

1: More local control

CLES believes in devolution. However any devolution must be comprehensive and secure a more positive economic and social destiny for localities.

The challenge

The last 30 years of economic development policy and regeneration activity have seen successes, but broadly failed to end regional and local economic divides and longstanding disparities. There is still an economic gap between London and the rest (London and the South East now account for 36% of total GVA) and that gap is widening.

Since 2010, with a backdrop of austerity and reductions in local authority budgets, government has abolished RDAs and regional Government Offices, who were the previous vehicle for the addressing this divide. They have embarked on a local economic growth agenda, with a particular focus on stimulating growth for the benefit of the country as a whole.

The Scottish independence referendum debate and subsequent Smith Commission have given weight to demands for greater sub-national devolution. In response, government has embarked on exploring new powers for devolved nations and a 'combined authorities' approach in England, in which groups of local authorities are tasked with combining, negotiating, implementing and delivering a devolution agreement with central government.

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bottle'. Although far from universally accepted in Westminster, it's widely acknowledged that devolved decisions about housing, transport, skills and business support are best made by town halls and combinations of local authorities, working with businesses, local communities and local economic bodies (such as LEPs) rather than Whitehall departments. With this comes an acceptance that social needs and demand on public services can be better addressed by co-ordinating spending across local authorities and other agencies.

What needs to be done?

To address the challenge of centralisation, CLES believes the following needs to happen.

Create a national constitutional conversation

The present trajectory is one of a growing asymmetry in terms of devolution to some cities, with other areas in danger of being left behind. The focus on cities means we are heading for a patchwork of arrangements and increasing differences between areas in terms of devolved and decentralised powers, resources and freedoms.

However, this local devolution for England does not stand alone. It should be seen as part of a wider debate about further powers to London, Scotland,

Wales and Northern Ireland and alongside debates about English votes for English Laws within the UK parliament. As it stands, the UK

constitutional picture is in flux. There is confusion and uncertainty.

Led by Central Government, but fed through local government, a wider and deeper national conversation must take place. This must include the wider public, commercial, social sectors and citizens. This would:

- Build greater party consensus for constitutional reforms;
- Harness expert opinion;
- Develop a more coherent package of reforms beyond existing piecemeal approaches and asymmetry;
- Generate wider citizen participation.

It would consider a range of broad issues pertinent to further devolution to Scotland, Wales and Northern Ireland, reform of the Barnett formula, English votes on English laws, English regionalism and a federal second chamber.

Advance local devolution and implement new legislation

Interest in local devolution presents a rare opportunity. However, we must beware against a haphazard incrementalism, which could produce an unclear and unsustainable set of arrangements. We must guard against moving from a centralised national economy to a local devolution which is equally divisive and flawed.

While the existing asymmetry around devolution to cities and local government is not ideal, we cannot put the brakes on. Therefore CLES advocates a twin track approach in which the national constitutional conversation sits alongside a new narrative and associated legislation that would:

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- *Establish a new constitutional settlement between central and local government*, entrenching and safeguarding the role of local government;
- *Set of clear 'local government first' criteria* – with the balance of authority transferred to local government in terms of additional powers rather than Whitehall;
- *Create place budgets for public services* – with the phased devolution of more powers over transport, housing, employment, education and skills, planning, business support, health and social care, welfare and local energy. This could be developed through extending the remit and scale of community budgets, through 'single pots', from all government departments;
- *Bring in a new deal on local government finance* – allowing central budgets to be planned over a longer time frame;
- *Allow phased implementation of some fiscal powers to local government*. According to the London Finance Commission (2013), only 7% of all tax paid by London residents and businesses is retained by the mayor and boroughs. The figure is even lower in other cities. The legislation should consider and explore possible areas for devolution, including council tax, extension of business rates flexibility, property/land taxes, sales taxes and local income tax;
- *Make it easier for local authorities to present cases for amalgamation/combinations*;
- *Restate and reform the role of central government in redistribution* – This would relate to adjustments of local authorities' block grant which can be raised relative to levels of local deprivation and economic need.

Local social contracts

Devolution must create a new relationship with local stakeholders. As part of the resulting legislation, local social contracts should be produced in all local authorities. These would:

- Sit as a statutory committee of local government and guarantee the relationship that the local state would have with local citizens, unions, businesses, service providers and the VCS.

The full Manifesto for Local Economies can be viewed on the CLES website, [here](#).