampered devolution to Scotland and Wales until recently. Administrative, fiscal and political approaches nearly always need to go hand in hand, and, as a crucial change to current practice, there should be a presumption in favour of decentralised rather than centrally driven policymaking.
- 3. Decentralisation will necessarily be asymmetrical.** The appetite and capacity to take on new powers and responsibilities will differ from place to place, and those that are ready to move forward with greater levels of decentralisation should not be constrained by the slower ships in the convoy. This is particularly true for those city-regions where city deals and the formation of combined authorities have already grown the capacity and appetite for change. While some worry that this may lead to inequity, we present evidence in chapter 2 to show that the ability to vary service provision according to local need can instead lead to *reducing* inequalities rather than competition – a race to the top rather than a race to the bottom.
- 4. Decentralisation takes time.** It is remarkable what was achieved in the first term of the New Labour government: delivering referenda in Scotland, Wales, Northern Ireland and London and implementing new institutions in each place required coordinated and urgent action, with a strong measure of cross-party support (IPPR/PwC 2009). Even so, it has taken over a decade for those powers to be embedded and for practices and attitudes to take new shape. A decade is the shortest time required for the necessary adaptations to take place centrally and locally and for capacity at subnational levels to grow once again. With parliaments now fixed at five years, it is easier for political parties to make this kind of commitment and stick to it.
- 5. Decentralisation requires cross-party support.** As highlighted above, the best chance of securing the time needed to implement and embed a real programme of decentralisation is to garner cross-party support. This is not to say that there will be agreement on all the details, but it should be agreed that the long-term outcomes are right, the direction of travel and process for implementation is the right one, and the benefits to all political parties are clear.

In the following chapter we will set out further international evidence of the benefits of adopting a more programmatic approach to decentralisation.

1.3 Our research

Our research programme set out to address three important questions:

1. What are the conditions under which a programme of devolution in England could be developed and implemented that will lead to lasting and meaningful change?
2. What are the main priorities for decentralisation in the short, medium and long-term that will help to strengthen democracy, reduce economic inequality and build a more sustainable economy?
3. What is the most appropriate institutional ‘architecture’ to ensure that any programme of decentralisation is governed in an efficient, effective and transparent manner?

Our methodology has involved a wide range of activities, including:

- **Desk-based research**, exploring the relative strengths and weaknesses of decentralised governance. We looked particularly at international comparative studies and the evidence for and against the notion that decentralisation can achieve economic development, public service efficiency and reduced poverty and inequality.
- **Public attitudes research**: In collaboration with PwC, we have carried out three different online surveys to try to understand more deeply the range of attitudes that exist towards decentralisation in England. We have drawn upon new local data within the Future of England surveys (2011 and 2012); we have repeated and updated the ‘Who’s Accountable’ survey, first undertaken in 2009, which explores attitudes towards public service accountability and economic affairs (PwC 2014a); and we have drawn upon the most recent PwC ‘Local state we’re in’ survey of local authority chief executives and elected leaders (PwC 2014b).
- **Local government roundtables**: Again in collaboration with PwC, we have conducted four roundtables for key local government and business stakeholders, in Newcastle, Liverpool, Birmingham and Bournemouth (the latter as part of the LGA Conference). Each of these has explored a wide range of local perspectives on decentralisation and the opportunities for and barriers to change. In particular, we looked at the subnational architecture and how emerging arrangements with combined authorities, LEPs and other forms of governance are taking shape.
- **Functions of government study**: We have carried out an extensive analysis of 13 separate government departments, identifying 83 separate government ‘functions’ and analysing each against a series of eight ‘decentralisation tests’. These tests have enabled us to assess the extent to which it might be a priority to decentralise these functions in the short, medium or long term, including consideration as to the most appropriate geographical scale at which the function could or should lie. This has been carried out alongside interviews with key civil servants in different government departments, as well as those involved with the commissioning and delivery of different public services.
- The research has also been supported by a **project advisory group** which has met on a number of occasions to offer comment and advice on the ongoing work and emerging findings.

1.4 This report

The chapters of this report reflect different aspects of our research methodology.

Chapter 2 outlines the arguments for and against decentralisation and highlights the international evidence for a more systematic and coherent approach to pushing power away from the centre.

Chapter 3 explores attitudes to power and accountability in its different forms and at different levels in England and in the devolved nations, drawing upon surveys of the public, local authorities and interviews with key civil servants.

Chapter 4 attempts to deconstruct some of the confusion that exists around the terms of the decentralisation debate and sets out some key principles and safeguards for a programme of decentralisation.

Chapter 5 considers the subnational architecture that needs to evolve to ensure that, as powers are transferred out of central government, we are able to build the capacity and accountability necessary to facilitate change and improvement.

Chapter 6 takes these principles and the subnational architecture and presents the results of our analysis of more than 80 separate functions of central government. We highlight those where there is the strongest case for change and demonstrate the wider outcomes that might be achieved by a more programmatic approach.

These 'devolution priorities' are also presented in annexes 2 and 3 to this report, arranged by tier of governance and devolving body respectively.

Chapter 7 gathers up the main strands of the argument and presents a clear vision for the kind of England that could be created should we embark on a decade of decentralisation.

2. WHY DECENTRALISE?

Before outlining further what a programme of decentralisation might look like, it is important to weigh up the evidence for and against decentralisation itself. Later in this report we will set out various forms and types of decentralisation in more detail (see chapter 4), but here we consider whether – as a general concept – there is any evidence for its benefits.

This chapter charts a brief history of central–local relations in the UK. It considers the gains that have been achieved by a centralised state but also the problems that an overemphasis on top-down government seems to be causing. It considers international evidence and the extent to which different types of decentralisation might address current problems. It asks why those at the centre find it so hard to let go.

2.1 A brief history of centralisation

Set against more than 60 years of centralism, it is easy to forget that a significant proportion of British history was characterised by powerful city-states. Following the industrial revolution, local government controlled large spheres of public life, including health, police, fire, education and ‘public assistance’, and it played a significant role in developing and controlling most significant infrastructure and public utilities. This civic municipalism, championed by strong civic leaders such as Joseph Chamberlain in Birmingham and Herbert Morrison in London, was facilitated by the fact that local authorities largely controlled their own purse-strings: the London county council in the first half of the 20th century raised and spent over three-quarters of its revenues through local taxation (Wilson and Game 2006).

Indeed, such was the strength of municipal authorities through the 19th and early 20th centuries that Sidney and Beatrice Webb, writing in the 1920s, claimed that ‘the characteristic English preference for local over central administration has hitherto always proved too strong to be overcome’ (cited in White 2004). And parliament respected what the political scientist Jim Bulpitt termed a ‘dual state’, where central government dealt with ‘high politics’, such as defence and macroeconomic management, and left local government autonomous over the ‘low politics’ of public service provision.

This began to change in the 1940s with the formation of the welfare state and the development of the concept of ‘social citizenship’. The idea of social citizenship rights, championed by the academic TH Marshall, guaranteed each citizen access to a basic level of welfare. This comprised access to public services such as health, education and housing, but also cash benefits to protect individuals in the case of unemployment. Central to the concept was the idea that such rights – as with civil and political rights – should be exercised by all citizens equally irrespective of their income, status or place of residence.

In practice this meant that public services and welfare benefits had to be delivered centrally through a national welfare state: this was then enshrined in the National Insurance Act of 1946 and the creation of the national health service (NHS), paid for substantially out of general taxation. In a heated debate between Nye Bevan and Herbert Morrison (who argued for municipal control of hospitals), Bevan famously declared that he wanted the sound of a bedpan dropping on the floor of Tredegar hospital to reverberate in the corridors of Whitehall (see Campbell 1987).

Despite the strength of such conceptual framing, in truth the postwar central state often failed to deliver equity of public service provision, and geographical inequalities in service quality and social outcomes grew enormously. But this didn't stop the steady march of centralisation.

Ironically, it was the failure of the central state to deliver on the Marshallian promise that did most to hasten the pace of power-grabbing in Westminster. During the 1970s, the quality and consistency of service provision became a central issue – the 'low politics' of local government assumed centre-stage, becoming 'high politics'. For example, prime minister Jim Callaghan called for a 'great debate on education' in 1976 which led to central government seeking to exert its grip on schools and culminated in Margaret Thatcher's introduction of a national curriculum in the 1980s.

It was the gradual accumulation of responsibility for public service provision by ministers in Whitehall that was to prove the real catalyst for centralisation. If central government was going to be held responsible for improving public services then it was going to try to control them. Slowly but surely, spurred on by public antipathy towards 'looney left' councils and an ideological adherence to privatisation and compulsory competitive tendering, central government both stripped local government of the majority of its powers and began capping its sources of revenue.

In opposition, New Labour promised to reverse this pattern. In power, it took bold steps in relation to devolution to Scotland, Wales, Northern Ireland and London. In England, attempts to establish more decentralised economic development bodies in each of nine administrative regions faltered with the public's rejection of a North East regional assembly.¹¹ As regards public services, the desire for rapid improvement led the government to combine public investment with unprecedented levels of top-down performance management and control. Many would argue that New Labour turned local government into a delivery agent of the central state, and in so doing severely damaged its capacity for innovation and autonomy.

Towards the end of this period, small steps were taken to redress central–local relations, but by this time a culture of mistrust had been established between central and local government which has since provided an unsteady foundation for the Coalition government's attempts to introduce a fresh approach to localism.

The communities secretary, Eric Pickles, came to office promising 'localism, localism, localism' and in a number of respects he and government colleagues have delivered: a Localism Act, with key powers and rights for local communities; city deals agreed with more than 30 core and key cities around aspects of economic development; and a significant reduction in the top-down targets and other performance management regimes that caused local service providers to constantly orient their services towards the centre rather than towards citizens and service users.

But Coalition-style localism has left itself very vulnerable to criticism. In part, this has been caused by inconsistency in its approach. For instance, although the Localism Act contains a range of measures to empower local communities, it also contains over 100 new powers for the secretary of state to veto local decisions, while ministers have consistently interfered with local matters, from bin collections to local newspapers to unprecedented measures to constrain council tax rises. And at the same time as it formed new LEPs to lead regional economic development, the Coalition recentralised many of the powers and funds that were previously the responsibility of regional development agencies (RDAs, the predecessors of LEPs) and their subnational partners.

Coalition-style localism has also been criticised as simply devolving the blame for some very severe funding cuts to local government, which have been felt

¹¹ See chapter 3 for further discussion of regional assemblies.

quite differently around the country. But perhaps most fundamentally, many of its most bold decentralisation measures – free schools, LEPs, community rights, neighbourhood planning – have tended to bypass democratically elected local government altogether.

In summary, despite the strong tendency for political parties to promise much by way of decentralisation while seeking election, once they are in government the propensity to devolve quickly diminishes and a return to the heights of municipal entrepreneurialism and state-craft looks as far away as ever.

2.2 What is the problem with centralisation?

History shows us that a strong central state can fulfil some important functions: the definition and implementation of a welfare state; the enforcement and protection of citizen rights and responsibilities; the pooling of risk and the redistribution of benefits and services across diverse places and populations, and so on. But in recent decades, the problems with an overcentralised state have become increasingly apparent.

Economic imbalance and the underperformance of second-tier cities

There is a growing body of evidence that economic development in England's big cities is being constrained by overcentralisation (see for example Parkinson et al 2012, IPPR North and NEFC 2012).

The economic divide between the north and the south of England goes back many decades, but the impact of deindustrialisation on northern cities, which occurred just as London blossomed in importance as a centre of global finance, has exacerbated the gap in productivity and prosperity over recent times. New Labour's attempts to narrow the gap through targeted regeneration initiatives and well-funded regional development agencies did stem the tide somewhat, but the picture that is often portrayed is of a dominant and dynamic south supporting an economically challenged north.

This is something of a caricature. The importance of tax revenues generated by financial and professional services in London cannot be underestimated – but as the financial crash made clear, such an important national asset can also be a critical liability. And government investment in key drivers of the economy, such as innovation, transport and other infrastructure, is heavily skewed towards the capital city (Cox and Davies 2013).

Since 2008, there has been a growing concern that the national economy needs 'rebalancing'. Some see this in sectoral terms: the need to develop new industries in the knowledge economy, or to build on competitive advantages in (advanced) manufacturing. Some call for a greater focus on reversing a negative balance of trade. But many emphasise the need for regional rebalancing through greater economic growth focused on cities and regions outside London (see IPPR North and NEFC 2012, Core Cities 2013).

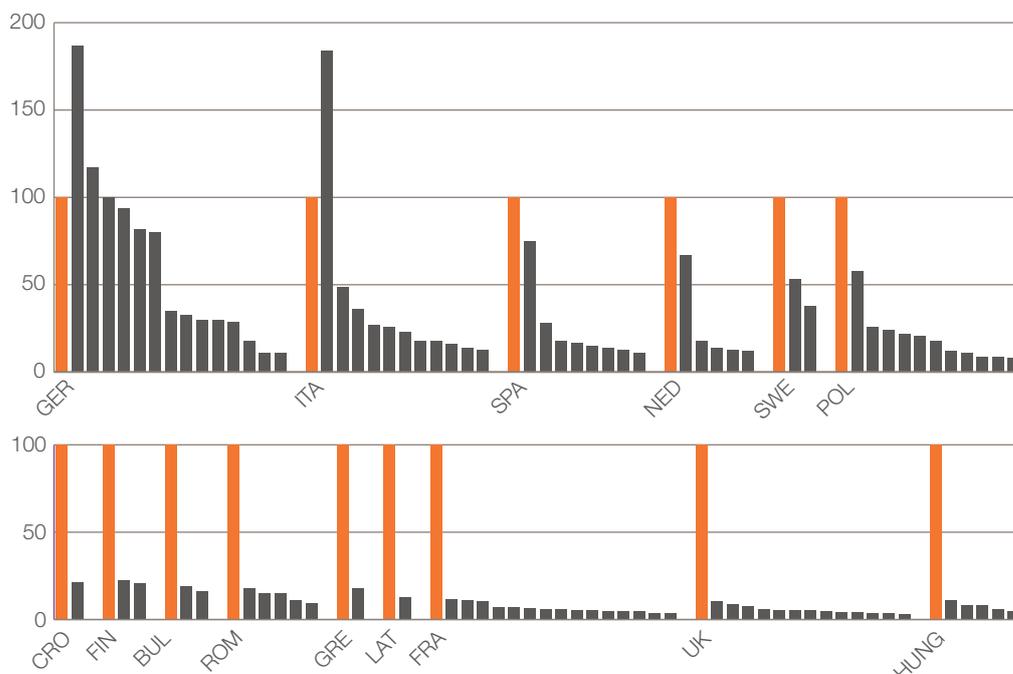
In England, seven of the eight core cities have consistently performed below the national average in terms of GDP per capita (see figure 2.1). Contrast this with Germany, for example, where between 2000 and 2007 all eight of the largest cities outside Berlin outperformed the national average and all 14 second-tier cities had productivity growth rates better than the capital's (Parkinson et al 2012).

Although these patterns are the product of history and of strong market forces, which arise from business links and proximity to skills and capital, such forces of agglomeration are very often supported by public policy and government investment. As such, some argue that imbalances are part of a self-reinforcing process of centralisation: London is considered too important to fail and so receives

privileged policy influence through its strong mayor, and a disproportionate share of public investment in economic affairs (Cox et al 2014a).

Figure 2.1

Comparing economic performance between capital and other cities, various European nations (100 = capital city)



Source: IPPR North analysis of Eurostat 2014, based on Parkinson et al 2012
 Note: Cities are measured by total GDP according to the Eurostat purchasing power standard.

But there is evidence that concentrating on promoting growth in large hubs like London may also be risky. Commentators who have promoted this orthodoxy rely heavily on data from North America and east Asia, and much of their thinking is derived from evidence formed in the 1990s, when megacities were indeed booming, largely as a result of being the first to adopt key shifts in infrastructure and technology (Sassen 2005, Glaeser 2011).

Indeed, more recent European data calls this orthodox approach into question. During the 2000s, ‘second-wave’ mid-sized cities have largely caught and overtaken the big city hubs, proving that it is not size or scale but *connectivity* that drives productivity and growth (see for example McCann 2013, Parkinson et al 2012). As congestion and other problems have kicked in, agglomeration effects in major hubs have tended to slow and marginal returns to productivity have diminished. Now it is the mid-sized cities that are driving recovery in many parts of the OECD (Dijkstra et al 2013, PwC and Demos 2013).

The principal anomaly in the European data is the UK, where London has continued to grow faster than its mid-sized cities. This is clearly a function of London’s growth as a global financial hub, but unlike other European nations, with their devolved governance and distributed expenditure on infrastructure and economic affairs, central government in the UK has invested in London primarily and not afforded its other cities the same opportunities. As a result, their economies are considerably smaller than one might expect from looking at the trajectories of comparable cities in other developed countries (Overman and Rice 2008).

At the very least, we can say that such centralised economic policymaking is wasting the potential of other parts of the economy. Even despite the London's predominance, 57 per cent of net aggregate growth in the UK was generated by regions outside London in the decade to 2008 (Garcilazo 2010). Regional cities were achieving impressive growth prior to the financial crisis, and there is some evidence that the growth in cities such as Edinburgh, Cardiff and Glasgow has been the result of devolution there (Parkinson et al 2012).

In short, economic centralisation in the UK is reaching its limits. While growth in the capital remains important for the whole nation, dependence on London is generating unhealthy economic imbalances and inhibiting growth elsewhere.

Public service inefficiency and the inequalities of top-down planning

A second area where centralisation would appear to have reached its limits is in public service provision.

At the turn of the 21st century, New Labour came to power with the view that public services were broken and the belief that they should be fixed through strong central government action in the form of investment and performance management. Local authorities were not considered particularly competent either in terms of service delivery or self-evaluation. As a result, alongside many targeted and ringfenced spending programmes, a wide range of performance management regimes were introduced, culminating in the comprehensive performance assessment (CPA).

There is little question that these 'new public management' processes improved public service provision, but at the same time they had a series of negative side-effects. Schools, hospitals, police forces and many other public agencies became preoccupied with achieving national targets – upon which their funding depended – more than actually delivering local services and achieving their intended outcomes. A series of perverse incentives developed and 'gaming' took place: schools devoting too much energy to pupils on the C/D grade cusp at the expense of others; ambulances holding patients parked outside A&E units in order to avoid breaching waiting time targets, and so on (Muir and Parker 2014). Furthermore, ringfenced funding and departmental silos meant that public services became increasingly fragmented and inefficient.

Towards the end of Labour's second term it was already beginning to become clear that a top-down bureaucratic approach to public service improvement had run its course. More area-based approaches to performance management were introduced, such as the comprehensive area assessment (CAA), to ensure there was greater coherence and coordination in public service delivery. Schemes like 'Total Place' focused on aligning and pooling funding to deliver more local effectiveness. By the time that the Coalition government took office in 2010, top-down, target-driven service improvement was past its prime.

Coalition-style 'localism', as described in the previous section, has taken some significant steps to decentralise public services, not least by attempting to put service users (parents, patients, citizens generally) in greater control of local service provision. Whether through free schools, health and wellbeing boards, personal budgets, or the 'community rights' to buy and to bid, the aim has been to ensure that service users themselves are better able to design and deliver their own services.

In many respects this has been positive, but set alongside significant cuts to funding and with very little 'capacity building' for those wishing to seize such opportunities, many have felt that localism has pitted public sector players against private sector providers in an unhelpful way (LGIT 2014a). The Work Programme, for example, was designed to provide more personalised support for jobseekers, and has been parcelled up into large-scale contracts with big players such as A4E and Serco, with a view to achieving both economies of scale and some degree of

competition. The outcomes have generally been quite poor, as contractors have struggled with similar bureaucratic issues to those faced by public agencies in the past (Davies and Raikes 2014).

In IPPR's groundbreaking report, *Many to many: how the relational state will transform public services*, Muir and Parker draw a distinction between 'tame' and 'complex' social problems. They argue that bureaucratic and market-driven public service solutions can be relatively effective at addressing 'tame' problems, such as bin collections or dealing with acute ailments such as broken limbs or chronic diseases such as measles. However, the authors go on to state:

'The difficulty is that public services are increasingly expected to tackle a growing range of 'complex problems' – examples of which include antisocial behaviour, chronic ill-health, large numbers of young people not in education employment or training (NEETs), and long-term unemployment. Such problems consume a growing proportion of public expenditure. They have multiple, non-linear and interconnected causes that feed off one another in unpredictable ways, and are precisely the problems that the governments of all the advanced economies struggle to address effectively.'

Muir and Parker 2014

It would seem increasingly difficult for the central state to deal with such complex problems, which leads the authors to conclude that what is needed is a more 'relational' state, characterised by decentralised budgets with pooled funding, more frontline autonomy for professionals working in multidisciplinary teams, and more collaborative local agencies sharing knowledge, learning from good practice and embracing innovation.

Indeed, it is innovation that seems to be one of the biggest victims of an overly centralised system. Evidence shows that top-down service design and the ringfencing of budgets for particular purposes can prevent local service providers from shaping the services to meet local needs. This is often a cause of service inefficiency and if precisely the kind of service inequalities that proponents of a more centralised system claim it is equipped to prevent (Bunt and Harris 2010).

Democratic discontent and public alienation from the Westminster elite

In recent months, two events have highlighted a much deeper malaise that exists within British democracy. Up and down the country, the local and European elections in May 2014 saw a significant swing in support towards the Ukip, which won the largest share of votes in the European elections – ahead of all the mainstream parties – and saw a similar surge in support in local elections, in both Conservative and Labour-held wards. Psephologists are divided as to the extent such support will carry over to the general election in 2015, and many argue that Ukip's attraction lies principally around issues of immigration and Euroscepticism. Nonetheless, others point to similar trends towards support for populist parties across Europe and the fact that Ukip have tapped into a much deeper sense of public disaffection with Westminster elites (Ford and Goodwin 2014).

Second, we have witnessed an increasingly fractured debate about the future of Scotland in the run up to the independence referendum in September. Irrespective of the result, the debate itself has highlighted concerns held by Scottish people about how far it is possible for Scotland to be run by a distant Westminster government, with the pro-union parties promising radical new devolutionary measures even in the event of a 'No' vote. Such promises have heightened concerns in England that Scotland and the other devolved nations are getting an unfairly generous deal, and have led to calls for a new focus on the so-called West Lothian question (see for example Montgomerie 2014).

Each of these recent debates are simply the latest manifestations of a much deeper sense of public disaffection with representative democracy, highlighted by a general downward trend in electoral turnout over the past century.¹² The significant constitutional reform that has taken place in the UK since 1997 would appear to have done little to stem this tide; indeed, political participation has not only declined but has become dramatically more unequal, strengthening the voice and influence of the affluent over the poor (Lodge and Gottfried 2014).

There are a number of reasons:

- The collapse in membership of political parties and trade unions in combination with a narrowing of routes into political activism has led to a ‘professionalisation’ of the so-called political class.
- This itself is a manifestation of the decline of social class as an organising principle of politics, fracturing voter interests and widening the geographical fragmentation. While the decline of tribalism and rise of political pluralism may be seen to be signs of a healthy democracy, the ability of the first-past-the-post electoral system to achieve political consent is increasingly strained.
- The 24/7 news and media cycle puts governments under relentless pressure to show they are making a difference, which can mean sacrificing long-term strategic policy in the interest of chasing tomorrow’s headlines.
- There has been a drift across most nations towards a more technocratic approach to governing, with the formation of arm’s length institutions such as the Bank of England and European Commission and a wide range of ‘quangos’, which appear to take key decisions about economy and society out of the reach of the ordinary voter.

Underlying each of these phenomena is the strong sense that democracy in the UK has been ‘captured’ by narrow networks of powerful but increasingly unaccountable elites. Consecutive crises over parliamentary expenses, big banks and financial institutions, the press and media and the police have created a clear impression that – far from holding one another to account – a ‘metropolitan elite’ has formed which is out of touch from the needs and interests of the wider population (Cox and Jeffery 2014).

This analysis leads Lodge and Gottfried (2014) to identify a number of general remedies to sit at the heart of political reform and a ‘radical democratisation’ of political power, including:

- exposing lobbying and increasing the scrutiny of economic and political elites
- opening up routes into politics through the reform of political parties and party funding
- greater egalitarianism in the labour market through new trade and sector-based institutions at the city-regional level (White and O’Neill 2014)
- building the role of civil society, social media and popular culture in holding power to account in new and more participatory forms
- creating new sites of political power through its dispersal away from the centre through significant devolution to localities.

It is to this last point that our analysis here and in the next chapter will now turn.

12 Although there has been a small increase in electoral turnout at the last two general elections, the overall pattern is that of a significant decline since 1945 (UKPI 2010).

Decentralisation in Japan: a 15-year programme

Japan has had a two-tiered system of local government for well over a century, comprising 47 prefectures and (until recently) over 3,000 municipalities (CLAIR 2014). Despite this, Japanese government was heavily centralised under a system known as ‘agency-delegated functions’, whereby local authorities were expected to enact over 500 functions on behalf of central government agencies (Barrett 2000). By the 1990s, however, there was a growing consensus around the need for decentralisation and reform (Shunichi 2003). These have been enacted over 15 years in three separate waves.

1993–2000: Laying the foundations

In 1993, the first resolutions were passed in both the House of Representatives and the House of Councillors that a programme of decentralisation should be developed. By 1995, a Decentralization Promotion Law was enacted with cross-party support which made provision for a clarification and division of the respective roles of central and local government with a view to enhancing the independence and self-reliance of local authorities and establishing a ‘Decentralization Promotion Committee’ (Shunichi 2003).

2000–2005: Functional decentralisation

Building on the foundations laid in the preceding decade, the 2000 Omnibus Decentralization Law made provision for:

- the abolition of 561 ‘agency-delegated functions’, replacing them with ‘local autonomy functions’ with more limited national technical advice (Yokomichi 2001)
- a rolling programme of amendments to over 300 laws to curtail the extent of central involvement in local affairs (Barrett 2000)
- devolution of 64 different central government functions to prefectures and municipalities (Niikawa 2001)
- provision for the merging of municipal authorities and the creation of ‘special cities’ (population 200,000-plus) with additional devolved powers (Shunichi 2003)
- a process for the independent mediation of central–local disputes.

2005–2010: Fiscal decentralisation

From 2005, under a process known as ‘trinity reform’, Japan then moved to consider significant changes to the local financial system including:

- transferring some sources of tax revenue and collection from central to local government
- rationalisation of the system of redistribution known as ‘national treasury subsidy and obligatory share’
- legislative reform to allow local authorities to introduce some local taxes and vary certain tax rates (Ikawa 2014).

Following two years of discussion, these changes were made under the Local Financial Reconstruction Law 2007 (Aoki 2008).

This 15-year programme of decentralisation in Japan has not been without its challenges, not least as tensions have developed between prefectures and municipalities and between municipalities themselves. There have inevitably been disputes about the fairness of fiscal reforms and the extent to which they have masked central government cutbacks. But there has been a step-change in the role and capacity of municipal authorities – not least in the ‘special cities’ – with significant efficiencies in administrative and financial operations and improvements to local services and wider wellbeing (Wataru 2013).

2.3 Is decentralisation the answer?

That an overcentralised state inhibits the potential for economic growth spatially, creates inefficiencies and stifles innovation in public service provision, and causes political inequality and alienation would all seem good reasons to explore alternatives. But many still question whether decentralised solutions are an appropriate response. In the following section we address some of the main objections to decentralisation and what evidence exists to counter such concerns.

Complexity

One of the biggest barriers to decentralisation lies in its apparent complexity. The geography of local decision-making is complex and operates at different scales. Different services have quite different catchment areas: compare primary and secondary schools, or local GP practices and hospitals. Other services have quite different economies of scale: compare bin collection and local library services for example. Infrastructure also works in ‘geographies’ that don’t necessarily correspond to local authority boundaries: airports, motorways and other transport investments typically require decision-making on a wider subnational scale. Some policy interventions require a highly individualised approach: key aspects of health and social care are increasingly personalised, while overall commissioning frameworks need to be decided at a higher tier.

For this reason, developing an appropriate ‘scheme’ or strategy for decentralisation that can encompass such a wide range of actors – each with their own remit and interests – is notoriously difficult, not least when so many powers are held by a slew of ministers and government departments reluctant to let go of their own particular areas of perceived responsibility. The situation opens itself up to perpetual tinkering, as opposed to systematic reform, and this achieves little other than to reinforce the sense that central government is attempting to maintain control.

Nonetheless, perfection should not become the enemy of the good. Governments at all levels are increasingly called on to address complexities with imagination and skill. In a number of countries a national ‘programme’ of decentralisation has been adopted with considerable success. It is the contention of this report that a similar approach should be adopted for England.

Local government competence

A second area of doubt centres on Westminster’s confidence in local government competence. During the New Labour years, one of the driving forces of the central performance regime and the top-down reorganisation of council structures was the perception that local councils and institutions could not be trusted with real power and responsibility to deliver public services (Lodge and Muir 2011). This perception was founded in some truth: indeed, after years of whittling away council control of key public services in areas such as education, health and transport, it was inevitable that some council competences had been hollowed out. Local government was left in something of a catch-22 situation: in order to gain new powers it seemed local authorities and other partners would now have to earn their autonomy by passing different departmental ‘tests’ or ‘thresholds’, reinforcing the supplicant relationship they have with central government (Gash et al 2013).

The confidence problem has been intensified by a political and media culture in which government ministers are held personally accountable for local public service matters, such as the performance of individual schools or social services departments. This is exacerbated further still by the lack of profile and visibility of most local council leaders, in part the result of a shrinking local media scene – a further ‘double bind’ (see chapter 3 for more on this issue).

But the ‘competence argument’ is looking increasingly weak. Of all the different organs of government in the UK, local government has arguably demonstrated the greatest propensity for change, innovation and efficiency. In spite of year after year of cuts, including cuts of over 20 per cent in some local areas during the current parliament, councils have demonstrated their ability to find efficiencies in a way that central government departments and other public agencies have simply failed to follow. Councils are rightly concerned about their ability to continue to respond to local demands with much smaller workforces and still-diminishing funds, but in the large majority of cases their reputation for local effectiveness and levels of public trust in their leadership are remarkably high.

Local government efficiency

The recent Local Government Innovation Taskforce report cited clear evidence of local government effectiveness in driving cost efficiencies through greater local collaboration:

'The evidence base for more efficient use of public money by better aligning budgets to areas is growing. Total Place pilots pursued under the Labour Government identified the problems caused by silos demonstrated the scope to join up services in local areas, and estimates identified a potential cost saving of £20 billion over ten years (HMT and CLG 2010).

'Whole Place Community Budget pilots built on this approach and developed the notion of a place-based budget between services to address cross-cutting challenges such as worklessness, complex dependency and health and social care. Evaluation of the four pilots showed that if all places adopted the approaches on health and social care, troubled families and work and skills, there was potential for better services and savings overall of between £9.4 billion and £20.6 billion over five years (Ernst & Young 2013). This is the most significant evidence of the potential savings that could result from scaling up place-based budgets, but they cannot be realised within an unreformed system. Savings that occurred from the pilots were found to accrue at a ratio of 80:20 to central government agencies and to councils respectively (CLG Committee 2013).'

Source: Local Government Innovation Taskforce 2014a

In subsequent chapters of this report we present a case for an 'architecture' for decentralisation which tackles many issues of competence head on.

Equality

One of the biggest concerns about decentralisation is that it will lead to inequalities – commonly known as 'postcode lotteries', where services differ wildly in quality depending on where you happen to live.

Lodge and Muir argue that such concerns – particular on the left – are the result of a (largely mythical) Marshallian account of social citizenship, and the idea that public services must be the same everywhere, funded as they are out of general taxation. Postcode lotteries are considered a betrayal of the basic contract between citizen and state and this sustains the belief that a strong central state is a necessary precondition for equality (Lodge and Muir 2011). It is of course true that more localised approaches to public service provision will lead to public service variation, but variation is not necessarily the same as inequality – indeed, there is evidence of 'postcode lotteries' occurring in health, education and other public services *because of* overcentralised service specification (Bunt and Harris 2010).

Centralisation is not necessarily the precondition for a more equal society that many on the left believe it to be. Christian Lessmann's comparative study of 56 countries between 1980 and 2009 shows that in the most developed nations, higher levels of decentralisation lead to lower levels of regional inequality (2011). Chris Huhne's study of OECD nations shows that those with the highest levels of local revenue-raising also had the lowest levels of inequality as measured by the Gini coefficient (2007). Similarly, Charlie Jeffrey presents evidence to suggest that decentralisation can boost welfare standards and even promote a 'race to the top' (Jeffrey 2011).

Perhaps the most comprehensive study of the relationship between decentralisation and inequality has been carried out by the Centre for Urban and Regional Development at Newcastle University (CURDS 2011). Their study considered international evidence of the impacts of decentralisation on a wide range of outcomes including governance, public services, local growth and wellbeing, and it initially uncovered some contradictory evidence. This was deemed to be largely a result of inadequate methods of measurement, incomparable data sources and the wide variation of spatial scales at which decentralisation is enacted.

Decentralisation in Germany: no race to the bottom?

The Federal Republic of Germany, as its full title suggests, has had a long history of decentralised decision-making exhibited by the relative autonomy of its 16 federal regions, or *Länder*, with their representation in the upper house of the national parliament, the *Bundesrat*.

In the early 2000s, however, the diverging political compositions of the Bundestag and Bundesrat led to something of a legislative gridlock. As a result, a cross-party reform commission was established in 2002 to bring together representatives of national government and the *Länder*. In 2006, the newly elected grand coalition government picked up and implemented many of the commission's proposed reforms. These included the further decentralisation of education policy, environmental protection, prisons law, care home regulation, and public sector pay. At the time, there was strong opposition to the reforms – a 'race to the bottom' was widely feared (Turner and Rowe 2013).

Researchers at Aston University, Birmingham, have recently undertaken a close analysis of the implications of these reforms (Turner and Rowe 2014 forthcoming). Their work can be summarised as follows:

- **Prisons:** Some *Länder* have committed additional funding to prisons as a result of the increased public scrutiny of their role; the majority have chosen to cooperate in drafting new laws, with only larger *Länder* with strong political leadership going their own way and not cooperating on new laws.
- **Care home regulation:** *Länder* have increased rather than reduced scrutiny over care home provision. Rather than seeking to achieve cost savings (which would not accrue to the *Länder*) a degree of competition has emerged as to whose regulation will be most demanding and secure the highest-quality services. *Länder* have introduced reforms at quite different speeds.
- **Public sector pay:** This was an area of some controversy, with business concerned that richer *Länder* would poach the best workers and union representatives concerned about downward pressure on pay and conditions. Although it has caused some regional disparities (partly but not completely related to differences in the cost of living), pay has still risen as the public sector seeks to compete with local private sector employers in Germany's relatively buoyant labour market.

In each case then, far from there being a race to the bottom, the process of decentralisation has led to different degrees of innovation, reform, collaboration and even, in one case, a race to the top. Universal claims about decentralisation necessarily sparking a race to the bottom are therefore misguided and a closer examination of the mechanisms in different policy areas that might drive such races is needed.

For these reasons, the researchers adopted a relatively new and very systematic methodology for measuring types of decentralisation – the Regional Authority Index (RAI) (Hooghe and Marks 2009) – and plotted this against a number of individual outcomes. The results are compelling.

- Greater fiscal autonomy in a nation has a significant association with lower income inequality. Furthermore, 'against the view that worse-off regions would be damaged [by fiscal decentralisation] because of capacity and funding constraints ... it is precisely these less well-off regions which seem to be benefitting the most from the inequality-reducing effects of fiscal decentralisation processes' (CURDS 2011). Of course, it is difficult to ascertain the precise mechanisms of cause and effect, but it certainly suggests that despite fears that fiscal decentralisation could disadvantage poorer areas, it would actually seem that in such areas income inequality is reduced.
- Second, the study showed that higher degrees of decentralisation were also associated with higher levels of subjective wellbeing among citizens. To cite the report, 'the positive effect of political and fiscal decentralisation variables on satisfaction and happiness establishes a relationship whereby citizens appear to be happy not only with the transfer of resources – which is an indicator of the capacity of local governments to implement policies – but also with the ability

to conduct policies at the local level' (ibid). This provides evidence, therefore, that decentralisation might not only be a means to an end, as we argue in this report, but a desirable and worthwhile end in its own right.

Public opinion

The final objection to decentralisation is that it seems to be of little political significance to the general public. While localism might fascinate policy experts it has largely failed to capture the public imagination (PwC 2014a). Turnout at local elections is notoriously low, giving the perception that people don't care too much for local democratic institutions. Many English politicians also attest to the fact that few of their constituents seem to think that a bold programme of devolution is a high priority – 'people just want good services, they don't care who delivers them' being a common refrain.

As with the local government competence/confidence issue described above, this has become a self-reinforcing nostrum. The fewer powers bestowed on local councils and their partners, the less the public has good reason to take any interest. However, as the successful establishment of the London mayoralty has proved, this is a process that can be reversed.

Indeed, it would seem that the general public have a far more sophisticated view of state power and accountability than these anecdotal observations would suggest. This is the subject of the next chapter.

2.4 Spreading power and responsibility

Building on a similar analysis, in *The Condition of Britain: Strategies for Social Renewal*, IPPR summarised a series of principles for spreading power and responsibility as the context for a 'practical plan for the next parliament' (Lawton et al 2014). These can be summarised as follows:

- **Strategic direction:** a small number of national priorities and core entitlements
- **Working together for jobs and growth:** city and county combined authorities
- **Tackling complex social problems:** powerful councils
- **Power to the people:** spreading power to individuals and families
- **Embracing variation:** prioritising devolution to places with the greatest ambitions and capacities
- **Follow the money:** strengthening the financial independence of local areas.

Chapters 4, 5 and 6 of this report set out the detail how this might be achieved.

3.

ATTITUDES TO DECENTRALISATION

The previous chapter highlighted the fact that one of the biggest barriers to decentralisation in England would appear to be the sense of ambivalence that exists among key protagonists in the decentralisation debate, not least the general public itself. This chapter considers recent evidence from polling with the general public and with local authority leaders as to their attitudes towards power and accountability in England, and from interviews with central government officials about their attitudes to change.

Survey data

This 'Decentralisation Decade' research has drawn upon a new survey commissioned by PwC and IPPR. It has also uncovered new findings about attitudes to localism from within the Future of England survey.

Who's Accountable 2014?

In 2009, IPPR and PwC carried out a YouGov survey to explore public perceptions of the accountability of different public services. This research concluded that although the public holds the government in Westminster responsible for core parts of public service delivery, public perceptions of accountability – and hence credit and blame – will change if devolution is well communicated and clearly enacted and if real powers are transferred to highly accountable bodies (IPPR and PwC 2009).

In 2014, PwC repeated this survey, this time asking questions about economic development and growth and about a wider range of public services. The results have once again uncovered a clear public awareness of where power and responsibility is held and, under certain conditions, an appetite for further devolution, particularly when they see it 'in action' (PwC 2014a).

The Future of England Surveys

In 2011 and 2012, IPPR with the universities of Cardiff and Edinburgh carried out surveys exploring the future of England and its relationship with the other devolved nations. Alongside questions of Englishness and national identity, the survey also explored questions of local identity and attachment. These have been summarised and published in the IPPR report *The future of England: The local dimension* (Cox and Jeffery 2014).

3.1 Public attitudes to power and accountability

The British Social Attitudes (BSA) survey has been conducted for over 30 years and has consistently looked at issues of devolution and national identity. In its most recent report, it highlighted an increasing discontent among the English with the powers being given to Scotland and the asymmetrical nature of the devolution settlement, not least concerning Scotland's spending power. However, this did not seem to be married with an increasing enthusiasm for devolution in England (Park et al 2013). When asked about the different forms the English devolution could take, there seems no immediate or growing appetite for England to be governed by anything other than a UK-wide parliament. The crucial limitation with the BSA survey, however, is that it only presents respondents with one genuinely devolved 'English option': regional assemblies.

Regional assemblies were the last serious attempt by any government to develop devolved institutions within England. Alongside RDAs, they were planned by the

New Labour government to devolve power to the English regions at the same time as new powers were being handed to London and the devolved nations. Unlike the capital city and the devolved nations, however, their geography had little resonance with any sense of local identity and the package of powers that was to be devolved was far less clear. As a result, in the first referendum to be held on the formation of a regional assembly, in the North East, the public delivered an overwhelming rejection of the proposed new institution.

Since then, further experimentation with apparently more decentralised forms of English local governance have met a similar fate. The Coalition government presented English cities with opportunity to vote for a local 'city mayor', and only Bristol voted in favour (although Liverpool later adopted a city mayor, but at the instigation of a council vote rather than public referendum). Police and crime commissioners were introduced without referenda but turnout for their election was less than 15 per cent.

On the basis of these results, one could quite rightly ask whether there is any public appetite for decentralisation in England. Equally, however, one could ask whether people have been asked the right questions or been provided with information on the powers to be devolved.

As noted, the BSA survey does not allow a respondent to opt for any English devolution option other than the regional assembly, a proposal that is unlikely to have become more popular since it was discredited in 2004. It is possible that city mayors were rejected not because of any antidevolutionary tendency but because, like regional assemblies before them, the public could see no added value in the election of a new official with no obvious additional powers or remit beyond that which is already held by the local authority.

In short, the public are repeatedly being presented with unattractive and poorly explained options for devolution, and they have responded accordingly. On the flipside, there is evidence that the public have a more sophisticated view of devolution and that, even if they have rejected certain solutions in the past, people do see a significant problem that remains to be solved.

The balance of power

According to the latest Who's Accountable survey, when asked whether they think the current balance of power between central and local government is about right, only 18 per cent of people agree – indeed, less than one in 50 'strongly agree'. In the West Midlands and Yorkshire and the Humber, agreement falls below 15 per cent. Interestingly, it is only in London – with its mayor – where more than one in five people think the balance is about right (22 per cent) (PwC 2014a).

When asked whether ministers should have less power over local services and local government should have more, nearly half agree (46 per cent) with only 17 per cent disagreeing and around one-third not sure. This supports the evidence found in the Future of England surveys, where 39 per cent of respondents said that they believed local authorities should have more powers (Cox and Jeffery 2014).

Attachment, efficacy and trust

Such responses would seem to stem from a strong sense of local attachment and efficacy. According to the Future of England 2012 survey, 80 per cent of survey respondents said that they felt strong attachment to their 'local area', compared with 75 per cent feeling attachment to England and 66 per cent to the UK (Cox and Jeffery 2014).

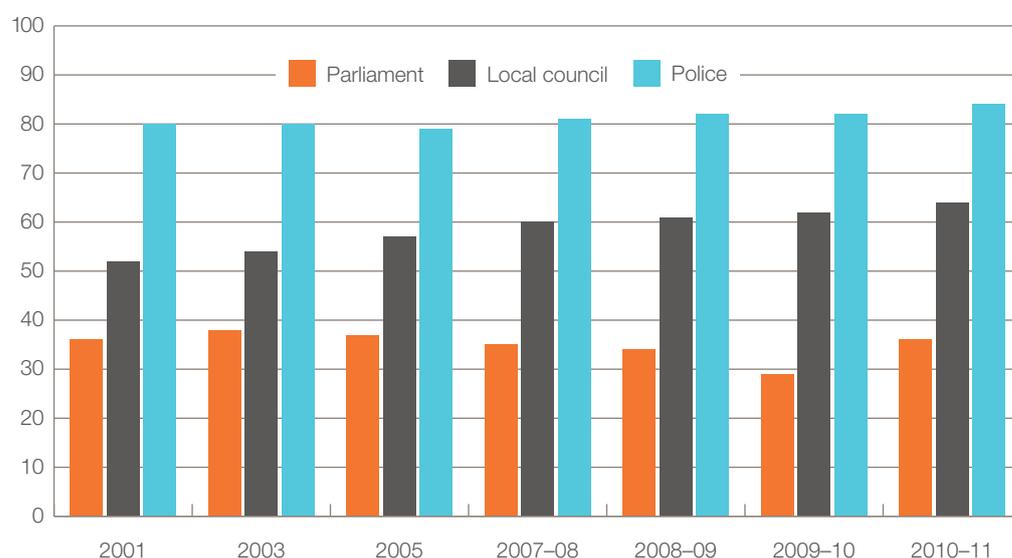
Local authorities also fared better than the UK government in terms of people's sense of local efficacy and influence. When asked if they agreed that their local authority 'didn't care much about what people like me think', 68 per cent of people

said that they agreed. While this might seem poor, it was better than people's attitudes towards the UK government (74 per cent) and the European Union (84 per cent). Interestingly, it was the London Assembly (54 per cent) and London mayor (45 per cent) that fared best by this measure (ibid).

These results are consistent with other surveys. Over the past decade, the national Citizenship Survey asked a very simple question about levels of public trust in police, councils and parliament. While the police consistently received the top scores over the decade to 2010/11, trust in local councils was significantly higher than trust in parliament. It has consistently risen over this period, while it has fallen for parliament (CLG 2011).¹³

Figure 3.1

Proportion of survey respondents who trust institutions 'a lot' or 'a fair amount' (%)



Source: CLG 2011

Local solutions?

Clearly, people in England perceive a problem, there is some support for a rebalancing of power between central and local government, and there is a strong sense of local attachment, efficacy and trust. But people are much less clear about the solutions.

We know already that people are wary of directly elected mayors. The Who's Accountable 2014 survey tells us that, nationally, the public is divided on this topic: one-third in favour, one-third against, one-third not sure. And support for directly elected mayors appears to have fallen since the 2009 survey, most likely as a result of the largely failed city mayor referenda that have taken place in this parliament (PwC 2014a). Londoners are most confident in the idea of having a mayor, with only 23 per cent now against – no doubt this is based on the experience of having one. This might also suggest that the distinction between 'city mayors', who work at the local authority level, and US-style 'metro mayors', who work over a wider economic geography, ought to be tested further to properly understand the dynamics of public opinion on this matter.

¹³ The particular dip in parliament's rating can be largely accounted for by the expenses scandal in 2008. While this rebounded a little in 2010/11, it was on a downward trajectory anyway, unlike trust in local councils, which has been on a steadily upward path.

People do not seem generally opposed though to the idea of directly elected officials. Nearly half of respondents agree with the statement ‘we should be able to directly elect officials to run public services such as in policing with police and crime commissioners’ (ibid). Although voter turnout for police and crime commissioners elections was infamously low, there is clear recognition on the part of the public that it is these commissioners who are now responsible for tackling crime in their areas (see below). As with the London mayor, this suggests that the public may be wary of institutional change but more accepting when they see it in action.

The ambivalence concerning local government may also have much to do with people’s perceptions of the capacity of local government to perform its role, perhaps intensified after the significant cutbacks faced by councils in recent years. Public confidence in local councillors and officials being ‘up to the job of having more power over local services’ is relatively low, at 24 per cent. There are some notable regional variations in this measure too, with people in the North East having the least confidence in local government (16 per cent) and East Midlands the highest (32 per cent) (ibid).

And there is no consensus that public services should be run independently of public bodies. When asked whether more public services should be run independently of central government, the highest proportion of people neither agreed nor disagreed (43 per cent).¹⁴ There is a similar level of ambivalence about the extent to which public services should or can be truly free from political pressure and interference (ibid).

The Future of England 2012 survey also asked questions about future institutions. When looking ahead, 28 per cent of people think that some kind of subnational institution should have the *most* influence over how England is run – only slightly fewer than those favouring preeminence for the UK parliament (30 per cent) or an English parliament (30 per cent). However, again, this ‘subnational’ support divides between those preferring more powers for local areas (11 per cent) and regional tiers (17 per cent) (Cox and Jeffery 2014).

Public service accountability

Underlying the lack of consensus behind any particular form of decentralised decision-making would appear to be some profound concerns about the quality and accountability of public services.

The Future of England survey asked respondents whether certain policy areas should be the same across the whole of England or whether they should be matters for local authorities to decide. Although there was a degree of openness to policy variation in relation to issues such as housing, planning, transport and refuse collection, more than two-thirds of people feel that policies should be the same across England in key areas such as education, childcare and social care (ibid).

The Who’s Accountable 2014 survey explored these matters in greater depth, looking not simply at policy but at who the public thought should be credited or held responsible for different public services. As figure 3.2 shows, there is considerable variation and sophistication in the way the public perceive who is accountable for different services.

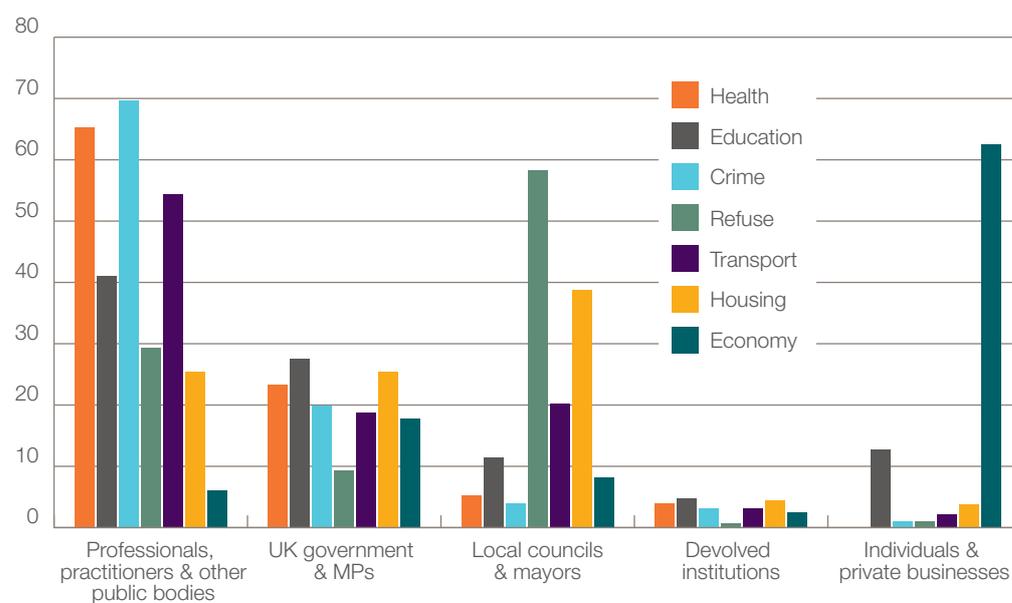
What is immediately clear is that the public generally holds professionals, practitioners and other public bodies accountable for public services more than the democratic institutions of state. Within this grouping, however, there is a wide variety of actors. In schools, for example, it includes head teachers and teachers;

¹⁴ Interestingly, on this point, there is an eight-point gap between the proportion of men and women who agreed (43 and 35 per cent respectively), where gender differences have proven to be relatively small on most measures. There are, however, greater variations between regions and class groupings.

in health it includes local health trusts, leaders of NHS institutions, doctors, nurses and other clinical staff; in housing it includes housing associations and developers; and in crime it includes police and crime commissioners.¹⁵

Figure 3.2

Perceptions of who is held ‘most responsible’ at the local level in different public services (%)



Source: PwC 2014a

Where the UK government is concerned, it is held most responsible for schools, health and housing and least for transport and policing. Councils are held responsible for relatively few services, no doubt reflecting public awareness of their relative lack of powers, but are held particularly responsible for refuse and housing issues. Surprisingly, individuals themselves are not considered responsible for problems in any areas other than education, and even here the 18–24-year-old age-group holds teachers more responsible than themselves (PwC 2014a).

There are interesting findings within the detail for each service area as well.

- In **health and social care**, there is a strong feeling that local health trusts and leaders of local health services are responsible for services in the local area – and this has increased significantly since the 2009 survey, particularly in the case of leaders of local NHS organisations. The UK government in Westminster is considered now to be less responsible for health and care services in Scotland and Wales, where the devolved administrations have seen a leap in their level of accountability since 2009, as devolution seems to have bedded in.
- In **education**, the UK government and head teachers are held similarly accountable for school performance (26 per cent and 24 per cent respectively). Unlike in other service areas, the UK government is held more responsible for school performance in England than it was in 2009. Once again, the Scottish and Welsh governments have seen their levels of accountability for exam results leap by 29 percentage points since 2009, significantly increasing their lead over head teachers, teachers, pupils and parents.

15 Also note that transport companies are included as professional bodies rather than as private businesses.

- As regards **policing**, 37 per cent of respondents now hold the local police and crime commissioner accountable for fighting crime, just two years after their introduction. This is one of the highest levels of local accountability across any public service, despite the fact that commissioners are new and only 15 per cent of the population turned out to vote for them. This far outweighs the accountability people attribute to police chiefs (22 per cent, down from 35 per cent in 2009) and the UK government. Once again, this is a strong indication of the level of awareness that exists on the part of the general public for where power lies, its relative enthusiasm for holding those directly elected to account, and its ability to adopt and adapt to changes in accountability once new institutions are in place.
- As the archetypal local service, it is not surprising that councils are held the most accountable for **rubbish collections** (56 per cent) although this is a fall of 13 percentage points since 2009, much of which is accounted for by the greater responsibility placed on the companies contracted to collect rubbish (24 per cent). There has also been a significant increase in the public accountability of **transport** companies at the local level, up seven points since 2009 to 51 per cent.
- It is interesting then that councils are still held significantly responsible for **housing** in their local area, not least by women (41 per cent). This is likely to be because people perceive that, despite funding restrictions, the council still has significant planning powers and responsibilities concerning housing allocation, again displaying a good understanding of where power and responsibility actually lies.

Responsibility for economic affairs

The Who's Accountable survey 2014 also asked questions about responsibility for economic affairs by asking who respondents would give the most credit to for any economic recovery. At the local level, the most popular answers were local businesses (38 per cent) and local people themselves (25 per cent); the UK government trails, with just 15 per cent of respondents giving it the most credit. The proportions varied greatly by region, with less than 10 per cent crediting the UK government in the East of England and Yorkshire and the Humber, compared with nearly a quarter of respondents in the North East (PwC 2014a).

Local councils and LEPs were given a small amount of credit for local economic success (7.6 and 6.1 per cent respectively) and clearly they are not seen to be significant players in driving economic growth at the present time. There were regional variations here too, with London, the North West and Yorkshire and the Humber giving greater credit to their councils (11.4 per cent, 8.8 per cent and 8.4 per cent respectively) and the South West and North East giving more to their LEPs (10.9 per cent and 9.2 per cent). This is important, as it would appear to reflect an awareness of the growing role that some councils are playing in the 'city growth' agenda and also the greater visibility given to LEPs in some regions. While the survey question didn't ask specifically about the London mayor, only 2.5 per cent of respondents in London would credit a 'local mayor' with local economic improvement.

Summary

Public attitudes to decentralisation are complex. Nonetheless, three things are quite clear:

- The public believes that there is something wrong with the status quo, whether this is the nature of the devolution settlement with the devolved nations compared with England, the imbalance of power between central and local government, or the lack of meaningful English institutions at country level.
- There is a strong sense of attachment to the local area which, although lacking precise definition, is expressed in a greater sense of local efficacy and greater trust in local politicians and local agencies than in national ones.

- People know where real power lies. The Who's Accountable surveys in both 2009 and 2014, despite some significant changes to administrative responsibilities in the intervening years, found that respondents are politically astute enough to perceive and to change their attitudes to public accountability in response to policy change in government.

The problem seems to arise when trying to understand public attitudes to future alternatives. Significant scepticism surrounds the introduction of new institutions such as mayors or assemblies – particularly where they seem to lack any clear mandate or are seen to be ‘additional’ to existing institutions. While they may trust their local politicians more than MPs and ministers, people don't seem to have confidence that councils have the capacity any longer to take on new responsibilities – and yet they demonstrate some wariness about any further privatisation of public services, putting them outside of political control.

Given this context, it is instructive to learn some lessons from our most recent experiments in decentralisation and institutional change.

People want to see a genuine transfer of powers and are wary of changes that appear purely political or bureaucratic. Devolution to Scotland, Wales, Northern Ireland and London has been something of an unheralded success. While each is not without its problems, it is unthinkable now that the powers which have been devolved might somehow now be taken back. In large part this is because people have seen a genuine devolution of decision-making – for schools, healthcare and transport for example – which has resulted in real changes on the ground. The rejection of regional assemblies and city mayors was precisely because it was much less obvious that any real powers were to be devolved.

- **Lesson 1:** In order to garner public support, decentralisation must be clearly perceived to involve a genuine transfer of political and fiscal responsibilities away from the centre around tangible state services or functions.

Geographical and cultural identity matters. Comparing the success of devolution to Scotland, Wales, Northern Ireland and London with the failure to establish regional assemblies or city mayors on any wide scale shows us that devolved institutions have to have some sense of identity and meaning that overlaps with existing local identities and attachments.

- **Lesson 2:** Devolved institutions need to be formed around natural geographies that align with local identities and attachments. Being largely arbitrary or technical, local authority and regional administrative boundaries are often ill-suited to this purpose.

Central government is wrong to think that the public holds it mainly responsible for local economies or services. Where powers have been devolved in recent years, the UK government has been held less responsible as a result. Equally, where government has appeared more reluctant to devolve responsibilities – concerning schools for example – the public retains a strong sense of ministerial accountability, even for those decisions that the minister has little real control over.

- **Lesson 3:** Ministers and civil servants need not fear that decentralising power will necessarily leave them liable for local outcomes that are no longer within their direct control. The public is responsive to changes in accountability over quite short periods of time.

People are quick to accept and adapt to changes, even when they seem to be imposed from above. There has been a remarkable shift in the perceived accountability of devolved institutions since 2009. Even in London, where devolved powers have been rather less clear than in the devolved nations and cultural identity is less rigid, levels of support for and accountability attributed to the London mayor

have increased over time. By contrast, police and crime commissioners were not created by public referenda – indeed, voter turnout suggested there was little public appetite for their introduction. But, as with similar changes in health and education, commissioners have quickly been adopted by the public and new perceptions of accountability would appear to have formed quite rapidly.

- **Lesson 4:** Central government should not shy away from top-down reform: providing it meets the other conditions outlined here, it is likely to succeed.

3.2 Local government attitudes to decentralisation

Over the past four years, PwC has carried out an annual online survey of local authority chief executives and elected council leaders across the UK. The most recent survey has been published as *The Local State We're In* (PwC 2014b) and contains a series of important findings concerning local government perspectives on decentralisation.

It is unsurprising that there is a strong appetite from local authorities for a new deal between central and local government. When asked what policy pledges local authority leaders would like to see in the party manifestoes at the next general election, financial reform came top of the list (33 per cent) followed closely by 'genuine localism' (powers and responsibilities matched with funding). There was some appetite for local government reorganisation but this was on a more limited scale (8 per cent).

On the key issue of financial reform, chief executives and leaders were of a similar mind. Well over 80 per cent agreed that local authorities should have greater freedom over borrowing, setting business rates and council tax; 88 per cent of leaders said they would like to levy and retain property taxes, with slightly smaller proportions wanting to levy and retain other minor taxes. It was only the assignment of a small proportion of income tax where there was more reticence.

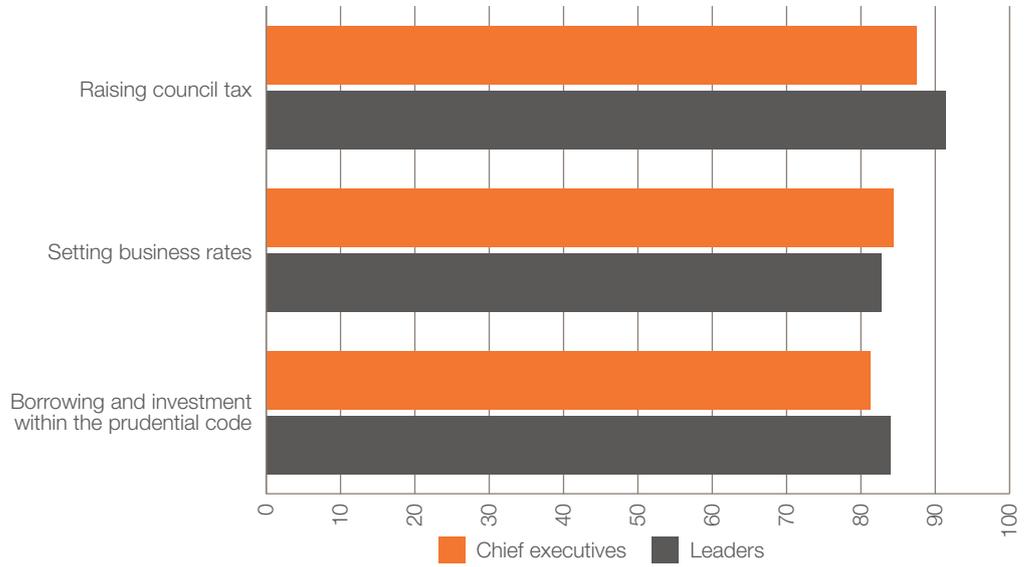
When asked what three things local authorities would do if they had more freedom to act, 17 per cent said they would 'invest more in infrastructure, regeneration and housing'; 12 per cent said they would work more closely with public sector partners across a place, with a similar proportion saying they would become 'more commercial'.

A key constraint expressed by local authorities concerned the capacity of their workforce. Their concerns were not only about coping with reduced capacity at a time of growing demand but also their ability to recruit new high-calibre staff in the event they were to receive greater powers.

The survey also reveals a growing appetite on the part of local authorities to drive economic growth. Local authorities identified a broad range of partners with whom they need to collaborate to support economic growth, including small and medium-sized enterprises (SMEs), LEPs, universities and other public sector partners. It is particularly interesting to note that there has been a significant increase in the proportion of leaders and chief executives who now feel LEPs are key partners for growth. In the case of local authority leaders this has jumped from 51 per cent to 76 per cent, perhaps reflecting the cross-party support LEPs now seem to receive.

Figure 3.3

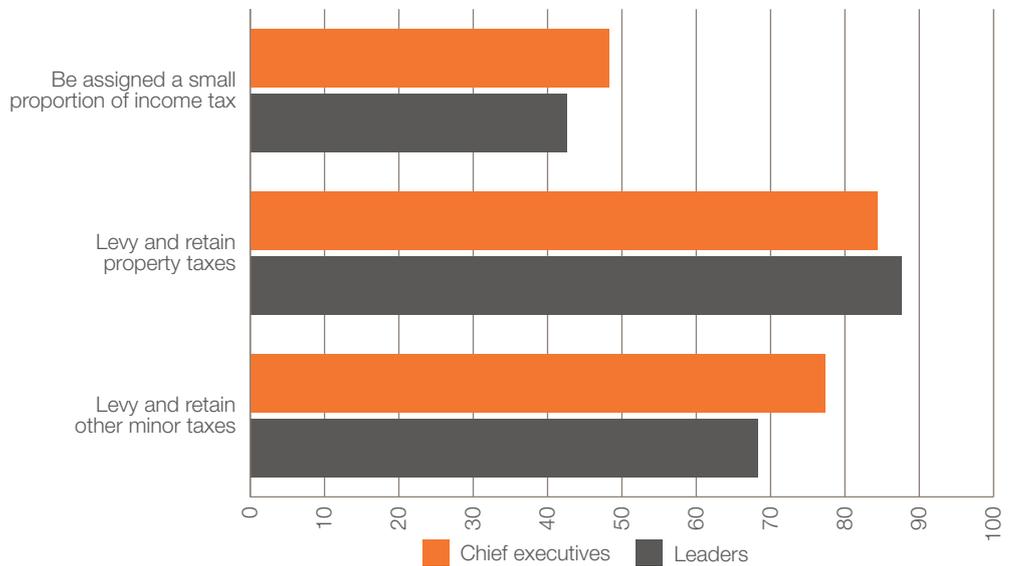
Local government attitudes to financial devolution: 'Local authorities should have greater control over...' (%)



Source: PwC 2014b

Figure 3.4

Local government attitudes to financial devolution: 'Local authorities should...' (%)



Source: PwC 2014b

3.3 Central government attitudes to decentralisation

As part of our research, IPPR has conducted a series of interviews with senior civil servants from a number of different government departments about the prospects for a ‘decentralisation decade’.¹⁶ While these are not ‘representative’ in the sense of an opinion poll, they offer a number of important messages.

The majority of those interviewed were fairly supportive of decentralisation and felt that the barriers and challenges associated were on the whole not insurmountable. However, they identified three key ingredients necessary to enable a step-change in the speed and scope of decentralisation:

- strong political leadership on the issue
- coordinated action across government
- appropriate accountability mechanisms.

By comparison, a number of the civil servants suggested that the economies-of-scale arguments for retaining functions at the centre were at times overplayed. Likewise, while common national standards in certain policy areas were seen as highly desirable, it was acknowledged that keeping control at the centre often could not achieve this.

While high-profile figures in each of the three major political parties have championed greater decentralisation, there was a feeling within the civil service that this enthusiasm had tailed off where rhetoric become practicality. It was held that few ministers, particularly at the highest level, were in a hurry to drive through decentralising reforms. For instance, while the Coalition government has talked frequently about being more localist in planning, this has rarely come to pass because it does not fit with higher priorities, such as boosting the economic recovery and encouraging housebuilding.

There was a strong view that, if it is to happen, decentralisation needs to be identified as a priority and led by the prime minister and chancellor, along with those secretaries of state most likely to have to cede the greatest control. For all the potential benefits of decentralisation, it remains largely a political decision and thus needs sustained political support behind it.

Relatedly, civil servants felt that decentralising reforms to date have been too piecemeal and disjointed. It has not always been clear whether acts of decentralisation are stepping stones to further devolution or in fact the desired end in themselves. City deals were cited as a good example of this – is the aim to continue to expand the range of cities and towns which can participate? Will the existing deals be renewed periodically?

There was a view that poorly thought-out and piecemeal decentralisation can lead to unanticipated knock-on effects such as service fragmentation, and if measures are done in too tepid or half-hearted a manner then the anticipated benefits may not be properly realised. Many argued that clear objectives as to what decentralisation is intended to achieve and cross-government coordination led from the Cabinet Office and/or Treasury would help to ensure that future decentralisation was more coherent and strategic.

One of the biggest stumbling blocks identified by civil servants, however, was the fear that decentralisation would leave a ‘deficit’ in accountability if the status quo in governance arrangements remained. Current accountability mechanisms at a local authority level were seen as too weak to support significantly greater responsibilities. At a LEP level, such mechanisms were seen as virtually nonexistent. Civil servants felt that a significant proportion of local councils were doubting their

¹⁶ Interviews were conducted on the condition of anonymity.

abilities to take on more, given the impacts of the austerity programme, and in the case of city deals already agreed, some cities needed a considerable push from central government to make more ambitious ‘asks’ as part of the process.¹⁷

A related concern was that government ministers would continue to be held responsible by the public and the media for devolved functions. Interviewees also highlighted the potential challenges of co-commissioning as a model, since ‘split accountability’, if not properly thought-through, can in practice mean no accountability whatsoever.

Finally, a specific concern was raised regarding the difficulty of devolving benefits at the same time as the chancellor is trying to keep annual managed expenditure (AME) within the set cap – which obviously becomes an issue only if different areas have the power to set differing benefit levels or eligibility criteria. Despite this concern, some could see that a more effective way of keeping AME under control would be to incentivise subnational levels of government to care more about the issue, by giving them a financial stake in any reductions to the welfare bill or allowing them to retain the proceeds of economic growth (for example, through earnback deals – see Cox et al 2014a).

In summary, the senior civil servants we interviewed were broadly receptive to further decentralisation and are already well on the way to working out ways to minimise the risks it might entail. Contrary to popular opinion, they feel it is their political masters that stand in the way of devolution, in terms of both a lack of leadership and a failure to provide a coherent plan of action as well as the political and financial capital needed to build up the local institutions which would take on these devolved powers.

17 See chapter 5 for more on how we can address these very real concerns and strengthen subnational governance arrangements.

4.

DEFINING AND SAFEGUARDING DECENTRALISATION

As identified in the previous chapter, a major criticism of decentralisation is that it appears too complex and too risky to undertake. To address these criticisms, this chapter attempts to clarify what is meant by ‘decentralisation’ and outlines four safeguards for managing the risks inherent in devolving power.

4.1 What do we mean by decentralisation?

Throughout this report so far, we have used the term decentralisation very generally to mean ‘the transfer of authority and power from higher to lower levels of government or from national to subnational levels’ (Collins and Green 1994). There is, however, huge variation in what is meant by the term. Decentralisation can mean very different things in different historical and international contexts. It can be motivated by a wide variety of factors and the understanding of subsidiarity can be incredibly subjective, depending upon where an organisation locates its own role within the hierarchy of governmental relationships.¹⁸

Around the turn of the 21st century, much emphasis was placed on the devolved nations and English regions as the crucial tier to which decentralisation was to take place. In recent years, the focus has shifted towards a ‘localist’ drive to empower individuals, communities and functional economic areas (represented by LEPs). In each case, the form, function and tier of decentralisation has been quite different, as has the language.

In order to help avoid conceptual confusion – and indeed obfuscation – it is important to clarify the types and forms that decentralisation can take. We will address the question of tiers in the next chapter.

4.2 Types of decentralisation

Literature on decentralisation defines three main types of decentralisation. These are broadly defined as administrative, fiscal and political (Triesman 2007).

- **Administrative decentralisation** refers to how much autonomy subnational agencies have in deciding issues of policy and programme – for example, how far a local authority has the ability to change its housing allocation policy or whether a health trust can prescribe a particular drug.
- **Fiscal decentralisation** concerns how far subnational entities can control their own revenue-raising and expenditure – for example, the extent to which a combined authority can raise its own tax revenues or determine whether it spends money on, say, infrastructure or skills.
- **Political decentralisation** refers to the extent to which subnational tiers of government have autonomy in determining their own forms of governance and accountability, such as the appointment of officials, electoral processes and so on. This includes the extent to which such organisations have formal, constitutional recognition.

¹⁸ This has significant implications for the measurement of decentralisation and for carrying out international comparisons. For a useful discussion of these issues see CURDS 2011.

While there is some overlap between each of these types, it is important in any programme of decentralisation that all three are present in order to ensure a genuine decentralisation of functions, finances and decision-making.

4.3 Forms of decentralisation

For each of these different ‘types’, there can be greater or lesser degrees of decentralisation and local autonomy. For example, while both might be forms of fiscal decentralisation, there is a significant difference between a local or combined authority being able to retain a proportion of its business rate revenues and a local authority being able to set the level and collect business rates at the local level.

Therefore, the concept of decentralisation can also be broken down into three forms.¹⁹

- **Deconcentration:** where activities are transferred to lower-tier actors or local or regional offices but where policymaking and decisions remain at the centre. In other words, the centre prescribes the goal, the method and the running of the delivery agency. For example, many of the roles that government offices in the regions used to fulfil were simply ‘deconcentrated’ from Whitehall.
- **Delegation:** where responsibilities for setting and delivering policies and programmes are transferred to semi-autonomous entities but where there is still a significant degree of accountability back to central government. That is, the centre prescribes the overall goal but allows subnational partners to determine the method and delivery. For example, free schools and LEPs have both been established as bodies that are largely autonomous but which depend upon delegated funding and powers from central government departments.
- **Devolution:** where decision-making is completely transferred to a subnational body that is then held accountable for policy and practice from the bottom up rather than the top down. That is, subnational bodies are responsible for the goal, the method and delivery, with no direct accountability back to the centre. For example, the Scottish and Welsh governments are now elected by their own populations on the basis of their performance in relation to their devolved responsibilities for schools, health, transport and other functions.

There is clearly a degree of overlap between these three categories, and decentralisation within any particular policy area or functions may have elements of more than one form, but the following matrix illustrates the differences with a few examples of different types and forms of decentralisation.

Table 4.1
The typology of decentralisation

		Form		
		Deconcentration	Delegation	Devolution
Type	Admin.	Jobcentre Plus BIS Local	Local Plans and neighbourhood planning	Business support schemes
	Fiscal	Public health grants Business rate retention scheme	Regional Growth Fund / Local Growth Fund Community Infrastructure Levy	Silk Commission proposals for income tax in Wales Council tax benefit
	Political	Regional ministers	City mayors	Scottish parliament and Welsh assembly

¹⁹ Adapted from Torrisi et al 2010, cited in CURDS 2011.

As we set out our programme of decentralisation later in this report, we clearly identify the different types and forms of decentralisation proposed and the significance of the ‘spread’ of proposals that together form our programme.

4.4 Addressing the risks of decentralisation

In chapter 3, we identified a series of perceived risks associated with a programme of decentralisation, which sit alongside any conceptual confusion or concerns about complexity. No genuine transfer of power between tiers of government can be completely without risk, and indeed risks apply both to central government and to those subnational bodies that receive decentralised functions. In this section, therefore, we address a number of the key risks for central and local government and other subnational bodies, and set out four safeguards for how they can be mitigated both in principle and in practice.

The recommendations set out in this chapter and chapter 5 seek to address ‘how’ to do decentralisation – the preconditions and supports required – while the programme set out in chapter 6 provides the ‘what’ – the functions to be decentralised and the appropriate actors to take them on.

Safeguard 1: An asymmetrical and long-term approach

Concerns about the capacity of local government and other subnational bodies to take responsibility for key functions of government are widespread. They are predominant among the ranks of Whitehall civil servants but they exist at the local level too, including among the general public. In many cases they are founded upon myth and presumption, but after years of disempowerment and efficiency savings there are legitimate concerns that many local bodies no longer have the skills, knowledge or staffing levels to take on significant new powers and responsibilities without some capacity-building taking place.

In truth, there is wide variation in the capacities of councils, LEPs, police and crime commissioners, health and wellbeing boards and others among the plethora of other bodies that make up the subnational landscape. But for too long the pace of decentralisation has been dictated by the slowest movers and the fears of the worst-case scenario. This has held back those with the greatest potential for growth or with a strong track record of public service efficiency and effectiveness.

There can also be wide variation in the capacities of the executive functions of subnational entities and their governance and accountability structures. Some LEPs, for example, would be quite ready to take on greater slices of government funding to drive economic growth, yet central government cannot do this without having proper processes of public accountability in place.

One of the biggest problems that England has faced in recent decades is the sense of continuous institutional change. Whether in relation to schools, health or economic development, central government ‘interference’ with policy and institutions has inhibited the ability of subnational players to grow and develop their capacity. Conversely, it is widely considered that the success of the so-called ‘Manchester model’ can be attributed to strong local governance (which has adapted government initiatives to its own shape, rather than vice-versa) and stable, long-term leadership.

It is clear from the case of Manchester that capacity-building takes time and that not every area will want, or be able, to proceed at the same pace. Nonetheless, this should not negate the potential benefits that decentralisation can bring to those who are ready to take greater responsibility and control.

For this reason we propose that:

Recommendation 1: Central government should embark upon a **phased programme of decentralisation over a minimum of two full parliaments** with clearly identified powers and responsibilities for combined authorities, local authorities and other subnational bodies as and when they are ready to assume them.

The programme should be asymmetrical but set out clear **milestones** by which government and subnational bodies can assess their readiness for new powers.

The programme should be supported by a commitment in the 2015 comprehensive spending review to **five-year funding settlements** with local government and other major subnational agencies.

The broad parameters of the programme should be **adopted by each of the mainstream political parties** for the full 10-year period, and there should be a minimal amount of institutional change after the end of the first legislative programme of the new parliament.

The details of this programme are set out in chapter 6.

Safeguard 2: Rigorous financial controls and redistributive mechanisms

The corollary of such an unprecedented approach to transferring powers is to ensure that new local freedoms do not expose central government to high levels of financial risk and macroeconomic instability, and that there remains the scope for a level of equalisation and redistribution between more and less prosperous areas.

Internationally, examples of 'local' fiscal failure are very few and far between, although the case of Detroit is regularly cited as an example of local financial autonomy running out of control. In fact, Detroit's problems run far deeper than the apparent failings of local politicians and bureaucrats, and it is important to note that some councils in England have stronger credit ratings than many national governments. Nonetheless, Detroit provides a cautionary tale.

At present another important brake on fiscal decentralisation are its wider implications for deficit reduction. With clear departmental expenditure limits (DEL) and cross-party support for a cap on annually managed expenditure (AME), there is little chance that any fiscal settlement with subnational bodies is going to be overly generous. Indeed, there is a risk that central spending limits could materially inhibit fiscal decentralisation.²⁰

Another concern about fiscal decentralisation is the risk that some areas claim the lion's share of the spoils of success, leaving those areas with more challenging circumstances struggling to provide even the most basic services. Equalisation and redistribution are important mechanisms, necessarily organised at the national level, to ensure that local areas receive funding according to their relative need, alongside their relative ability to raise council tax or other revenues.

At present the formula used to achieve the local government finance settlement is convoluted and open to political interference. Some argue that the existing system is too skewed in favour of full equalisation and that it needs to be reassessed in order to provide greater incentives for local growth (CLG Committee 2014).

20 Currently, if an area's economy grows faster than the national average and it then spends more, that extra spending – so long as there are preordained limits – will count against spending in another part of the country. While this might be sensible in relation to revenue expenditure, it cannot be fair as regards investment in infrastructure or other spending to promote economic growth. We agree with the CLG committee's proposal that government should review the way it classifies and controls key aspects of public expenditure (CLG Committee 2014).

It is also clear that in some cases – particularly in relation to welfare benefits – savings generated by local improvement do not accrue at the local level but at the centre, leading to a reduced fiscal take at the local level. It is not the place of this report to set out a detailed appraisal of possible redistributive mechanisms, as others have provided detailed technical assessments and proposals (see LFC 2013, CLG Committee 2014). However, a revised system has the potential to offer greater opportunities and incentives for fiscal decentralisation and greater freedoms for local authorities to borrow within the prudential code, alongside suitable protections for more needy areas.

We make three recommendations to provide the necessary fiscal safeguards and a level of transparency, certainty and incentive to subnational bodies.

Recommendation 2: Combined authorities, councils and other subnational bodies seeking any form of fiscal devolution should set out clear plans for **openness, public accountability and local scrutiny** within their governance arrangements. Such a commitment could take a variety of forms, such as a directly elected mayor, a combined authority assembly or a local public accounts committee (these options are discussed in more detail in the following chapter).

Recommendation 3: Ahead of the comprehensive spending review in 2015, a new government should set up an **independent review of central–local funding settlements** with a remit to deliver further fiscal devolution but which looks at (a) achieving greater transparency in funding formulae, (b) a reassessment of local need and resources, (c) how to better incentivise growth and investment, and (d) arrangements for any ‘levy’ on disproportionate growth and periodic reassessment or ‘resetting’ of the system.

Recommendation 4: Building on the proposals of the communities and local government select committee, we propose the formation of an **independent body for local fiscal management** with responsibility for overseeing central–local funding arrangements, including subnational financial probity, local borrowing and investment, settlement negotiations, equalisation and redistribution, and periodic revaluation, resetting and review.

Safeguard 3: Core outcome entitlements and a light-touch performance regime

A programme of decentralisation should not be seen as a matter of central government abdicating responsibility for economic or social priorities and outcomes. Neither should it be a mandate for local areas to do what they want. As IPPR’s *Condition of Britain* report makes clear: ‘Citizens elect governments in Westminster to show national leadership and deliver on their manifesto commitments’ (Lawton et al 2014).

Although the evidence that increased decentralisation leads to negative variations in service quality is inconclusive at best, those who are concerned that a ‘postcode lottery’ might lead to a race to the bottom and thus leave some areas with substandard services are right to express concern. Nonetheless, centrally driven programmes and performance management regimes appear increasingly ill-equipped to deal with the complexities of local growth and service delivery. New ways of marrying national priorities with local outcomes and improvements need to be found. And central government needs to create the conditions for much greater innovation, experimentation and shared learning at the local level.

In order to achieve this central–local balance in performance monitoring and outcomes we propose:

Recommendation 5: Ahead of any general election, national political parties should outline a small number of **outcome-based ‘core entitlements’** as part of their manifesto commitments (which might then be refined if and when they form a government). These entitlements reassure citizens about minimum standards, while giving local areas more freedom than to decide how economic development and public service improvement is delivered.

Recommendation 6: Combined authorities, local authorities and other local agencies must set out **clear plans for how they will measure, monitor and evaluate their performance** concerning these core entitlements and how they will seek continual improvement and innovation.

Building on the proposals of the Local Government Innovation Taskforce, local authorities and other local agencies would be required to publish data concerning core outcome entitlements in a clear, comparable and accessible way so that they can be held to account by local people for their performance (LGIT 2014b).

Alongside this, a light-touch performance regime should be introduced which can detect and respond to underperformance. It would offer toolkit and peer-to-peer learning options for those areas which are underperforming, and ensure powers for the centre to intervene more actively where there is persistent or systemic failure, and also to promote innovation and peer-to-peer evaluation and learning (ibid).

Safeguard 4: Formal codification of central–local arrangements

In their recent report, the House of Commons political and constitutional reform committee (PCRC) stated that:

‘English local government lacks some of the most basic constitutional protections that are available to some of its counterparts in a number of other mature European democracies. It is central government that finalises the shape, size, structure, powers, responsibilities and functions and English local government. Indeed, English local government lacks the right to continued existence ... England is alone, not only within the Union but in other mature democracies, in not having a devolved settlement that includes local democracy.’

PCRC 2014

The results of this situation are clear. At present, local councils have nearly 1,300 different duties placed upon them by central government, over half of which have been introduced since 1997. Even the Localism Act 2011 – ostensibly a liberating measure – included around 140 reserve powers for the secretary of state, should they be unhappy with the local decisions the legislation was intended to introduce. It is clear that we are a long way from any sense of an equal partnership between central and local, and that, for any programme of decentralisation to ‘stick’, there is a need for a profound culture change in this relationship.

As discussed already, adequate safeguards need to be in place to ensure the transparency and accountability of devolved decision-making and financial powers, and subnational bodies need the time and space to build their capacity to exercise decentralised powers. But notions of ‘earned autonomy’ are inimical to achieving the culture change required. There is an urgent need to move beyond the notion of central–local relations as a ‘zero-sum game’. The fortunes of central and local government are interdependent, and powers and responsibilities need to be seen as shared, which requires a more mature approach (Cox 2010).

The form of such a relationship has been the subject of considerable debate over the past decade.

- Some argue that the relationship is best enshrined through non-statutory measures such as city deals and other bespoke agreements between central government and local agencies. However, these approaches, while welcome, are too piecemeal and centrally determined to constitute genuine culture change.
- In the past, there have been attempts to foster a more general framework of rights for central government and local authorities enshrined in a Central–Local Concordat. This has failed because it was not taken seriously by ministers and not seen to deliver anything tangible (PCRC 2014).
- Others have advocated that the UK adopt the European Charter of Local Self-Government – but this assumes that the UK parliament has a written constitution into which it could be incorporated. While the charter’s principles may be sound, it is probably not the best approach to addressing England’s specific circumstances, given a general churlishness about perceived European bureaucracy and the UK’s particular history.

For these reasons, then, we support the initiative taken by the PCRC in putting forward a draft ‘code’ comprising 10 articles to initiate a wider debate about the future role of local government. Moreover, we would go further and recommend:

Recommendation 7: Following the consultation currently being carried out by the PCRC on a codified relationship between central and local government, we propose legislation is brought forward, during the first legislative session of the next parliament, **to strengthen the constitutional status of local government and its other subnational partners** with a view to enabling genuine culture change in the central–local relationship.

Despite the importance of achieving cultural change, our programme of decentralisation should not stand or fall on this recommendation. The majority of our proposals can be achieved without formal codification.

5.

THE ARCHITECTURE OF DECENTRALISATION

One of the main questions surrounding decentralisation is at which geographical ‘tier’ it is appropriate for different state functions to lie. The principle of subsidiarity – that power should be exercised by the least centralised authority capable of effective dealing with the matter – opens up a very wide range of possible interpretations for many government functions, and as a result power is exercised as much by historical accident as by purposeful design. There can be no perfect answer to this question any more than there can be a perfectly designed subnational system to which powers should be devolved.

This chapter explores the subnational ‘architecture’ – the institutional framework that currently exists below central government – and how far it might need to change in order to become suitable to a programme of decentralisation.

5.1 Principles for institutional change

The presupposition behind a chapter on subnational architecture might well be that the architecture needs significant structural change – but this is not the case. It is a function of overbearing central government that each new regime sees the need to embark on a major reorganisation of subnational bodies. As we have suggested in the previous chapter, this needs to stop. If anything, the focus of any change needs to be on *central* government functions and how they achieve intended outcomes, not on the institutional forms that sit beneath. Although many would make a good case for local government reorganisation, this should not inhibit significant progress being made within current structures. We know from various studies that there is no perfect subnational architecture and that the most important factor in enabling local economic success is a stable and coherent foundation upon which institutional relationships and strong local leadership can be built (OECD 2012).

In the previous chapter, as one of our safeguards for decentralisation, we argued for a minimum amount of institutional change after the first legislative programme of the next parliament, and for cross-party consensus on the matter. This allows that there may need to be some small changes to the existing architecture, and that government may need to introduce some ‘enabling measures’ to allow subnational bodies to develop their own forms of governance and accountability. This aside, however, the onus of our proposals in this chapter is clearly on supporting stability and incremental improvement, not wholesale reorganisation.

To complement this basic approach, we propose a number of other principles concerning subnational architecture:

- While central government may need to create an enabling environment for the evolution of subnational bodies, the precise form of these bodies should be driven from the bottom up rather than the top down.
- Any reorganisation of subnational bodies should not entail creating unwieldy bureaucratic or administrative functions and that the cost of any administrative change should be met by efficiency savings generated by the change over a defined period.

- Once legislation is passed at a national level to facilitate changes to the subnational architecture, this need not then be subject to a referendum, except in the case of major constitutional change.
- Many functions of government require action at different levels of government, and therefore need an approach that works across different tiers. Both vertical and horizontal coordination and integration will be required to achieve shared outcomes and maximise effectiveness.

5.2 Tiers of government

At present, the subnational architecture is complex and overlapping. For the purposes of the discussion in this chapter, we divide it into six tiers, in each case identifying some of the state-led institutions that operate mainly at that level (see figure 5.1).

Two tiers have been deemed out of the scope of this report.

Individuals

Ultimately, the principle of subsidiarity demands individual empowerment. If it was possible to organise all the functions of state in some form of market then individuals would be able to pick and choose precisely the type of services they would like and make choices about its cost. In some areas this has been possible, most notably in relation to personal budgets for social care. In other cases, citizens are ‘consumers’ of public services and can exercise some degree of individual choice, for example in healthcare, schooling and further education.

The Coalition government has sought to extend individual empowerment both in terms of service choice but also in terms of the ‘right’ to challenge and run a local service, set up a free school and so on. There are also strong arguments for extending the role of individuals, in relationship with public service providers, to strengthen what IPPR has termed ‘the relational state’ (see Muir and Parker 2014). These are important initiatives but sit largely outside of the scope of this report.

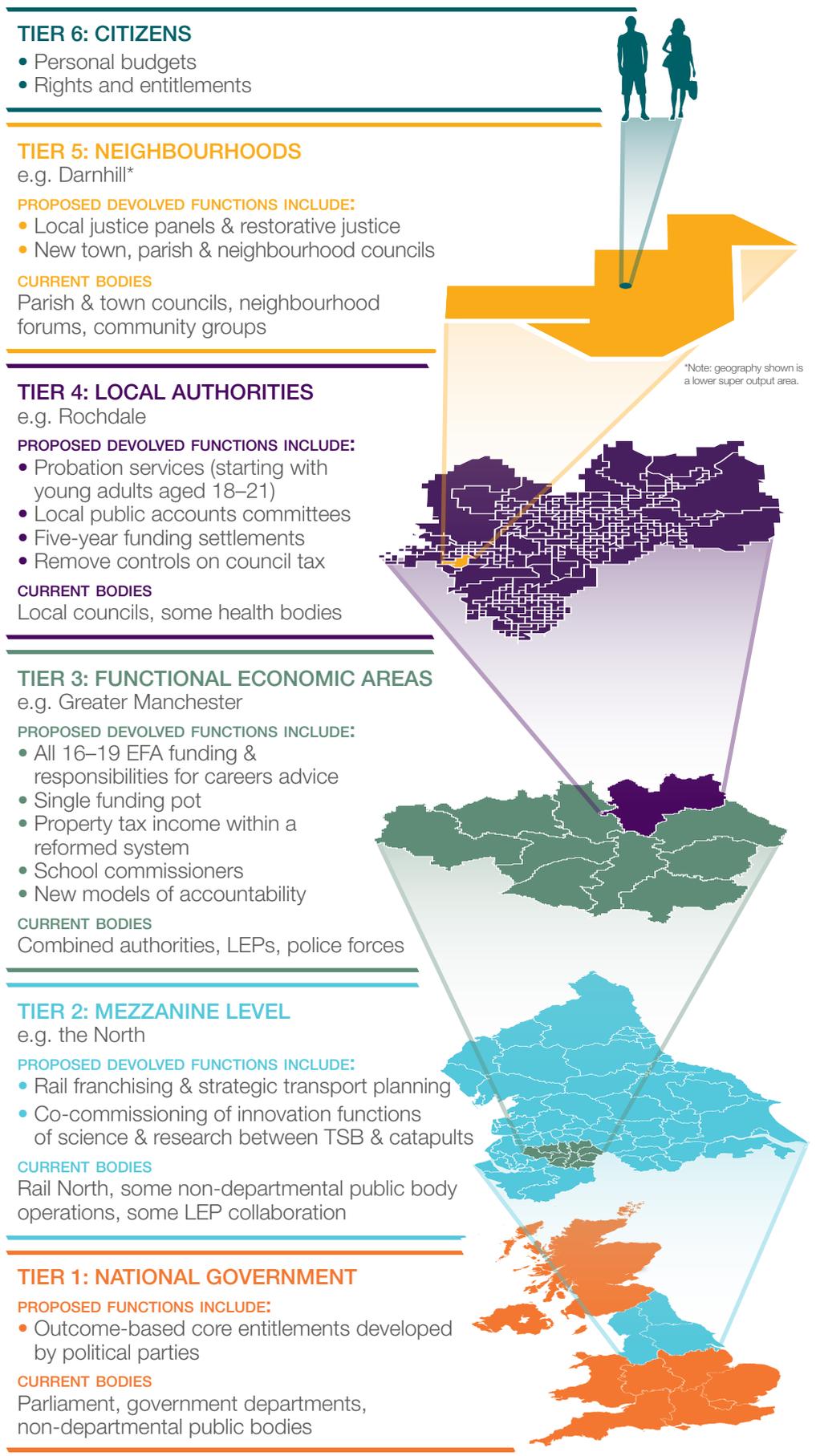
Central government

It would be impossible to embark on a programme of decentralisation without this having significant implications for the machinery of central government. Indeed, many would argue that it is a prerequisite for meaningful decentralisation that central government itself must radically change. This is the view taken by Lord Heseltine in *No Stone Unturned* where, despite the main focus of his concern being on the empowerment of England’s city regions in driving economic growth, the significant majority of recommendations involve changes to the machinery of government (Heseltine 2012).

While we have much sympathy with the need for central government reorganisation, it is our view that the large majority of recommendations in this report can be carried out without major structural change at the centre. That is not to say that, should our programme be enacted, that central government wouldn’t change; indeed, it is clear that our proposals would enable efficiencies to be found in central government and stimulate cultural change in Westminster and Whitehall. Nor is it to say that further work should not be carried out to explore the implications of our proposals for the future shape of central government. However, we do not believe that the need to change the machinery of government should be seen as a barrier to urgent and significant decentralisation in the new parliament in 2015.

The remainder of this chapter then considers each of the other tiers and makes proposals for some limited changes and enabling measures for each.

Figure 5.1
National and
subnational
architecture



No stone unturned

A selection of key recommendations put forward by Lord Heseltine for central government reorganisation to enable decentralisation and drive economic growth:

- Ministers and permanent secretaries should be associated with individual LEPs, not to advocate individual plans but to add an understanding of place to the existing culture of function.
 - Government should establish a shadow Growth Council of permanent secretaries and non-executives chaired by the designated minister to drive implementation of the Growth Strategy across all departments.
 - Government must continue to look at opportunities for devolving or transferring the functions of public bodies to the local level or to the private sector.
 - Each department should publish a comprehensive organogram showing the deployment of its staff.
 - Lead departments should coordinate the government's interaction with each [industrial] sector, ensuring there is a constructive dialogue with mutual understanding and shared ownership of outcomes.
 - The Department for Business, Innovation and Skills and the Technology Strategy Board must set out a clear statement explaining how they and other government agencies will work with LEPs and the devolved administrations to better connect national strategy with local initiative.
 - The government needs to set out a definitive and unambiguous energy policy, including the supporting financial regime, to give the sector the certainty to invest.
 - The government should initiate discussions through the Bank of England and, in cooperation with the appropriate regulators, seek one or more solutions to enable UK pension funds to invest in UK infrastructure assets.
-

5.3 The 'mezzanine' level

Since the abolition of the nine regional development agencies (RDAs), there is no formal governance layer sitting between the functional economic areas – loosely represented by the 39 LEPs and a few combined authorities – and central government. That is not to say that a number of significant organisations don't operate across regional and super-regional geographies: the Highways Agency, Environment Agency and Homes and Communities Agency, for example, all have regional structures of different kinds. It is also true that LEP areas are starting to collaborate across wider geographies where there is mutual interest in doing so. In addition, 33 local authorities from across the north of England have come together to form Rail North, a legally constituted body which is working closely with the Department for Transport to co-commission the two northern rail franchises which are due for renewal in 2016.

In almost any other developed nation it would be thought inconceivable that the state could function without such a 'regional' tier of government. In England, however, there would appear to be very little appetite on the part of the public or politicians to return to 'regions', and any suggestion of English federalism is generally greeted with amusement or contempt.

What makes this state of affairs all the more unusual is the argument that some of the most successful nation states and federal states are formed around populations of 5–8 million people (Alesina and Spolaore 2003). From this perspective, most functional economic areas outside London are too small, and yet England is too large.

Nevertheless, for now, however unique or strange its situation, England is clearly not ready for the introduction of another tier of government, and so none is proposed here. Having said that, we do believe that there are a number of areas where collaboration across and above the level of LEPs would be beneficial. It is clear that in relation to some key strategic transport and infrastructure decisions,

for example, LEP areas are just too small (and England too large). It is clear too that key decisions around innovation and cluster development very often require wider geographies and collaboration between cities (McCann 2013). And a more collaborative approach to inward investment is also likely to see produce better results than the current top-down UKTI schemes or the wasteful process of core cities competing with one another overseas (Cox et al 2013a).

For this reason we propose that a small number of enabling measures should be put in place to allow for such ‘para-LEP’ collaboration on key economic development functions where there is mutual interest in doing so. We propose that:

Recommendation 8: Government should enable partnership bodies between combined authorities and local authorities at a ‘mezzanine’ level across geographies that extend beyond the areas currently bounded by local enterprise partnerships. Such bodies should only be created as required on specific issues such as transport, innovation or inward investment.²¹

To facilitate this, government must work proactively to share with or decentralise decision-making to such mezzanine-level bodies where there is a clear benefit from doing so, and to pool funds at the higher level where there is clear consent that this should happen.

Mezzanine-level bodies seeking this kind of collaboration would need to put forward a clear business case for their proposition and demonstrate that the efficiencies that might come from closer joint-working would outweigh the costs of any new bureaucracy generated in the process.

5.4 Functional economic areas / city- and county-regions

England’s county councils were first instituted by a Conservative government in the Local Government Act in 1888, and they reflected something of the natural and cultural geography of the time. During the 1970s, the Labour government introduced city-wide governance in the form of metropolitan county councils in six metropolitan areas, but these were then abolished by the Thatcher-led Tory government in 1986. Since then there has been a drive towards unitary local authorities, borough and city councils, bringing together the functions of districts and counties generally over smaller geographical areas.

Since 2007, however, and the subnational review of economic development and regeneration (HMT et al 2007) there has been renewed focus on the importance of city-regions in the global economy, on the role of functional economic areas,²² and on creating an institutional framework to support economic prosperity. This has found its most comprehensive institutional expression in the formation of 39 LEPs covering almost the whole of England.

LEPs were established as voluntary, business-led partnerships under a very permissive framework that provided few clear objectives other than to promote jobs and growth and allowed geographies to be decided locally. This was a commendably bold and liberating approach but it has been undermined by three significant weaknesses.

- Some LEP geographies formed more around local ‘marriages of convenience’ than they did around proper functional economic areas. The largest 19 LEPs have nearly three times the total population of the smallest 20 and there is

²¹ Normally it would be expected that such areas are geographically contiguous, but provision could also be made for partnerships that do not necessarily exist within a single boundary.

²² There is no tight definition of a functional economic area. Most commentators see these as approximations of labour market or ‘travel-to-work’ areas (see BIS 2010 and Townsend 2012).

ongoing debate about a range of boundary issues that hamper momentum, particularly for those that are underbunded (Healey and Newby 2014).

- LEPs were initiated without any meaningful resources, either to build their capacity or to drive economic growth. As a result, they have been channelled towards competitive bidding for centrally held pots such as the Regional Growth Fund and the Single Local Growth Fund. Local authorities have offered different levels of officer support to manage this process, and latterly government has slowly increased the small amounts of capacity-building funding available to LEPs. Nonetheless, this has led to significant variation in their operational capacity and performance.
- Most significantly, however, LEPs were formed without any consideration for democratic accountability. Although many have opted to go down the route of becoming business and local authority partnerships, the government itself has rightly balked at the prospect of handing significant sums of public money to loose partnerships of this opaque nature.

Arrangements have been put in place to enable public funds to flow through local authorities acting as accountable bodies for LEPs, and LEPs themselves are now finding their feet as the funding flows and local projects get underway. But in most areas there remains a significant democratic deficit in relation to LEPs' policymaking, a lack of real strategic planning, and a deference to Whitehall fostered by regular rounds of bidding for funds (Cox et al 2014b).

Alongside LEPs, there have also been significant moves in the five northern cities towards reconstituted governance, in the form of combined authorities. Based on the formation of Greater Manchester Combined Authority as a statutory body in 2011 – the so-called 'Manchester model' – government approved the formation of combined authorities for West Yorkshire, Sheffield, Liverpool and the North East region in April 2014.

These collaborations of contiguous local authorities hold out great hope for better strategic planning around economic development, regeneration and transport, but also, crucially, around more social policy areas such as housing, health and wider public service transformation. Far more than its structure and form, what the Manchester model offers the new combined authorities is a more integrated approach to addressing economic development and public service reform as two sides of the same coin. Combined authorities provide a legitimate vehicle for pooling resources and developing shared strategies which can be communicated to central government and other national and international stakeholders.

The current set of arrangements leads us to three questions:

- What is the proper relationship between LEPs, combined authorities and other subnational bodies?
- What should happen to those areas that do not fall under a combined authority?
- Are these arrangements suitably robust and accountable to cope with the suite of functions and fiscal powers that a programme of decentralisation should bring?

The relationship between LEPs, combined authorities and other subnational bodies

At present, relationships between the raft of different bodies operating at the subnational level are fluid and multifarious. While this may be uncomfortable for Whitehall mandarins and some government ministers, this is generally a good thing. Relationships between LEPs and local authorities and combined authorities (where they exist) will vary from place to place depending upon their histories and the individuals concerned, but these should be pragmatic and inclusive – in nearly all cases local authorities are involved on LEP boards or in appointing LEP members, if not both.

Crucially, there is a wide range of other important, strategic partnerships that operate across local authority boundaries: relationships with strategic health bodies, with police forces and police and crime commissioners, with universities, with the Homes and Communities Agency, Work Programme providers, business bodies, developers, investors, and so on. Although central government may have instituted many of these public bodies, it cannot and in our view should not attempt to determine or control their inter-relationships at the local level.

Having said that, in the interests of efficiency and effectiveness, partners and external stakeholders (including central government) needs to understand the dynamics of the partnership 'structure' that exists within a city-region or functional economic area. Furthermore, the importance of democratic legitimacy for a place cannot be underestimated. Although there will be a rich mix of players at the subnational level, elected local authorities and combined authorities, where they exist, should be considered first among equals. For this reason we propose that:

Recommendation 9: Combined authorities, counties or other upper-tier authorities have a responsibility to set out clearly the partnership structures and their dynamics at the subnational level in a **subnational Partnership Plan** which is reviewed on a regular basis.

Areas outside combined authorities

Given the current impetus behind the combined authority model, and the clear advantages garnered by the mayor of London and the Greater London Authority, it is right to ask whether the combined authority model should be extended beyond the five northern cities. We believe there are compelling reasons why it should, but to those places where local authority collaboration over a functional economic area could bring clear benefits.

There is a particular opportunity for counties and districts to enhance their relationships, such that rural areas and other towns and cities can enjoy the benefits that decentralisation might bring. Just as contiguous local authorities have come together to drive horizontal integration without threatening their distinctive autonomy, so it could be possible for counties and districts to explore new forms of vertical integration through some form of 'county combined authority'.

For these reasons we propose that:

Recommendation 10: Central government should create a further **window of opportunity for the formation of a new wave of combined authorities** during the first year of the new parliament. These must be based on clear functional economic geographies with the full consent of all partners and set within wider Partnership Plans (see recommendation 9). After this, in the interests of stability, there should be no further subnational reorganisation until the next full parliament.

Enhancing combined authorities and LEPs

In order for the proposals set out here to have full effect, there are some important ways in which combined authorities and LEPs could be further strengthened.

At present, combined authorities are governed by a committee or board comprising the constituent local authority leaders. Their democratic legitimacy is therefore indirect and their operations tend to be largely invisible to the general public. Unlike in London and many other European city-regions, there is no direct election either of a mayor or an assembly. As their powers grow, then, many question whether combined authorities have the democratic accountability that they deserve or need. This is particularly true should they seek to raise and spend tax revenues.

A range of ‘models’ is available by which these bodies could enhance their democratic legitimacy.²³

- Greater visible leadership, with local authority leaders electing or forming a city-region ‘board’ or ‘cabinet’ and delegating powers to a ‘city-region president’ (as is the case in Bologna, for example).
- The direct election of a combined authority ‘assembly’ with elections held at the same time as local authority elections.
- The direct election of a ‘metro mayor²⁴’, with different possible forms of wider accountability, for example, to an assembly (as in London) or the combined authority itself.
- The formation of an unelected ‘assembly’ or ‘standing conference’ of key stakeholders who develop a city-region strategy and plan which is then delegated to a local mayor or president to drive forward (as in Barcelona).
- The development of an area-wide public accounts committee to scrutinise the financial decisions taken by the combined authority (see boxed text in the following section).

Given that different models will suit different situations there should not be any top-down prescription as to the precise steps that should be taken to enhance the democratic legitimacy of combined authorities. However, we propose that:

Recommendation 11: Combined authorities should bring forward plans for **enhanced democratic accountability arrangements** in advance of receiving any additional powers to raise and spend tax revenues at the subnational level, ideally involving some form of direct election.

To enable this to happen, government must lay down legislation to permit a variety of different forms of combined authority accountability, including provision for directly elected metro mayors.

Given the experience of police and crime commissioners and the London mayor (as covered in chapter 3), and if a government is elected with a clear mandate to embark upon a programme of decentralisation, we do not propose that enhanced accountability arrangements for combined authorities should require a public referendum unless there is a clear desire at the local level to do so. Should local areas feel that there is the need for a public referendum, it should be permissible to consider a post hoc referendum, whereby the new arrangements are tested three or four years after their adoption.

There are also numerous ways that LEPs could be strengthened. Many of these have already been set out in recent reports (see for example Adonis 2014, Healey and Newby 2014). We would summarise these as follows:

Recommendation 12: Government needs to **clarify the purpose and functions of LEPs** in a simple high-level statement that sets out their core remit, but leaves the details and priorities for LEPs and their partners themselves to determine.

Government should also provide a five-year commitment to **modest levels of core funding**, to complement the core funding and human resource committed by local partners.

²³ For more detail on these models, see Schmuecker 2012.

²⁴ The term ‘metro mayor’ is used to distinguish it from a ‘city mayor’. The former term could apply to any combined authority area (metropolitan or county); the latter term refers to the type of mayor who covers a single local authority boundary, a form that was largely rejected by many English cities in referenda held in 2012.

There should be a window of opportunity during the first year of the next parliament for a **review and rationalisation of LEP geography**. This should take place alongside discussions about a second wave of combined authorities and should aim to create a smaller number of larger and more effective partnerships between LEPs and combined authorities, more closely aligned with functional economic areas.

LEPs need to **work more effectively with combined authorities** and other subnational partners as part of the wider Partnership Plan set out above.

5.5 Local authority areas

The forms and functions of English local government have accreted over centuries, leaving a complex patchwork. In recent decades local government has been slowly denuded of many of its historical functions, with powers being either taken by central government or contracted out to other public and private bodies (see chapter 2). In the past five years, local authorities have borne the brunt of central government's austerity programme – many feel bruised by funding cuts and sidelined by a government that has pushed them aside to pass powers down to communities and individuals or become preoccupied with the dynamics of city-regions and combined authorities.

In this context, it is easy to forget the critical role that local authorities play in the fabric of the nation: leading and delivering vital public services; championing and shaping our villages, towns and cities; acting as the first port of call for addressing complex social problems; and engaging with communities and their day-to-day concerns. It is hard to imagine what local life would be like without the vital contribution of English local government.

And yet, as with all bureaucracies, local government is in constant need of reform. In its most recent report, the Local Government Innovation Taskforce identified three areas where reform was most needed (LGIT 2014b):

- involving people in the design and delivery of public services
- working towards the closer integration of services
- shifting away from high cost reactive approaches towards investment in preventing problems before they occur or deepen.

In chapter 6 we identify a range of functions and fiscal powers that need to be decentralised to local authorities to enable such reform to happen. We do not believe that any structural reform is necessary at the local authority level, but we do agree with ideas developed by the Centre for Public Scrutiny and the recommendations set out by the Local Government Innovation Taskforce. We therefore propose:

Recommendation 13: Local authorities should set up local public accounts committees with powers to scrutinise value for money and performance for all public services in their areas (adapted from CfPS 2013).

Local public accounts committees

'Local public accounts committees (LPACs) should be established to scrutinise and account for the financial and social value of integrated spending on public services in an area. In order to fulfil their purpose effectively, their three new statutory powers would be:

- 'The power to have access to any papers, accounts or information held by anybody involved in delivering public services and to require representatives to give evidence, either written or in person by attending hearings. The Freedom of Information Act definition of "delivering functions of a public nature" and other Freedom of Information definitions and exclusions would determine who and what would be covered by this.

- ‘An “enter and view” power over any organisation delivering publicly funded services, with a right to access real-time management information and to directly access and talk to staff and service users. This power is currently held by local Healthwatch organisations over health and social care providers to fulfil their patient and public involvement responsibilities.
- ‘A power to use this evidence to make recommendations to any local public service commissioner or provider, to which they would be obliged to respond saying which recommendations they accept and what they plan to do in response, and reasons where they do not accept any recommendation. The LPACs could have the right to refer any refusal to implement a recommendation they regard as crucial for good governance to a relevant body for determination or further investigation – either the national public accounts committee or a relevant secretary of state.

‘LPACs would cover the largest electoral division in an area unless there were statutory or other formal cross-boundary arrangements for place-based budgets, such as combined authorities, in which case their boundary would reflect those areas.’

Source: LGIT 2014b

5.6 Neighbourhoods and local communities

The Coalition government has gone some way to encourage and support neighbourhoods, and communities now have an increasing number of entitlements at their disposal, such as community rights to buy and to challenge, neighbourhood planning powers, and the ability to form parish and neighbourhood councils. Some places also have ward-level structures at this tier which – to greater and lesser degrees – enable the interplay between representative and more participatory forms of local democracy.

The benefits of neighbourhood-level governance are many and varied. Not only do they provide a clear platform for building local social capital and locally targeted service provision, but they also go a long way to addressing issues of local efficacy and democratic deficit (Cox et al 2013b).

However, there is significant inconsistency across the country as to the nature and quality of neighbourhood governance, particularly in urban areas, where parish and town councils are very often absent. There is also a heavy emphasis on neighbourhood structures that focus on neighbourhood planning, which in recent times have presented a significant barrier to housing development.

In order to extend the benefits of neighbourhood governance and to broaden their scope, we propose the following:

Recommendation 14: Cross-party support should be given to proposals to **make it easier to form parish, town or neighbourhood councils** and local authorities should be encouraged to support and adopt such proposals. Measures should also be introduced to streamline the process of becoming a ‘quality council’ to enable neighbourhood structures to garner greater local powers.²⁵

Recommendation 15: Quality councils should get **more rights to draw down responsibilities and resources** to take over specific services currently run by local authorities. Such councils would need to draw up and clear plan of how they would deliver the service, why it represents value for money, and how local people would be involved (see Lawton et al 2014).

²⁵ The Quality Parish and Council Scheme was introduced in 2003 in order to provide benchmark minimum standards for parish and town councils. These have typically been used as ‘tests’ to ensure councils are equipped to adopt particular powers and responsibilities.

6.

DECENTRALISATION DECADE: OUR PROGRAMME OF DECENTRALISATION

In the first chapter of this report, we set out the need to go beyond partial and piecemeal measures to pass power down from central to local government. We identified a series of reasons why our present system of government will forever take pigeon steps to devolve unless or until a government comes to power that has been elected with a mandate to bring about more systematic change over the long term. And we recognised that decentralisation must be for a broad and clear purpose.

Drawing upon evidence from countries such as France, Germany and Japan, we have taken inspiration from more systemic attempts to make decentralisation a cross-cutting principle for governing, and we have observed how they generally have led to greater wellbeing, reduced inequality and more cost-effective public services, as subnational tiers of government join in a ‘race to the top’.

In subsequent chapters of this report we have set out a case for decentralisation and identified a series of safeguards to address the risks that many fear could result. We have considered the subnational ‘architecture’ and made a series of proposals as to how it could be improved to ensure decentralisation really works and sticks. So, finally, we have come to identify those functions of government that we believe need to be decentralised.

One of the very first principles that was identified for any programme of decentralisation was that it should not be an end in itself. If decentralisation is to take root in England it must be for a broad and clear purpose. For this reason, our approach to identifying which government functions should be decentralised has itself to be systematic and to demonstrate the outcomes that decentralisation could achieve.

6.1 Our decentralisation tests

In order to ensure that our approach in developing a programme of decentralisation was systematic, we carried out an analysis of 13 different government departments. For each government department we developed a complex matrix, identifying every single departmental function and subfunction, and analysing how that function is currently governed and delivered. We considered how its policy is set, how it is funded, how it is delivered, who is held accountable for its success or failure and, crucially, at which tier of government these different activities take place.

In total, we identified 83 separate functions of government, and for each of which we applied 8 decentralisation tests. The tests were intended to explore the advantages and disadvantages of decentralisation and to provide a more forensic approach to the principle of subsidiarity (that power should be exercised by the least centralised authority capable of effective dealing with the matter).

Our tests can be framed as a series of questions:

1. How well is the function currently performing? Is there an obvious problem that needs to be addressed?
2. To what extent does the function currently deliver economies of scale, and to what extent does that explain the tier it is currently delivered at? How far does the function of government involve an element of redistribution where its

organisation on a wider scale enables risks to be pooled or shared across a wide population?

3. To what extent might the decentralisation of this function lead to an unacceptable level of local variation and inequality or falling standards?
4. To what extent would this function benefit from the greater application of local knowledge and the potential for local innovation?
5. How far is the function democratically accountable and would accountability be enhanced by decentralisation?
6. Is there a high level of political sensitivity concerning this function and would decentralisation raise the risk of significant political issues?

Alongside all of these tests a further fundamental question was asked:

7. If this function was decentralised, what might be the outcome?

6.2 Our outcome-based approach

One important way to unite different tiers of government and different political parties and interests across those tiers is to develop a clear sense of the outcomes that each group is trying to achieve. There is a strong precedent for this in Scotland, which has established a unified national purpose that is articulated first in five strategic priorities, then in 15 outcomes (summarised in the boxed text). This approach has illustrated how outcomes can be used to govern, to transcend party politics – thus establishing a long-term consensus – and to focus policy decisions on the achievements of national and local government together, with each performing the role to which they are best suited.

Outcomes-based policymaking in Scotland

Since 2007, the Scottish government has articulated its purpose through a set of national outcomes. This appears to be a unique approach to central government (Elvidge 2011). These outcomes are used to measure the government's achievements and align them with its overarching strategic objectives. They look forward over 10 years and operate across the government as a whole, covering all policy areas. The UK government's approach sets the centre as the 'manager' of the other government departments – by contrast, the Scottish government has no departments as such.

As a vital element of this, local government was given a progressively enhanced role. The concordat struck between central government and local governments meant that those who took on responsibility for certain outcomes were granted progressively more financial autonomy in return. This enables the totality of the public sector in Scotland to, in theory, share a purpose and direction.

The national outcomes, which in many ways transcend party politics, and are clearly transferable to any developed country, align to five strategic objectives:

- Wealthier and Fairer
- Safer and Stronger
- Smarter
- Greener
- Healthier

The full list of 15 national outcomes is as follows:

1. We live in a Scotland that is the most attractive place for doing business in Europe.
2. We live our lives safe from crime, disorder and danger.
3. We realise our full economic potential with more and better employment opportunities for our people.
4. We live in well-designed, sustainable places where we are able to access the amenities and services we need.

5. We are better educated, more skilled and more successful, renowned for our research and innovation.
 6. We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.
 7. Our young people are successful learners, confident individuals, effective contributors and responsible citizens.
 8. We value and enjoy our built and natural environment and protect it and enhance it for future generations.
 9. Our children have the best start in life and are ready to succeed.
 10. We take pride in a strong, fair and inclusive national identity.
 11. We live longer, healthier lives.
 12. We reduce the local and global environmental impact of our consumption and production.
 13. We have tackled the significant inequalities in Scottish society.
 14. Our public services are high-quality, continually improving, efficient and responsive to local people's needs.
 15. We have improved the life chances for children, young people and families at risk.
-

Building on this approach, but with the intention of having a smaller set of core outcomes for purposes of illustration of our analysis, our study has identified seven different outcomes as follows:

1. A better educated, more highly skilled and productive population
2. A more balanced economy
3. More relational public services and a more effective criminal justice system
4. A more inclusive labour market
5. Greater environmental sustainability
6. Higher quality homes and integrated communities
7. Higher levels of democratic participation and accountability

6.3 Our Decentralisation Decade programme

Finally, following detailed consideration of every government function identified for the study, we identified nearly 40 separate priorities for decentralisation. In each case further analysis was undertaken to consider:

- Which **tier** should this function be decentralised to?
- What **type** of decentralisation could this be described as?
- What would be the most appropriate **timetable** for this aspect of decentralisation to take place over a 10-year period?
- And which **department** would need to 'let go'?

The results of this analysis are presented here. Priorities are organised according to the outcomes that each should achieve. While it is beyond the scope of this report to provide a detailed justification for each and every priority identified, we provide references to more detailed explanations of the particular policy proposal, where they exist.

These priorities are also presented in annexes 2 and 3 to this report, arranged by tier of governance (see figure 5.1) and devolving body respectively.

Over-arching priority: Preparing for decentralisation

Priority 1

Parties should set out outcome-based core entitlements

Ahead of any general election, national political parties should outline a small number of outcome-based 'core entitlements' as part of their manifesto commitments (which might then be refined if and when they form a government).

From...	To...	When	Type
PP Political Parties	TIER 1 National	Before 2015 election 	Administrative Fiscal Political

Source: *Decentralisation Decade*, recommendation 5

Outcome 1: A better educated, more highly skilled and productive population

Priority 2

Establish schools commissioners

The government should create local schools commissioners, who would commission (but not run or manage) all of the schools in their area, including free schools and academies, and have a singular focus on school improvement. Schools would retain the freedoms they enjoy today and these would be guaranteed in statute. But if schools coast or underperform the schools commissioner would have the power that currently rests with the secretary of state to intervene, ultimately by appointing a new head and governing body.

From...	To...	When	Type
DfE Education	TIER 3 Combined Authorities	First legislative programme 	Administrative Fiscal Political

Sources: Clifton 2013, Muir 2012

Priority 3

Devolve apprenticeships, FE and adult skills funding (while maintaining national standards, entitlements and regulation)

Combined authorities and LEP partners should be made responsible for coordinating the budget for adult further education, skills and apprenticeships, which currently stands at £3.8 billion for 2012/13. This would give them much greater traction in the employment and skills system.

From...	To...	When	Type
BIS Business, Innovation & Skills	TIER 3 LEPs	Spending Review 2015 	Administrative Fiscal Political
	TIER 3 Combined Authorities		

Source: IPPR North and NEFC 2012, Henderson et al 2013

Priority 4

Devolve all 16–19 Education Funding Agency (EFA) funding and responsibility for careers advice

All funding, commissioning and providing places for 16–19-year-olds, should be devolved to city/county regions. These would consult with the LEP and representatives of school sixth forms and further education (FE) colleges in the area.

From...	To...	When	Type
DfE Education	TIER 3 Combined Authorities	Spending Review 2015 	Administrative Fiscal Political

Source: Forthcoming IPPR report

Outcome 2: A more balanced economy

Priority 5

Co-commission innovation functions of science and research between Technology Strategy Board (TSB) and catapults, and a pan-northern body or pan-region equivalent

Innovation Councils should be formed to support and galvanise business innovation and growth across the country. For example a Northern Innovation Council would serve as a model for the others. This would bring together leading universities, employers and local authorities. It should secure funding for investment in university–business collaboration, applied research and innovation support and particularly in the development of a small number of its own ‘Catapult Plus’ centres. In time, each of the other UK regions should form similar structures as they think appropriate.

From...	To...	When	Type
BIS Business, Innovation & Skills	TIER 2 Mezzanine	First 100 days / first budget 	Administrative Fiscal Political

Source: IPPR North and NEFC 2012

Priority 6

Devolve a proportion of UKTI budgets and functions to combined authorities or equivalents

UKTI should shift its strategy from one that focuses primarily on business sectors to one which provides greater support to key localities and city-regions. For example, a Northern Investment and Trade Board should be formed, and tasked with developing a small number of key trade and investment priorities at a significant scale and improving coordination between local authorities, LEPs and UKTI sector specialists. The other English regions should devise schemes based on this model.

From...	To...	When	Type
BIS Business, Innovation & Skills	TIER 3 Combined Authorities	First 100 days / first budget 	Administrative Fiscal Political

Source: IPPR North and NEFC 2012

Priority 7

Delegate local strategy-setting for the media and creative industry within an national industrial policy

Combined authorities should be given a role in shaping the industrial policy for the creative industries. This would enable local decision-making to reflect national strategic priorities more closely, in areas such as planning, for example.

From...	To...	When	Type
DCMS Culture, Media & Sport	TIER 3 Combined Authorities	First 100 days / first budget 	Administrative Fiscal Political

Source: Straw and Warner 2014

Priority 8

Set up a single funding pot for place-based budgets

The 2015 spending review should make provision for much more substantial place-based budgets for each of the five combined authorities that will exist by that time, which should be allocated for a five-year period as part of the spending review process. Due to the sizable amounts of public money involved, a wider roll-out to other areas can follow over the medium term once their institutional capacity is improved and they become subject to greater levels of accountability and scrutiny.

From...	To...	When	Type
BIS Business, Innovation & Skills CLG Communities & Local Government DfT Transport	TIER 3 Combined Authorities	Spending Review 2015 	Administrative Fiscal Political

Source: Cox et al 2014a

Priority 9

Allow earnback deals for major local transport funding

Building on the principle and logic of earnback and existing tax increment financing (TIF) approaches, the 2015 spending review should make provision for combined authorities to finance investment in infrastructure, employment and skills based upon the potential savings from increasing employment as well as the proceeds of GVA growth, again with wider roll-out over time.

From...	To...	When	Type
DfT Transport	TIER 3 Combined Authorities	Spending Review 2015 	Administrative Fiscal Political

Source: Cox et al 2014a

Priority 10

Decentralise bus and regional rail regulation

There should be a major decentralisation of transport powers to local authorities and passenger transport executives, including powers over regional franchising, concessionary fares and management of local stations.

From...	To...	When	Type
DfT Transport	TIER 3 Combined Authorities	Parliament 2015–2020 	Administrative Fiscal Political

Source: IPPR North and NEFC 2012

Outcome 3: More relational public services and a more effective criminal justice system

Priority 11

Review and rationalise police forces

There should be a review and rationalisation of regional police forces, with community policing devolved to the local authority level and better integration of systems and some aspects of shared delivery at the mezzanine level.

From...	To...	When	Type
HO Home Office	TIER 2 Mezzanine	Parliament 2015–2020 	Administrative Fiscal Political

Source: Muir 2009

Priority 12

Gradually devolve custody budgets, starting with those for under-18s

Devolve custody budgets for under-18s (all those on detention and training orders) to local authorities. Over time the custody budget for 18–21-year-olds could be devolved to combined authorities as appropriate.

From...	To...	When	Type
MoJ Justice	TIER 3 Combined Authorities	Parliament 2015–2020 	Administrative Fiscal Political
	TIER 4 Local Authorities		

Sources: Muir 2014, Lawton et al 2014

Priority 13

Gradually devolve probation services, starting with those for 18–21s

Commissioning of probation services could be transferred into local government in much the same way that public health has been. This move would confer a number of advantages: probation officers responsible for overseeing community sentences could be fully integrated into the work of local youth services, drug and alcohol treatment services and mental health services; probation officers could coordinate holistic efforts to tackle offending behaviour; and community service work would be more closely linked to local people’s priorities for the area, and could be subject to public input via a democratic body.

From...	To...	When	Type
MoJ Justice	TIER 4 Local Authorities	Parliament 2015–2020 	Administrative Fiscal Political

Source: Muir and Parker 2014

Priority 14

Decentralise certain criminal justice functions to neighbourhood level with the creation of local justice panels and introduction of restorative justice

To foster greater public involvement in the system every local authority should establish neighbourhood justice panels to deal with low-level crimes or antisocial behaviour so that more of these would be dealt with under neighbourhood resolution. In addition, the panels could facilitate restorative conferences in cases that would attract a caution and where the victim requests a restorative process.

From...	To...	When	Type
MoJ Justice	TIER 5 Neighbourhoods	First legislative programme 	Administrative Fiscal Political

Source: Muir 2014

Priority 15

Strengthen and simplify the role of health and wellbeing boards

The vision for ‘whole person care’ should include a greater remit for health and wellbeing boards to sign off high-level investment decisions across health and social care. This would be based on a partnership of equals and must not undermine the clinical leadership of clinical commissioning groups in NHS commissioning. This responsibility should be introduced in phases, building on the boards’ oversight of the Integration Transformation Fund, and beginning with spending on older people and people with long-term conditions. This would give them a stronger role in ensuring that the total local public funding for health and wellbeing is being spent in the most efficient way to improve the outcomes of coordinated care.

From...	To...	When	Type
DoH Health	TIER 4 Local Authorities	First legislative programme 	Administrative Fiscal Political

Source: Bickerstaffe 2013

Outcome 4: A more inclusive labour market

Priority 16

Devolve responsibility for and integrate skills and employment services locally for under-21s, integrated with the jobs guarantee and youth allowance

A youth guarantee should be established that offers young people access to further education or vocational training plus intensive support to find work or an apprenticeship. For those not learning or earning after six months, paid work experience and traineeships should be provided, with no option to refuse and continue receiving the youth allowance. The government should set national objectives for the youth guarantee, but over time local areas should assume leadership of the delivery of support for local young people (although the youth allowance would remain a national payment administered by central government).

From...	To...	When	Type
DWP Work & Pensions	TIER 3 Combined Authorities	Spending Review 2015 	Administrative Fiscal Political

Sources: Cooke 2013, Lawton et al 2014

Priority 17

Co-commission employment support for JSA claimants closest to the labour market

Employment support for those closest to the labour market (payment groups 1–3 on the Work Programme) should continue to be commissioned centrally by DWP, but with the tendering process driven by local authorities, priorities set locally, and providers shortlisted and chosen by both DWP and local authorities.

From...	To...	When	Type
DWP Work & Pensions	TIER 3 Combined Authorities	Spending Review 2015 	Administrative Fiscal Political

Source: Davies and Raikes 2014

Priority 18

Devolve responsibility for ESA employment support

The government should open up local commissioning of employment support only for those hardest to help where the case is strongest (that is, currently payment groups 4–9 of the Work Programme), confronting head-on the current failure of the Work Programme to deliver, and opening up the potential for generating more positive outcomes.

From...	To...	When	Type
DWP Work & Pensions	TIER 4 Local Authorities	Spending Review 2015 	Administrative Fiscal Political

Source: Davies and Raikes 2014

Priority 19

Use welfare earnback to incentivise city regions to assist with keeping the benefit bill under control

Building on the principle and logic of earnback and existing TIF approaches, this logic should extend from the direct fiscal benefit of successful employment programmes and skills interventions, to the indirect employment benefits of economic growth where they can be evidenced, and cover the cost savings made via all government departments.

From...	To...	When	Type
HMT Treasury	TIER 3 Combined Authorities	Spending Review 2015 	Administrative Fiscal Political

Source: Cox et al 2014a

Outcome 5: Environmental sustainability

Priority 20

Assist cities in the supply of energy and support the decentralisation of the energy market

A Local Authority Energy Unit should be created within the Department for Energy and Climate Change that brings together guidance for cities and local authorities relating to energy supply, heat delivery, energy efficiency programmes, renewable energy deployment and access to finance. This unit should harmonise the expertise and advice that is currently held within different areas of the department.

From...	To...	When	Type
DECC Energy & Climate Change	TIER 3 Combined Authorities	First 100 days / first budget 	Administrative Fiscal Political

Source: Platt 2014

Priority 21

Devolve responsibility for energy efficiency

The government should give responsibility to local organisations, such as local authorities, to provide energy efficiency and fuel poverty assessments to households. This would drive uptake of the Green Deal and enable fuel-poor households to be accurately identified.

From...	To...	When	Type
DECC Energy & Climate Change	TIER 4 Local Authorities	First 100 days / first budget 	Administrative Fiscal Political

Source: Platt 2014

Outcome 6: High-quality homes and integrated communities

Priority 22

Devolve the Affordable Housing Fund and housing capital budgets

Combined authorities should be invited to submit an Affordable Housing Plan to central government as the basis for securing an Affordable Housing Fund. These should set out how local control over resources would enable housing need to be better met – such as by expanding affordable housing supply.

From...	To...	When	Type
CLG Communities & Local Government	TIER 3 Combined Authorities	Spending Review 2015 	Administrative Fiscal Political

Source: Cooke and Davies 2014

Priority 23

Enable housing earnback deals and variation in broad rental market areas (BRMAs)

The Treasury and local governments should strike earnback deals which would enable them to share the proceeds of local action to reduce housing benefit spending relative to forecasted costs.

From...	To...	When	Type
CLG Communities & Local Government	TIER 3 Combined Authorities	Spending Review 2015 	Administrative Fiscal Political

Source: Cooke and Davies 2014

Outcome 7: Higher levels of democratic participation and accountability

Priority 24

Devolve rail franchising and strategic transport planning

As a first step toward similar bodies across the country, we propose the creation of Transport for the North (TfN) to take power over the Northern Rail franchise, major hub stations, rolling stock and smart ticketing. In due course, we propose extending TfN's powers to some aspects of bus regulation and Highways Agency responsibilities, so that integrated planning of transport across car, bus and train travel is made possible. Plans in the north of England are currently far better developed than in other English regions, but the rest of England should also bring forward their own plans to form similar bodies.

From...	To...	When	Type
DfT Transport	TIER 2 Mezzanine	First 100 days / first budget 	Administrative Fiscal Political

Source: IPPR North and NEFC 2012

Priority 25

Develop new models of local accountability at the combined authority level

Combined authorities should bring forward plans for enhanced democratic accountability arrangements in advance of receiving any additional funds or powers to raise and spend tax revenues at the subnational level.

From...	To...	When	Type
CAs Combined Authorities	TIER 3 Combined Authorities	First 100 days / first budget 	Administrative Fiscal Political

Source: *Decentralisation Decade*, recommendation 11

Priority 26

Review local governance arrangements and set out Partnership Plans

Subnational bodies should set out clear Partnership Plans including their plans for openness, public accountability, local scrutiny and how they will measure, monitor and evaluate their performance against national ‘core entitlements’.

From...	To...	When	Type
CAs Combined Authorities LAs Local Authorities	TIER 3 LEPs	First 100 days / first budget 	Administrative Fiscal Political
	TIER 3 Combined Authorities		
	TIER 4 Local Authorities		

Source: *Decentralisation Decade*, recommendations 2, 6, 13

Priority 27

Set up an independent review of central–local funding and form an independent body for local fiscal management

Government should set up an independent review of central–local funding settlements with a remit to deliver further fiscal devolution but which looks at (a) achieving greater transparency in funding formulae, (b) a reassessment of local need and resources, (c) how to better incentivise growth and investment, and (d) arrangements for any ‘levy’ on disproportionate growth and periodic reassessment or ‘resetting’ of the system. Building on the proposals of the communities and local government select committee, an independent body for local fiscal management should be formed with responsibility for overseeing central–local funding arrangements, including subnational financial probity, local borrowing and investment, settlement negotiations, equalisation and redistribution, and periodic revaluation, resetting and review.

From...	To...	When	Type
CLG Communities & Local Government	TIER 3 LEPs	First 100 days / first budget 	Administrative Fiscal Political
	TIER 3 Combined Authorities		
	TIER 4 Local Authorities		

Source: *Decentralisation Decade*, recommendations 3, 4

Priority 28

Enable a new wave of combined authorities including ‘county combined authorities’

Government should create a further window of opportunity for the formation of a new wave of combined authorities during the first year of the new parliament. These must be based on clear functional economic geographies with the full consent of all partners and set within wider Partnership Plans (see above). After this, in the interests of stability, there should be no further subnational reorganisation for at least five years.

From...	To...	When	Type
CLG Communities & Local Government	TIER 3 Combined Authorities	First 100 days / first budget 	Administrative Fiscal Political

Source: *Decentralisation Decade*, recommendation 10

Priority 29

Clarify the purpose and function of local enterprise partnerships and rationalise their geography

Government needs to clarify the purpose and functions of LEPs in a simple high-level statement that sets out their core remit, but leaves the details and priorities for LEPs and their partners themselves to determine. This should be backed by modest levels of core funding, to complement the core funding and human resource committed by local partners and a window of opportunity during the first year of the next parliament for a review and rationalisation of LEP geography.

From...	To...	When	Type
CLG Communities & Local Government	TIER 1 National	First 100 days / first budget 	Administrative Fiscal Political

Source: *Decentralisation Decade*, recommendation 12

Priority 30

Codify the relationship between central and local government

Legislation should be brought forward to strengthen the constitutional status of local government and its other subnational partners with a view to enabling genuine culture change in the central–local relationship.

From...	To...	When	Type
CLG Communities & Local Government	TIER 3 Combined Authorities TIER 4 Local Authorities	First legislative programme 	Administrative Fiscal Political

Source: *Decentralisation Decade*, recommendation 7

Priority 31

Allow partnerships at the mezzanine level

Where necessary, government should create the legislative framework to enable partnership bodies between combined authorities and local authorities which extend beyond the areas currently bounded by local enterprise partnerships at a ‘mezzanine’ level on specific issues such as transport, innovation or inward investment.

From...	To...	When	Type
CLG Communities & Local Government	TIER 3 Combined Authorities TIER 4 Local Authorities	First legislative programme 	Administrative Fiscal Political

Source: *Decentralisation Decade*, recommendation 8

Priority 32

Allow town, parish and neighbourhood councils to develop

The government should make it easier to form parish, town or neighbourhood councils and local authorities should be encouraged to support and adopt such proposals. Measures should also be introduced to streamline the process of becoming a ‘quality council’ to enable neighbourhood structures to garner greater local powers. Quality councils should get more rights to draw down responsibilities and resources to take over specific services currently run by local authorities. Such councils would need to draw up and clear plan of how they would deliver the service, why it represents value for money and how local people would be involved.

From...	To...	When	Type
CLG Communities & Local Government	TIER 5 Neighbourhoods	First legislative programme 	Administrative Fiscal Political

Source: *Decentralisation Decade*, recommendations 14, 15

Priority 33

Enable local authorities to innovate and institute their own electoral systems, for example through alternative voting or lowering the voting age

The government should allow a range of reforms to local democracy and local party processes. These reforms should enhance the role of ward councillors as key catalysts in their local neighbourhoods, including opening up selection processes, making it easier for working people to stand as councillors, and experimenting with new approaches to local democratic practices.

From...	To...	When	Type
CLG Communities & Local Government	TIER 4 Local Authorities	First legislative programme 	Administrative Fiscal Political

Source: Cox et al 2013b

Priority 34

Set up local public accounts committees

Local authorities should set up local public accounts committees (LPACs) with powers to scrutinise value for money and performance for all public services in their areas. LPACs would cover the largest electoral division in an area unless there were statutory or other formal cross-boundary arrangements for place-based budgets such as combined authorities, in which case their boundary would reflect those areas.

From...	To...	When	Type
CAs Combined Authorities LAs Local Authorities	TIER 3 Combined Authorities TIER 4 Local Authorities	Spending Review 2015 	Administrative Fiscal Political

Source: *Decentralisation Decade*, recommendation 13

Priority 35

Set out five-year funding settlements with local government

The programme should be supported by a commitment in the 2015 comprehensive spending review to five-year funding settlements with local government and other major subnational agencies.

From...	To...	When	Type
CLG Communities & Local Government	TIER 4 Local Authorities	Spending Review 2015 	Administrative Fiscal Political

Source: *Decentralisation Decade*, recommendation 1

Priority 36

Remove controls on council tax

All local authorities should have full control over setting council tax bills, with the restrictions on raises over 2 per cent a year being lifted and a commitment by government not to interfere in council tax decisions. Local authorities should in addition be allowed to introduce new additional council tax bands as they see fit.

From...	To...	When	Type
CLG Communities & Local Government	TIER 4 Local Authorities	Spending Review 2015 	Administrative Fiscal Political

Source: Cox et al 2014a

Priority 37

Introduce a new property tax system and devolve property taxes to combined authorities or equivalents

The government should carry out a radical review of all property taxes, including assessing the benefits and risks of decentralising such taxes, and then implement the findings of this review.

From...	To...	When	Type
HMT Treasury	TIER 3 Combined Authorities	Parliament 2020–2025 	Administrative Fiscal Political

Source: Cox et al 2014a

Priority 38

Extend business rate flexibility and retention, removing most remaining controls by central government

All local and combined authorities should be given the power to set business rates, subject to restricting the amount that business rates can be increased to RPI plus half the size of any council tax increase.

From...	To...	When	Type
CLG Communities & Local Government HMT Treasury	TIER 3 Combined Authorities TIER 4 Local Authorities	Spending Review 2015 	Administrative Fiscal Political

Source: Cox et al 2014a

Priority 39

Assign a proportion of income tax

Ten per cent of the income tax take in each of the combined authorities should be assigned to those authorities, with a corresponding reduction in the central government grants to their constituent local authorities. Government should consider the feasibility of a wider roll-out of income tax assignment to areas outside of the combined authorities. This would *not* involve a change in income tax rates or the method of collection.

From...	To...	When	Type
HMT Treasury	TIER 3 Combined Authorities	Parliament 2020–2025 	Administrative Fiscal Political

Source: Cox et al 2014a

7.

CONCLUSIONS: THE COSTS AND BENEFITS OF A DECENTRALISATION DECADE

As this report and the international evidence make clear, decentralisation is both an art and a science. Technical arguments and detailed analysis have been articulated and rearticulated over several decades and yet, without political will and public support, even the best and most compelling have fallen on stony ground. Furthermore, the benefits of decentralisation will accrue only over time, in direct and indirect forms and in expected and unexpected ways.

It would be impossible therefore to set out a detailed or comprehensive cost-benefit analysis of the measures set out in our programme of decentralisation. However, in the context of ongoing fiscal constraint, we conclude this report with a short analysis of the potential costs of a ‘decentralisation decade’, alongside the expected benefits that we expect it could bring.

7.1 The costs of decentralisation

The proposals set out in this report have been designed to ensure there is no net cost to the taxpayer over the 10-year period. Indeed, the guiding principle behind the whole approach is that decentralisation will lead to higher economic growth and increased public service efficiency, and so bring significant income and savings to the exchequer.

Architecture

We have not proposed any systematic reorganisation of subnational government, nor have we proposed the formation of a ‘new layer of bureaucracy’. Our proposals are deliberately modest and outcome-focused. Where there may be direct costs incurred these have been balanced against the benefits that will accrue over time. For example, in the case of giving extra capacity funding to LEPs, this is balanced against an expected rationalisation of their total number.

In only two cases do we propose that new institutions are created. The costs of forming new combined authorities in practice have been small – indeed, they are cost-saving, as local authorities have combined and rationalised functions – and it is expected that any further enhanced governance arrangements, such as metro mayors, should be carried out frugally (which was not the case in London). Otherwise, we expect there to be only a small number of new mezzanine-level partnership bodies to cover key issues such as transport and innovation, and in these cases we demand a clear business case setting out the long-term benefits of the body.

Functions of government and public sector effectiveness

Throughout our analysis of the functions of government we applied two simple tests: are there economies of scale in operation which support the holding of that function at a particular tier? And could there be efficiency savings made if a particular function was devolved downwards? Unless a function of government passed these criteria, it was not included in the plan.

For this reason, none of the proposals in this plan should cost the Treasury any more over the course of the decentralisation decade – rather, they should lead to

significant savings and wider dividends. For example, a number of proposals are based on the idea of ‘earnback’, whereby the delegation of a particular function enables and incentivises benefits or savings which accrue at the subnational level.

The main caveat to this argument is that the devolution of certain functions implies a modest amount of capacity-building at the subnational level. In governance terms this should be minimal, as set out in the previous chapter, but in delivery terms there may be additional costs. Again, however, these must be balanced against benefits in the medium to long term, as well as costs saved as central government reduces its own delivery capacity.

Fiscal decentralisation

One of the biggest concerns about the fiscal dimensions of the decentralisation programme is that they may increase the tax burden at the local level. This is why central government has repeatedly intervened in the setting of council tax rates, for example. There are also wider concerns about the risks fiscal decentralisation may pose in terms of macroeconomic stability.

In part, central government must accept that greater subnational autonomy entails the legitimate right of democratically elected local authorities to gather a mandate to set tax rates and then stand or fall on their own decisions. This is what happens in almost all modern democracies, and in practice there is ample evidence that subnational governments are the first to recognise the democratic limitations of their tax-raising powers and the importance of harmonisation with neighbouring areas. There is very little evidence of the worst-case scenarios that are sometimes presented.

Having said that, our proposals do set out a range of safeguards against the possibility of wider fiscal risk. Our proposals follow those of the CLG Committee and the London Finance Commission in seeking to ensure that any fiscal decentralisation is fiscally neutral at the outset and maintains – indeed improves – redistributive mechanisms to prevent the weakest areas from falling into severe difficulties. Our recommendations also include measures to enhance local public scrutiny of financial affairs; an independent body for local fiscal management; and our wider proposals concerning local authority borrowing include strict adherence to the prudential code for borrowing.

7.2 The benefits of decentralisation

Returning to the three fundamental challenges which led to the call for a decentralisation decade – focused on politics, services and economics – let us consider both the benefits that might accrue should our systematic approach be adopted and the kind of country that could evolve over the next 10 years.

Economic recovery

The UK economy is witnessing a recovery. But although there is strong employment growth across the country, fundamental concerns remain about productivity gains and the unbalanced nature of growth, particularly geographically. As the chancellor himself has pointed out, if every region of the country was performing economically at the national average, the nation would be £56 billion better off (Osborne 2014).

There is widespread recognition that such growth will only come from the devolution of key economic powers and functions to the drivers of a modern economy: the cities. The first steps of this journey have been taken, but now these need to be scaled up rapidly as combined authorities and their partners demonstrate their capacity and desire to do more.

There is no good reason why, 10 years from now, English cities should not be driving forward UK growth, rivalling the best metro-regions in Germany, France, Spain and the US, and at the same time narrowing the productivity gap with London.

Public sector efficiency

Evidence from various rounds of experimentation and innovation in public service improvement at the local level provides great encouragement. From Total Place to Community Budget pilots, the challenges of introducing new ways of working with pooled and aligned funds have been outweighed by the benefits of improved outcomes for some of the most challenged households and individuals and some of the most intractable social problems.

Again, it is time to move beyond experimentation. In health and social care, policing and restorative justice or education and skills, there is huge potential to drive systemic improvements at the local level – and to deliver significant savings along the way. But government departments need to take off the handbrake.

In some respects, economic recovery and public service improvement are two sides of the same coin. As the economy grows, some of the upward pressures on acute public services will fall; in this environment, local areas will be able to take the lead on redirecting scarce resources into more preventative services, rather than just meeting acute need and top-down targets.

A vibrant local democracy

Finally, it has often been said that the problem with local government is that it is neither local nor government. As its powers have been steadily stripped away – very often centralised – we have created a dysfunctional state in which central government ministers are held accountable for local decisions they have no real ability to control and citizens feel cut-off from the ‘professionalised’ politicians who are perceived to run the country. Nobody feels like they’re in command.

This need not be the case. Ten years from now, with the careful and steady devolution of powers and responsibilities, there could be a revitalisation of politics and policymaking at the local level. We could see a new wave of the brightest and the best entering local government, serving as officers and councillors who are dedicated to driving forward their local area or city-region; innovative, passionate, collaborative, well-known civic leaders contesting mayoral elections, with bold plans for their places and a mandate to improve the performance of local services; and a revived sense of civic passion, with local people better connected to and informed about the decisions that affect their day-to-day lives, holding the power to both challenge and get involved where it counts.

All of this is possible if power is passed down, not just from the centre to combined authorities, but from combined authorities to local councils and from councils to neighbourhoods and communities. We have set out here a bold and ambitious plan for change – it now falls upon the next government to set the snowball in motion.

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ANNEX 1: SUMMARY OF RECOMMENDATIONS

- Recommendation 1: Central government should embark upon a **phased programme of decentralisation over a minimum of two full parliaments** with clearly identified powers and responsibilities for combined authorities, local authorities and other subnational bodies as and when they are ready to assume them.
 - The programme should be asymmetrical but set out clear **milestones** by which government and subnational bodies can assess their readiness for new powers.
 - The programme should be supported by a commitment in the 2015 comprehensive spending review to **five-year funding settlements** with local government and other major subnational agencies.
 - The broad parameters of the programme should be **adopted by each of the mainstream political parties** for the full 10-year period, and there should be a minimal amount of institutional change after the end of the first legislative programme of the new parliament.
- Recommendation 2: Combined authorities, councils and other subnational bodies seeking any form of fiscal devolution should set out clear plans for **openness, public accountability and local scrutiny** within their governance arrangements. Such a commitment could take a variety of forms, such as a directly elected mayor, a combined authority assembly or a local public accounts committee.
- Recommendation 3: Ahead of the comprehensive spending review in 2015, a new government should set up an **independent review of central–local funding settlements** with a remit to deliver further fiscal devolution but which looks at (a) achieving greater transparency in funding formulae, (b) a reassessment of local need and resources, (c) how to better incentivise growth and investment, and (d) arrangements for any ‘levy’ on disproportionate growth and periodic reassessment or ‘resetting’ of the system.
- Recommendation 4: Building on the proposals of the communities and local government select committee, we propose the formation of an **independent body for local fiscal management** with responsibility for overseeing central–local funding arrangements, including subnational financial probity, local borrowing and investment, settlement negotiations, equalisation and redistribution, and periodic revaluation, resetting and review.
- Recommendation 5: Ahead of any general election, national political parties should outline a small number of **outcome-based ‘core entitlements’** as part of their manifesto commitments which are then refined if and when they form a government. These entitlements reassure citizens about minimum standards, while giving local areas more freedom than to decide how economic development and public service improvement is delivered.
- Recommendation 6: Combined authorities, local authorities and other local agencies must set out **clear plans for how they will measure, monitor and evaluate their performance** concerning these core entitlements and how they will seek continual improvement and innovation.

- Building on the proposals of the Local Government Innovation Taskforce, local authorities and other local agencies would be required to publish data concerning core outcome entitlements in a clear, comparable and accessible way so that they can be held to account by local people for their performance (LGIT 2014b).
- Alongside this, a light-touch performance regime should be introduced which can detect and respond to underperformance. It would offer toolkit and peer-to-peer learning options for those areas which are underperforming, and ensure powers for the centre to intervene more actively where there is persistent or systemic failure, and also to promote innovation and peer-to-peer evaluation and learning (ibid).
- Recommendation 7: Following the consultation currently being carried out by the PCRC on a codified relationship between central and local government, we propose legislation is brought forward, during the first legislative session of the next parliament, **to strengthen the constitutional status of local government and its other subnational partners** with a view to enabling genuine culture change in the central–local relationship.
- Recommendation 8: Government should enable **partnership bodies between combined authorities and local authorities** at a ‘mezzanine’ level across geographies that extend beyond the areas currently bounded by local enterprise partnerships. Such bodies should only be created as required on specific issues such as transport, innovation or inward investment.²⁶
 - To facilitate this, government must work proactively to share with or decentralise decision-making to such mezzanine-level bodies where there is a clear benefit from doing so, and to pool funds at the higher tier where there is clear consent that this should happen.
 - Mezzanine-level bodies seeking this kind of collaboration would need to put forward a clear business case for their proposition and demonstrate that the efficiencies that might come from closer joint-working would outweigh the costs of any new bureaucracy generated in the process.
- Recommendation 9: Combined authorities, counties or other upper-tier authorities have a responsibility to set out clearly the partnership structures and their dynamics at the subnational level in **a subnational Partnership Plan** which is reviewed on a regular basis.
- Recommendation 10: Central government should create a further **window of opportunity for the formation of a new wave of combined authorities** during the first year of the new parliament. These must be based on clear functional economic geographies with the full consent of all partners and set within wider Partnership Plans (see recommendation 9). After this, in the interests of stability, there should be no further subnational reorganisation until the next full parliament.
- Recommendation 11: Combined authorities should bring forward plans for **enhanced democratic accountability arrangements** in advance of receiving any additional powers to raise and spend tax revenues at the subnational level, ideally involving some form of direct election.
 - To enable this to happen, government must lay down legislation to permit a variety of different forms of combined authority accountability, including provision for directly elected metro mayors.

²⁶ Normally it would be expected that such areas are geographically contiguous, but provision could also be made for partnerships that do not necessarily exist within a single boundary.

- Recommendation 12: Government needs to **clarify the purpose and functions of LEPs** in a simple high-level statement that sets out their core remit, but leaves the details and priorities for LEPs and their partners themselves to determine.
 - Government should also provide a five-year commitment to **modest levels of core funding**, to complement the core funding and human resource committed by local partners.
 - There should be a window of opportunity during the first year of the next parliament for a **review and rationalisation of LEP geography**. This should take place alongside discussions about a second wave of combined authorities and should aim to create a smaller number of larger and more effective partnerships between LEPs and combined authorities, more closely aligned with functional economic areas.
 - LEPs need to **work more effectively with combined authorities** and other subnational partners as part of the wider Partnership Plan set out above.
- Recommendation 13: Local authorities should set up **local public accounts committees** with powers to scrutinise value for money and performance for all public services in their areas.
- Recommendation 14: Cross-party support should be given to proposals to **make it easier to form parish, town or neighbourhood councils** and local authorities should be encouraged to support and adopt such proposals. Measures should also be introduced to streamline the process of becoming a 'quality council' to enable neighbourhood structures to garner greater local powers.
- Recommendation 15: Quality councils should get **more rights to draw down responsibilities and resources** to take over specific services currently run by local authorities. Such councils would need to draw up and clear plan of how they would deliver the service, why it represents value for money, and how local people would be involved.

ANNEX 2: PRIORITIES FOR DECENTRALISATION, BY TIER

Please refer to chapter 6 for full descriptions of each priority.

Priority	Devolved from...	Outcome	When	Type
Tier 1: National				
1	Political parties	Preparing for decentralisation	Before 2015 general election	Political
Tier 2: Mezzanine				
5	BIS	Co-commission innovation functions of science and research between Technology Strategy Board (TSB) and catapults, and a pan-northern body or pan-region equivalent	First 100 days/first budget	Admin
11	Home Office	Review and rationalise police forces	Parliament 2015–2020	Admin
24	DfT	Devolve rail franchising and strategic transport planning	First 100 days/first budget	Admin
Tier 3: Combined authorities				
2	DfE	Establish schools commissioners	First legislative programme	Admin
3	BIS	Devolve apprenticeships, FE and adult skills funding (while maintaining national standards, entitlements and regulation)	Spending Review 2015	Admin
4	DfE	Devolve all 16–19 Education Funding Agency (EFA) funding and responsibility for careers advice	Spending Review 2015	Admin
6	BIS	Devolve a proportion of UKTI budgets and functions to combined authorities or equivalents	First 100 days/first budget	Admin
7	DCMS	Delegate local strategy-setting for the media and creative industry within an national industrial policy	First 100 days/first budget	Admin
8	BIS, DfT, CLG	Set up a single funding pot for place-based budgets	Spending Review 2015	Fiscal
9	DfT	Allow earback deals for major local transport funding	Spending Review 2015	Fiscal
10	DfT	Decentralise bus and regional rail regulation	Parliament 2015–2020	Admin
16	DWP	Devolve responsibility for and integrate skills and employment services locally for under-21s, integrated with the jobs guarantee and youth allowance	Spending Review 2015	Admin
17	DWP	Co-commission employment support for JSA claimants closest to the labour market	Spending Review 2015	Admin
19	HMT	Use welfare earback to incentivise city regions to assist with keeping the benefit bill under control	Spending Review 2015	Fiscal
20	DECC	Assist cities in the supply of energy and support the decentralisation of the energy market	First 100 days/first budget	Admin
22	CLG	Devolve the Affordable Housing Fund and housing capital budgets	Spending Review 2015	Fiscal
23	CLG	Enable housing earback deals and variation in broad rental market areas (BRMAs)	Spending Review 2015	Fiscal
25	Combined authorities	Develop new models of local accountability at the combined authority level	First 100 days/first budget	Political

Priority	Devolved from...	Outcome	When	Type
28	CLG	Outcome 7: Higher levels of democratic participation and accountability	First 100 days/first budget	Political
37	HMT	Outcome 7: Higher levels of democratic participation and accountability	Parliament 2020–2025	Fiscal
39	HMT	Outcome 7: Higher levels of democratic participation and accountability	Parliament 2020–2025	Fiscal
Tier 3/4: Combined authorities, LEAs and local authorities				
26	Local authorities, combined authorities and LEAs	Outcome 7: Higher levels of democratic participation and accountability	First 100 days/first budget	Political
27	CLG	Outcome 7: Higher levels of democratic participation and accountability	First 100 days/first budget	Fiscal
Tier 3/4: Combined authorities and local authorities				
12	MoJ	Outcome 3: More relational public services and a more effective criminal justice system	Parliament 2015–2020	Admin
30	CLG	Outcome 7: Higher levels of democratic participation and accountability	First legislative programme	Political
31	CLG	Outcome 7: Higher levels of democratic participation and accountability	First legislative programme	Political
34	Local authorities, combined authorities	Outcome 7: Higher levels of democratic participation and accountability	Spending Review 2015	Fiscal
38	CLG/HMT	Outcome 7: Higher levels of democratic participation and accountability	Spending Review 2015	Fiscal
Tier 4: Local authorities				
15	DoH	Outcome 3: More relational public services and a more effective criminal justice system	First legislative programme	Admin
13	MoJ	Outcome 3: More relational public services and a more effective criminal justice system	Parliament 2015–2020	Admin
18	DWP	Outcome 4: A more inclusive labour market	Spending Review 2015	Admin
21	DECC	Outcome 5: Environmental sustainability	First 100 days/first budget	Admin
33	CLG	Outcome 7: Higher levels of democratic participation and accountability	First legislative programme	Political
35	CLG	Outcome 7: Higher levels of democratic participation and accountability	Spending Review 2015	Fiscal
36	CLG	Outcome 7: Higher levels of democratic participation and accountability	Spending Review 2015	Fiscal
Tier 5: Neighbourhoods				
14	MoJ	Outcome 3: More relational public services and a more effective criminal justice system	First legislative programme	Admin
32	CLG	Outcome 7: Higher levels of democratic participation and accountability	First legislative programme	Political

ANNEX 3: PRIORITIES FOR DECENTRALISATION, BY DEVOLVING BODY

Please refer to chapter 6 for full descriptions of each priority.

Priority	Tier	Outcome	When	Type
Political parties				
1	National	Parties should set out outcome-based core entitlements	Before 2015 general election	Political
BIS: Business, Innovation and Skills				
3	Combined authorities and LEPs	Devolve apprenticeships, FE and adult skills funding (while maintaining national standards, entitlements and regulation)	Spending Review 2015	Admin
5	Mezzanine	Co-commission innovation functions of science and research between Technology Strategy Board (TSB) and catapults, and a pan-northern body or pan-region equivalent	First 100 days/first budget	Admin
6	Combined authorities	Devolve a proportion of UKTI budgets and functions to combined authorities or equivalents	First 100 days/first budget	Admin
8	Combined authorities	Set up a single funding pot for place-based budgets	Spending Review 2015	Fiscal
CLG: Communities and Local Government				
8	Combined authorities	Set up a single funding pot for place-based budgets	Spending Review 2015	Fiscal
22	Combined authorities	Devolve the Affordable Housing Fund and housing capital budgets	Spending Review 2015	Fiscal
23	Combined authorities	Enable housing earback deals and variation in broad rental market areas (BRMAs)	Spending Review 2015	Fiscal
27	Local authorities, combined authorities and LEPs	Set up an independent review of central-local funding and form an independent body for local fiscal management	First 100 days/first budget	Fiscal
28	Combined authorities	Enable a new wave of combined authorities including 'county combined authorities'	First 100 days/first budget	Political
30	Local authorities, combined authorities	Codify the relationship between central and local government	First legislative programme	Political
31	Local authorities, combined authorities	Allow partnerships at the mezzanine level	First legislative programme	Political
32	Neighbourhoods	Allow town, parish and neighbourhood councils to develop	First legislative programme	Political
33	Local authorities	Enable local authorities to innovate and institute their own electoral systems, for example through alternative voting or lowering the voting age	First legislative programme	Political
35	Local authorities	Set out five-year funding settlements with local government	Spending Review 2015	Fiscal
36	Local authorities	Remove controls on council tax	Spending Review 2015	Fiscal
38	Local authorities, combined authorities	Extend business rate flexibility and retention, removing most remaining controls by central government	Spending Review 2015	Fiscal
DCMS: Culture, Media & Sport				
7	Combined authorities	Delegate local strategy-setting for the media and creative industry within an national industrial policy	First 100 days/first budget	Admin

Priority	Tier	Outcome	When	Type
DECC: Energy & Climate Change				
20	Combined authorities	Outcome 5: Environmental sustainability	First 100 days/first budget	Admin
21	Local authorities	Outcome 5: Environmental sustainability	First 100 days/first budget	Admin
DfE: Education				
2	Combined authorities	Outcome 1: A better educated, more highly skilled and productive population	First legislative programme	Admin
4	Combined authorities	Outcome 1: A better educated, more highly skilled and productive population	Spending Review 2015	Admin
DfT: Transport				
8	Combined authorities	Outcome 2: A more balanced economy	Spending Review 2015	Fiscal
9	Combined authorities	Outcome 2: A more balanced economy	Spending Review 2015	Fiscal
10	Combined authorities	Outcome 2: A more balanced economy	Parliament 2015–2020	Admin
24	Mezzanine	Outcome 7: Higher levels of democratic participation and accountability	First 100 days/first budget	Admin
DoH: Health				
15	Upper-tier local authorities	Outcome 3: More relational public services and a more effective criminal justice system	First legislative programme	Admin
DWP: Work & Pensions				
16	Combined authorities	Outcome 4: A more inclusive labour market	Spending Review 2015	Admin
17	Combined authorities	Outcome 4: A more inclusive labour market	Spending Review 2015	Admin
18	Local authorities	Outcome 4: A more inclusive labour market	Spending Review 2015	Admin
HMT: Treasury				
19	Combined authorities	Outcome 4: A more inclusive labour market	Spending Review 2015	Fiscal
37	Combined authorities	Outcome 7: Higher levels of democratic participation and accountability	Parliament 2020–2025	Fiscal
38	Combined authorities	Outcome 7: Higher levels of democratic participation and accountability	Spending Review 2015	Fiscal
39	Combined authorities	Outcome 7: Higher levels of democratic participation and accountability	Parliament 2020–2025	Fiscal
Home Office				
11	Mezzanine	Outcome 3: More relational public services and a more effective criminal justice system	Parliament 2015–2020	Admin
Moj: Justice				
12	Local authorities and combined authorities	Outcome 3: More relational public services and a more effective criminal justice system	Parliament 2015–2020	Admin
13	Local authorities	Outcome 3: More relational public services and a more effective criminal justice system	Parliament 2015–2020	Admin
14	Neighbourhoods	Outcome 3: More relational public services and a more effective criminal justice system	First legislative programme	Admin
Local authorities, combined authorities and LEPs				
25	Combined authorities	Outcome 7: Higher levels of democratic participation and accountability	First 100 days/first budget	Political
26	Local auth., combined auth. and LEPs	Outcome 7: Higher levels of democratic participation and accountability	First 100 days/first budget	Political
34	Local authorities and combined authorities	Outcome 7: Higher levels of democratic participation and accountability	Spending Review 2015	Fiscal