

## The Cities and Local Government Devolution Bill

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### Introduction

Over the last 18 months the devolution agenda has gathered momentum and now occupies a place at the forefront of British politics and policy. The Cities and Local Government Devolution Bill<sup>1</sup> represents the culmination of numerous developments such as DevoManc, and provides the institutional framework and mechanisms through which to realise them. The Bill is due for a second reading in the House of Commons, while at the local level Manchester is already anticipating its passage with the introduction of its interim Mayor.

The emphasis upon devolution has been driven by a number of factors. For example, the slower than predicted economic recovery, austerity driven policy agenda and the legacy of the Scottish referendum campaign have coalesced to drive an increasing recognition of the need for alternative leadership hierarchies, that are better suited to rebalancing the UK economy and meeting the needs of local economies. The need to precipitate economic growth, coupled with continued cuts to local authority budgets have led to questions regarding the accountability and responsibilities of government. The Scottish

referendum campaign ignited questions regarding who governs, for whom, and at what level, and called into question the ability of national government structures to deliver balanced and sustainable socio-economic growth across the country.

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The pace of progress in the devolution debate is picking up. In addition to 'Devo Manc; Sheffield City Region; Cornwall; West Yorkshire and a number of other authorities have submitted plans for their own devolution agreements in recent days, ahead of the Government's 4th September deadline. This process is likely to produce very different looking proposals, as there are no criteria outlined for guidance. One new proposal is from the Liverpool City Region, which would see a democratically elected mayor and give local authorities greater control over funding for transport, housing and planning. Other proposals are from the Yorkshire region and feature various combinations of West, North and East Yorkshire and Hull. This has put the Government in a difficult position, as failure to reach agreement from within Yorkshire has led to these competing bids.

<sup>1</sup> [http://www.publications.parliament.uk/pa/bills/cbill/2015-2016/0064/cbill\\_2015-20160064\\_en\\_1.htm](http://www.publications.parliament.uk/pa/bills/cbill/2015-2016/0064/cbill_2015-20160064_en_1.htm)

This CLES bulletin does three things. Firstly it summarises the content of the Cities and Local Government Devolution Bill; secondly it examines the fiscal, social and democratic implications of the Bill for people and place; and thirdly it outlines ways in which CLES feels that the Bill should be adapted to ensure positive economic, social and democratic outcomes for all.

## The Bill

The Cities and Local Government Devolution Bill represents the culmination of numerous city deal and devolution reforms such as DevoManc. The Greater Manchester agreement or DevoManc deal epitomises the Government's overall approach to the devolution agenda in England and Wales. The Bill serves to formalise these recent agreements and sets out the chancellor's offer of further powers for combined authorities and how they will be delivered. However, these powers remain conditional upon the agreement of the Secretary of State, and the implementation of a directly elected Mayor.

The Bill outlines the new powers available and the mechanisms through which they are to be delivered, and is deliberately generic in order to reflect the Government's decision to adopt a bespoke approach to the delivery of devolution, whereby individual combined authorities approach central government to propose their chosen devolution package on a case by case basis. As a result the Bill itself

sets out the general institutional and legislative framework within which these future individual political deals or trades will take place.

The Bill makes the following options of additional powers and their applications available to combined authorities:

- The power to provide for an elected Mayor, who will chair the authority itself and exercise specified bespoke functions;
- Flexible powers ranging beyond those previously held by combined authorities' which can include new responsibilities over a proportion of certain budgets such as health and social care or functions such as those of current police and crime commissioners;

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- Functions of local authorities to be transferred to the combined authority level along with the options for these to be transferred to the mayoral level;
- Combined authorities may now also take on certain functions of central government departments and ministries with their consent;
- Combined authorities can now assume the 'General Power of Competence' (with the constituent authorities) outlined in the 2011 Localism Act, which theoretically allows for local government to pursue any activity that is not explicitly prohibited by central government.

The Bill also sets out a number of specific governance requirements for combined authority arrangements, including:

- The requirement for a Mayor to appoint a Deputy Mayor, drawn from one of the constituent authority leaders, to whom he can delegate roles and powers as he sees fit and who will assume Mayoral responsibilities in the event the mayor can no longer fulfil their duties;
- The appointment of one political advisor by the Mayor;
- Existing scrutiny committees and arrangements for combined authorities will be extended to cover the new mayoral functions;
- The London supplementary vote system will be used to elect the Mayor, (unless there are only two candidates).

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However, despite these new powers the Bill ensures that central government maintains a significant level of oversight and control over the devolution process, by empowering the Secretary of State with the right to veto any proposals if they don't believe that a combined authorities proposal is 'likely to improve the exercise of statutory functions in its area'. The Bill also ensures that the Secretary of State maintains the power of veto over the appointment of the Mayor's political adviser, the timing for Mayoral Elections and the terms

of office to be served. The Secretary of State also possesses the power to remove a local authority from a combined authority arrangement in the event that they fail to give their consent to a proposal.

So what does the Bill and the subsequent devolution of new powers mean for the future of England's combined authorities, and what are its implications for local economic and democratic structures? To a certain extent it's difficult to assess the Bill's potential for achieving the Government's ambition to drive 'economic growth and unlock the potential for success across England's cities', due to the Bill's deliberately nebulous nature and the Government's bespoke approach to delivery. As the Bill's potential is almost entirely dependent on the detail of offers that combined authorities are yet to make, it is naturally harder to explore the potential

consequences for the local level.

However in very broad terms the passage of the Cities and Local

Government Devolution Bill has a number of potential fiscal, democratic and social implications.

## Fiscal implications

Fiscally the Bill builds upon the legacy of previous city devolution deals between England's Core Cities and central government delivered over the last few years; with the aim of giving cities new powers and freedoms to generate economic growth, and control local decision making and the allocation of public funding. City Deals

devolved funding in two waves which included a number of new arrangements such as New Development Deals, tax increment financing, and the retention of business rates.

## **The Bill itself does not represent further devolution of fiscal powers as it makes clear that power conferred on a mayor may not include borrowing powers.**

City Deals represented the first tentative step towards devolution, demonstrating through a number of innovative deals that fiscal devolution has the potential to secure strong local growth, jobs and investment. However, although the deals represented an encouraging start, the level of decentralisation did not go far enough in providing the level of investment and control needed for local areas to gain sufficient resources to grow their economies and address deep socio-economic inequalities. Although the Bill follows on from a number of previous deals and reforms which either devolve funding or responsibility for resource allocation, the Bill itself does not represent further devolution of fiscal powers as it makes clear that power conferred on a mayor may not include borrowing powers. This falls short of the level of fiscal freedoms needed to constitute the level of devolution believed to be essential for creating economic growth. In fact the Bill does not mention new fiscal powers explicitly, instead by extending the remit of the combined authority's powers it deliberately leaves the way open for them to submit individual proposals for more extensive fiscal powers. At present the picture as regards fiscal

devolution remains somewhat vague, however we do have a clear idea of what such proposals are likely to look like in the form of DevoManc.

Greater Manchester has received the most attention within the devolution debate, due to its position as the North's economic hub and its potential capacity to begin to rebalance the economy. As a result Greater Manchester has become the Chancellors favourite city in which to trial the most extensive devolution reforms to date, experiencing the most significant elements of fiscal decentralisation and forming the centrepiece of his 'Northern Powerhouse' agenda.

The recent DevoManc deal negotiated between the combined authority and central government devolved the following fiscal powers:

- Control of a new £300 million Housing Investment Fund;
- Potential to 'earn back' up to £30m per annum for growth created through improvements to infrastructure;
- Control of £6 billion of the NHS budget allocated for health and social care.

By encouraging combined authorities to develop proposals for devolution in the mould of the DevoManc model, the Bill has the potential to present City-regions with key opportunities to generate local growth, and promote new, more collaborative and integrated ways of working at the local level, leading to higher quality and more effective delivery of public services. The Bill therefore has the potential to promote significant

savings due to the reorganisation of local government envisaged, through cooperation, amalgamation, and locally adopted solutions.

The Government also predicts that the

forthcoming cuts will fall on overheads not services, with expenditure planned in ways determined by local people. As a result the ability to manage budgets, retain business rates and exercise control

over a wider remit at the local level delegated through the Bill, has the potential to enable combined authorities to generate higher levels of local growth and lever inward investment.

However, by enabling the devolution of greater fiscal control on a case by case basis, the Bill may pose significant risks due to the individualistic and ad hoc nature of the process. The 'bespoke' approach adopted by the Government, whilst having its advantages in enabling the creation of tailored offers for City-regions, also has a significant potential to create uneven development, with some areas flourishing while others are left behind, leading to a 'league' system across England's cities. The Bill's implicit focus on city regions also fails to take into account other models for economic success, as many smaller cities and large towns are also important focal points for regional economies and are crucial to help rebalance the national economy. However the majority of these places cannot become combined authorities with adjacent rural districts without diluting their capacity, leading to calls for a more tailored version of the finances, powers

and resources offered to the core metro cities to be included within the Bill, within a more coherent framework.

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Questions also remain regarding what resources will be available in practice, as the Bill contains no provisions for additional funding, or what levers would be put in place to enable combined authorities to exercise their new responsibilities. This raises further questions as to whether the powers currently offered are adequate for the scale of the challenges faced across the country. Although devolution has the potential to generate greater economic growth within city regions, the devolution of more extensive responsibilities at the local level without additional means of funding or the mechanisms to deliver them may pose significant challenges for the local level. Rather than freeing up the financial flexibility and availability of funds for local authorities, devolution during the current period of austerity may result in combined authorities being pressed to compensate for ever-squeezed public expenditure commitments without being able to compensate by raising their own resources. In this scenario, devolution could easily lead to underfunded, fragmented and poorer quality public services and more entrenched socio-economic inequalities across city regions.

## Social implications

The Cities and Local Government Devolution Bill also begins to outline the way in which a local social governance structure would be formed. The appointment of a mayor and an allotted deputy mayor provides the accountability structures needed to create a tangible governance structure. The creation of executive cabinets to provide a platform for discussion on local issues, can be best exemplified in the DevoManc 'blueprint'. The organisation of the executive councils is of vital importance to ensure that devolution can progress social outcomes for local communities by accommodating a combination of public and social bodies, most notably in the form of the social sector which performs an ever increasing and vital role within public service delivery due to the austerity context.

With the implementation of the Mayoral model, the Bill directly impacts upon local social structures and relationships with key stakeholders such as the social sector. So far the role of the social sector has been conspicuous by its absence throughout the devolution process and recent deals such as DevoManc. City regions have local social structures which comprise a combination of both the public and social sectors and provide the basis of an area's social fabric. A combination of these sectors is necessary for the socio-economic health of an area, as the social sector in particular provides vital societal

roles, services and economic benefits within the community. The key actors within the social economy play a crucial role in supporting and supplying local labour markets, and are vital in the development of a sustainable local economy and deserve more attention in the devolution proposals.

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Ongoing austerity measures inevitably impact the social economy, with many smaller organisations compelled to limit their activities due to lack of funding opportunities, threatening the existence of many organisations; weakening key networks; reducing access to education, training and employment; as well as removing a wide range of vital services. The precarious position of the social sector in today's economy is magnified by the lack of involvement they are afforded within the devolution agenda in relation to potential public service reform. Greater involvement within the devolution process and collaboration between the public and social sector would ensure that social sector services were enhanced by devolution. The public sector spending reforms will inevitably create gaps within the economy in terms of public services yet partnerships between with social sector organisations could be extended as a life-line for many who would be negatively affected by austerity measures. Devolution therefore presents a crucial opportunity for a true amalgamation of service providers, the social economy and public officials, alongside the

development of more positive relationships based on inter-dependency and support.

For interdependency to be achieved, priorities must be aligned. However, with the primary focus on fiscal devolution and economic growth, the Bill has failed to involve the social sector and as a result has overlooked the social

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implications of devolution for communities.

The treasury backed growth agenda has led to fears that Manchester and other northern cities will replicate imbalances within the region, and concentrate social and economic inequalities. The adoption of an agglomeration approach within the devolution process is therefore rife with risk as regards increasing inequalities, and leaves much to be desired concerning the absence of the social structures that will accompany devolution. Devolution will naturally have a profound impact on society and as a result, the role of the social sector is therefore crucial when exploring how devolution should be implemented at the local level. Increased social and community involvement is naturally integral to devolution, and is all the more important in an era where national government is no longer able to comprehend or address the nuanced factors that affect localities across the country.

With the social sectors familiarity and expertise as regards the needs of individual localities, they are in an influential position to propose, influence and exert change due to the close proximities in which they operate with service users. This is especially true of smaller, local social sector organisations which operate on a smaller scale, allowing them to successfully analyse their client base and

effectively shape service delivery wholly around the needs of their clients. It is therefore essential that the social sector play an integral role within

the wider devolution process and any future negotiations involving public service delivery and integrated working. Devolution, as proposed in the Cities and Local Government Devolution Bill, has not yet formed its social parameters. Local government must therefore collaborate with the social sector organisations and the wider social economy; and call on their expertise in order to better shape devolution as a means through which to empower communities.

## **Democratic implications**

The Bill also has a number of potential democratic implications as, despite a recent legacy of democratic deficit within the devolution process, the Mayoral model provides positive opportunities for greater democratic engagement. For example, the introduction of increased powers through the Mayoral model has considerable potential to improve local accountability, transparency and decision making capacity. The introduction of a Mayor is also likely to generate a greater sense of direct democratic control as one individual

is easily recognisable and held to account, while the proposed new Mayoral powers will enable voters to have a greater level of control over key policies which affect their everyday lives. The proposed changes will place greater control and influence in the hands of local representatives and councillors with the result

that the significance of local elections will increase, which is likely to encourage greater participation and democratic engagement amongst voters and key local stakeholders. The combination of these elements provides an important opportunity to develop new and improved relationships between local actors, encouraging the development of a more engaged electorate. Thereby creating the potential for the development of a new social contract at the local level based on greater collaboration, reciprocity, accountability and democratic participation.

However the proposal that the devolution of further powers be conditional upon the introduction of mayoral model also raises concerns about an over concentration of power in the hands of one individual in light of the vague and as yet undefined governance checks and balances within the Bill. There is also potential that sufficiently robust governance structures are not put in place within individual combined authority proposals to compensate for the equivocal nature of the Bill. In addition, the proposed democratic structure could lead to the creation of one-party states, in which one party controls the metro-mayor,

the appointed deputy, and the majority of seats. These concerns have led to calls for the constitutional changes contained within the Bill to be tested in a local referendum.

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If the devolution of greater powers is to be as effective as possible at ensuring accountability and promoting local democracy then there must be adequate democratic engagement at the local level. However due to the undemocratic nature of the devolution process citizens may feel excluded, hostile or become increasingly apathetic, weakening the potential for devolution to increase accountability. Referendums are just one of the ways to bring the public on board with the broader devolution agenda, for example within the current approach if we wish to encourage a democratic voice for local areas a mass consultation process must be implemented to begin to explore how devolution will work in practice and where citizens can contribute to this process. By developing a strong information campaign and local needs assessments in partnership with communities, it is possible to ensure local decision making based on the knowledge, needs, requirements and opportunities of the local population. Coupled with the development of more transparent and visible decision making structures which everyone can engage with, it is therefore much more likely that citizens will engage with devolution. It is only after the different ways of encouraging greater

citizen participation are fully explored and implemented that the Mayoral model will fulfil its potential to ensure greater accountability and democratic engagement.

## CLES thoughts

The fixation with centralisation in England has proved to be flawed, and the Cities and Local Government Devolution Bill has emerged to challenge the status quo. CLES believes in the

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importance of redistribution from the centre, and that devolution can bring added secondary benefits for communities. Economic growth is important in stimulating jobs and bolstering the nation's finances, but that growth needs to be twinned with social justice and within the limits of the environment. Investment in infrastructure and the private economy is vital, but must come with an alleviation of poverty and inequality and the creation of good quality jobs at the local level. Whilst single actors can deliver activities, places function more effectively where activities are joined up across the public, commercial and social sectors. However, the development of this progressive devolution will take time, and require frequent revision; we should not assume that the transfer of power

to a local level will inevitably produce the desired results.

Much of the discussion around the Cities and Local Government Devolution Bill is centred on its ability to promote strong economic growth locally. The economic model underlying the Bill is driven by the Treasury's version of fiscal devolution, centred on free market ideas and agglomeration economics. Although this has the potential to entrench pre-existing economic

inequalities, we must not dismiss the Bill in its entirety.

Instead we must focus on the potential opportunities the Bill

presents and develop ideas on how it can be better developed to serve local economies and communities. Whilst further fiscal devolution is needed and greater control should be given to the local level, it is important that we look beyond the traditional agglomeration approach, towards

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economic development and instead focus upon how we can develop 'good' growth, by exploring approaches as to how opportunities and social and economic wealth can be distributed for the benefit of all. The focus of the agglomeration approach inherent within the Bill fails to recognise the deep rooted spatial and economic inequalities

facing our towns and cities. Instead this approach fosters a tendency to see certain places as 'economic losers' and view them as the inevitable price to pay for economic growth and global competitiveness. As an antidote to this approach it is crucial that we adopt a greater, more progressive form of fiscal devolution distributed equally across spatial lines, by recognising the need to accommodate sustainable socio-economic growth as a key driver of prosperity, and seek to transform what is currently on offer.

If we wish to ensure that fiscal devolution creates economic models which deliver both social and economic good thereby creating a socially virtuous 'double dividend' we must explore new ways which redress the current asymmetric pattern of economic winners and losers. In order to achieve this, a constitutional convention is necessary to encourage greater fiscal devolution framed by a focus on national redistribution alongside a commitment towards greater decentralisation of the financial system.

There is also the opportunity to develop a stronger and more meaningful relationship between the local public and local social sectors. This would also allow devolution to look beyond the growth agenda, to issues such as health and well-being, local skills provision, and public transport. For example, there is potential to align health and social care more strongly. Forging local links between the two provides an opportunity for enhanced health

outcomes and the provision of genuine local solutions. Localised decision making could result in less focus on demand management and more focus on managing demand more effectively for all.

Devolution has the potential to create a more positive economic and social destiny for people and places. However, we must pause, and broaden our focus to ensure that this golden opportunity to achieve the double dividend of social and economic growth is not squandered.

