

Housing, Communities and Local Government Committee

Oral evidence: English Devolution, HC 600

Tuesday 25 February 2025

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Members present: Florence Eshalomi (Chair); Lewis Cocking; Chris Curtis; Maya Ellis; Naushabah Khan; Mr Gagan Mohindra; Joe Powell.

Questions 1 - 58

Witnesses

I: Jim McMahon MP, Minister for Local Government and English Devolution, Ministry of Housing, Communities and Local Government; and Will Garton, Director General for Local Government, Growth and Communities, Ministry of Housing, Communities and Local Government.

Examination of witnesses

Witnesses: Jim McMahon and Will Garton.

Q1 **Chair:** Good morning, everyone. Welcome to the Housing, Communities and Local Government Committee. I am Florence Eshalomi, the Chair of the Committee. Could our two guests please introduce themselves for the record?

Jim McMahon: I am Jim McMahon. I am the Minister of State covering local government, finance and devolution.

Will Garton: Good morning. My name is Will Garton. I am the director general for local government, growth and communities at MHCLG.

Chair: Can my Committee members introduce themselves and make any additional declarations please?

Maya Ellis: I am Maya Ellis. I am the MP for Ribble Valley in Lancashire.

Chris Curtis: I am Chris Curtis, Labour MP for Milton Keynes North.

Naushabah Khan: I am Naushabah Khan, the Labour MP for Gillingham and Rainham.



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Joe Powell: I am Joe Powell, Labour MP for Kensington and Bayswater.

Lewis Cocking: I am Lewis Cocking, the MP for Broxbourne and a Hertfordshire county councillor.

Mr Mohindra: I am Gagan Mohindra, Conservative MP for South West Hertfordshire.

Q2 Chair: Good morning, Minister McMahon and Will. Thank you for joining us this morning. We have a few questions to ask you in terms of your portfolio and your brief. We have a range of different questions from Committee members. Minister McMahon, you may be aware that we had the Electoral Commission before us a few weeks ago. One of the first things that the chief exec of the Electoral Commission mentioned was that he would be quite nervous if any elections were delayed beyond a year. You have a situation where councils will also be going through their reorganisation at the same time. Are you able to guarantee us, Minister, that no council will be able to delay its elections further than beyond May 2026?

Jim McMahon: That is definitely the plan and the direction that has been given by the Deputy Prime Minister. It is important to say because I know that election postponement, quite rightly, gets a lot of attention. Elections are important and it is very important that local people have the right to cast their judgment on how local public services are run. We did not take the decision to postpone lightly.

The bar was actually very high. We had a number of applications submitted that we were not able to approve. Of the 33 elections that were planned to go ahead, the vast majority of those will go ahead; 24 will go ahead. Where we decided that a postponement was required, it was very much linked to the devolution priority programme, where we wanted to marshal all that political capital to achieve mayoral elections the year after, and then, in addition to that, the Surrey county.

Q3 Chair: In what circumstances would you postpone those elections?

Jim McMahon: Our assumption is that elections will be taking place as scheduled for the following year. We want to move quickly to the shadow authorities as soon as possible. There are a number of different timetables that will run, with the soonest being Surrey, which is on the accelerated timetable to submit its proposals by May. The batch of devolution priority programmes will submit their proposals by September. It is November for the remaining batch, which apply as part of the statutory invitation process.

It slightly depends on what proposals they submit. If they used district councils and unitary councils as the building blocks, that is a quicker process. They are understood. It does not require any kind of complex assessment beyond that. If local areas want to be more nuanced and maybe say that the district council boundaries do not quite reflect that way that the new councils should form for a number of reasons—many of



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them could be legitimate—that would require longer to work those through. Our working assumption is that elections will take place as planned the following year. The new batch of mayoral elections on top of that will take place, all being well with the devolution priority programme.

Q4 Chair: Bearing in mind that you have authorities going through the reorganisation as well, there will be staff busy on that. Where do residents fit into this in terms of their voice? They are the ones who will be casting the ballots.

Jim McMahon: That is very important. I have heard a lot of noise around the postponement of elections that there will not be councillors in place. The Committee will know this, but it is important to say that there will be councillors in place. The councillors who are in place have been elected. It is just that we have taken the decision to extend their term.

The reason for that is partly about political focus, but also about efficiency. I do not think that the public would expect us to support elections to a body that would cease to exist. The councils that are in scope will cease to exist and be replaced by new councils. We want to have elections as soon as is possible to the shadow authorities, so that you get that balance between elected members who can negotiate and act on behalf of the legacy authorities and having shadow elections for the new unitaries, so you have people who are elected to represent the new authorities. That is particularly important when we think about the transfer of assets, liabilities and workforce, ensuring that there are elected members on both sides who can negotiate on that.

Q5 Chris Curtis: Can I ask a very quick question on logistics? Creating all these new local authorities is going to involve creating a lot of new ward boundaries very quickly. Are we confident that the Local Government Boundary Commission for England has the capacity to do all of that work over such a short space of time?

Jim McMahon: I can ask Will to come in on the detailed conversations that have been taking place. We have been in regular contact around this. If district councils or the unitaries within a county are used as building blocks, it is reasonably straightforward and the boundary commission's responsibility at that point is to draw the ward boundaries within the councils that are created. The work programme for the devolution priority programme and for Surrey is quite modest.

At this point we probably need to bear in mind that the statutory invitations have gone out and we are waiting for councils to express an interest in there. At the moment, we do not know how many councils in total will come forward as part of the statutory invitation process beyond the priority programme.

Q6 Chair: You will be aware, Minister, that one of the areas I have raised on behalf of the councils is additional funding for some that are taking on the additional reorganisation. Is that another area where you would consider



resources if there is additional work for the Local Government Boundary Commission for England?

Jim McMahon: We would be alive to any representations that we receive. There are two aspects really. One is departmental capacity and making sure that we have the expertise in the Department to deploy. That really was the driving force behind the priority programme. What I experienced very early on is that there were many conversations about devolution that, frankly, were going nowhere, other than in circles. That was using a lot of departmental and local authority time, and a lot of political capital, as elected Members here and in other places wanted to know what on earth was going on.

The reason for the priority programme was to marshal all those resources and capacity so it was really clear what the Government were working to as a priority and what councils needed to marshal at a local level. Where we had local government reorganisation sat alongside it, we would then be clear eyed on what additional support was going to be required.

There is an overlap and the overlap is that this year we have done a one-year settlement as part of the local government finance settlement, but we want to move to a multi-year settlement. There will be, naturally, a negotiation about how much upfront investment is required to support reorganisation and how much in savings can be taken out at the end of that multi-year settlement as a way of countering some of that.

Q7 **Mr Mohindra:** Thank you, Minister. Leaning into what the Chair said about delaying of elections, even yesterday, in conversations I was having with colleagues in this place, there were concerns that local elections could be delayed as far as 2029. If that was the case, that would end up being effectively another term for the sitting councillor without an election. What reassurances can you give us as a Committee and the House? If there is any delay beyond elections for 2026, how would you report that back to us in the House, so we can communicate to our communities on the need for the delay? While I share your ambition to get this done and dusted as quick as possible, there are a lot of communities out there, such as the Isle of Wight, that have had their unitary elections cancelled. They are scratching their heads, thinking, "What was the necessity for that?"

Jim McMahon: There are a number of questions in there. I will maybe go backwards and Will can come in on the detail of the sequencing of how we are going to tackle the elections going forward. The decision on the Isle of Wight is trying to meet our legal obligation not to predetermine the final arrangements that we would approve. Once the statutory invitations have gone out, our role becomes one of, in the end, making the final decision on which proposal we want to go forward with, balancing all the different interests that are at play.

With the island, a fair assumption would be that a standalone unitary authority covering the island would make sense, as it does today, but we



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cannot predetermine what proposals we might get submitted to us and we might have to take into account. Because of that predetermination point on that particular point, we included it in the wider scope of the county elections being postponed.

I will come on to Will. If it is helpful from a political point of view, the Deputy Prime Minister has been absolutely clear that a postponement of 12 months to allow a process to take place is acceptable. A postponement beyond that would not be. We need to work through the detail of that if we get proposals that kick it further.

Will Garton: 2029 is just wrong. We would be really clear on that. The only assurance I can give you is that the SI that has been laid to postpone the election does so for 12 months. That is clear. Everywhere that is in the devolution priority programme, scheduled elections have been moved until May next year. That is the position that has been set out in front of the House. That is absolutely clear. In the devolution priority programme areas, there will also be mayoral elections next year. We will look to try to get new shadow unitaries up and running by May 2027. That is the successor organisation, if you like, to the two-tier areas. The delay is for one year. That is what has been put forward to Parliament, that is the position of the Government and that is what is going to happen.

Q8 **Mr Mohindra:** As a follow-up, can you confirm there will be no other councils that have not already previously been announced that will have a delay in their elections?

Jim McMahon: Even if we wanted to, we would not have the time in terms of the SI. There is no intention at all to postpone any further elections other than those that have been announced. In fact, we were very clear that we had a significant number of areas that wanted postponement of elections that we could not approve because they did not meet the threshold that we had set on there.

On the point that we have not answered in terms of reporting to Parliament, we have made a point of trying to be open and transparent. If Members track back the number of written ministerial statements that have been tabled, they are significant in number but also in detail, because we want that to be on the record.

Q9 **Chair:** On that, Minister, the list of councils that had a postponement was made public on social media before Parliament. You accept that.

Jim McMahon: It was imperfect but unavoidable. If I can explain what I mean by that, we had a commitment to report to Parliament on the list in its entirety, but a list could not exist without the agreement of the local authorities in question. We had to go through a process, before we presented to Parliament, of having meetings with the individual councils in scope to make sure that they were in agreement with being announced



on the list. The minute we spoke to councils, we then had a responsibility to make sure that parliamentarians were informed in their local areas.

We were trying to sequence securing the final agreement of local authorities before it was presented to Parliament so that the list could hold. We could not afford to publish the list in good faith but for councils to say, "Hang on, you did not check back and we have changed our mind since the application was made." The list in its entirety was only published by the Government to Parliament. There was a degree of piecemeal reporting taking place as individual councils were confirming.

- Q10 Lewis Cocking:** When are we going to get the list of the next tranche of councils that are going to go through this? You have done your initial tranche. They are working on their plans. You have written out to everyone else to say, "We want to hear all the options you have". When is the next round likely to be announced of councils that are going to have delayed elections and go through this process? Some of those areas will have to have their district council elections delayed if that is a route you want to go down, rather than the upper-tier authority, because the upper-tier authority will have happened by then in those areas that are not on the priority programme. Can you answer those two questions?

Jim McMahon: On the dates that we are working to, the statutory invitations went out on the 5th of this month. There will be a process by which we will thin out the applications that have come, but we are now in the statutory process. Providing for the fact that local authorities make a legitimate request, so they are authorities that can make the request, at that point we are in a process. I will ask Will to confirm that date exactly.

From that point, areas will be working to a number of different timetables, depending on where they are in the process. We have, essentially, three batches. We have the devolution priority programme batch of areas that might be subject to LGR. We then have Surrey. Then we have all the others that will submit as part of the priority programme. They are all working to slightly different timetables. For those, it will be interim plans for 21 March. For Surrey, it will have final plans by 9 May. For the devolution priority programme LGR areas, that will be 26 September. For the final remaining areas, so those that are part of the wider statutory invitation process, that will be 28 November.

Will Garton: To make sure I understand your question, if I may, we have written now to all two-tier areas, so everywhere is covered. There will not be a second batch of invitations to reorganise, if you like, everywhere in England.

- Q11 Lewis Cocking:** That does not make sense. You have done your priority programme, so you wrote out to people and said, "Do you want to join the priority programme?" Lots of people wrote in and you picked six, so some of those people did not make it on there. When everyone you have written out to submits their next letter, including the ones who did not make it on the priority programme, surely, as a Department, you are



then going to review them and say, “We are going to do these five next”.

Jim McMahon: It does not really work like that. Once the statutory invitation goes out, that is the start of the legal process. When we receive an application in from local authorities, they are in the process. By then, there is an in-built assumption that, once they apply, they are in reorganisation as part of that process.

Will Garton: The priority programme is just for mayoral. The priority programme establishes the areas that want to go forward with a mayor. In parallel to that, we have written to every place. I will give you an example. Hertfordshire did not apply to be in the priority programme and has not decided what it wants. That is absolutely fine, but we are still writing to two-tier areas to do local government reorganisation.

Q12 **Lewis Cocking:** That is not true, is it? The priority programme is not just about mayoral, because the ones that are in the priority programme are doing local government reorganisation as well. You cannot say that the priority programme is just about having a mayor.

Jim McMahon: No, the commonality in the priority programme is that they are all working to a mayoral combined authority. Some of them will require reorganisation to unlock devolution. Some areas, such as Surrey, cannot have devolution because it would create a single combined authority. It would not work and would be against the direction of travel in the devolution White Paper.

That is separate, though, to the wider statutory invitations that are going out, which are dependent on local authorities returning into that process. Then they are in the reorganisation process. They are in the timetable to submit initial and final proposals to us.

Q13 **Naushabah Khan:** This is just a follow-up to that. From what Lewis was saying, there has been a bit of a lack of clarity about how this works in terms of the second stages. As someone who comes from an area—Medway—that applied to be on the priority programme, was refused and is now trying to look at what the next stage of that looks like, there needs to be some type of timetabling and detail about exactly what it means. I appreciate that a letter was written and that provided some level of detail. As Lewis has suggested, there is still some confusion about what the next phases look like. Local authorities would welcome that, because the big challenge is being able to plan with this and that is the piece that is missing.

Jim McMahon: There are two aspects to that. One is reorganisation. Our hope and expectation is that Kent will be part of the reorganisation programme in this round, as part of the statutory invitation process, but that is now separate to the devolution priority programme. Kent and Midway are not part of the priority programme, because in the end we had to have a list that was manageable from a capacity point of view and where we believed that areas were in a state of readiness from local conversations.



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There have been a number of meetings taking place with leaders in Kent. There have actually been two since the priority programme was announced. There is definitely a commitment from the Government and local leaders to find a way of delivering devolution. At the moment, there is no landing slot, if you like, for them to go into, because we are focusing on the devolution priority programme.

It may well be that the priority programme goes well, all those that are on the list carry on as normal and actually things go quite smoothly, because we have been able to marshal it and areas were at a high state of readiness. It may well be that we are at a state to receive a further round earlier, in terms of devolution. We need to see how it goes from that point of view.

Chair: Thank you for that. I know that there will be some things out of your control, Minister. We thank you for the letters that you sent, but if you could keep us as a Committee updated on any changes or slippage that would be helpful, in the same way you keep the House updated.

Q14 **Maya Ellis:** While all the plumbing that we have been discussing is really important, I am moving on to questions now about how we actually make the most of the opportunity of strategic authorities going forward. Some of the witnesses we have heard from on the subjects have raised concerns about the lack of agility and flexibility in the funding that is made available, particularly to newer strategic authorities. Given that we are going to have many more of those, can you talk a little bit about the decision around the 10% limitation on funds, particularly for things like adult skills? We heard from the Mayor of West Yorkshire, who said that that 18-month limit to unlock further funding is problematic and feels a bit arbitrary. I believe that you are having conversations. Could you maybe update us on where your thinking is around that and how we can unlock those opportunities for flexibility and agility for newer combined authorities?

Jim McMahon: There are a couple of things in there. One is—and we have heard it from a number of areas—I suppose a slight impatience on the 18 months. This is a requirement that, in order to receive the integrated settlement, areas have to have been in existence for 18 months. They cannot have had intervention of any kind or concerns in terms of financial probity et cetera. Areas are saying, “Hang on, we have been able to develop much sooner and we could do it today”. Some of them might have had a combined authority type agreement before a Mayor came into existence, for instance.

I believe it is important—and the White Paper goes into this quite heavily—to accept that, in a way, because devolution has been built over time, the checks and balances and the architecture around it are not sufficiently robust to have large-scale devolution. The reason why we have gone so strongly in the White Paper is that we want a genuine transfer of power, resource and decision-making from this place to local communities.



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That is only as strong as the financial resilience of the local authorities that are there to support devolution. That is a big piece of work in terms of financial resilience and the “fit, legal and decent” of local government. Also, as combined authorities and mayoral combined authorities become strategic authorities, where the legislation comes in, must have the right checks and balances and the architecture around them to support that.

That is right and I do not think that it is an unreasonable expectation from HMT to say that, with further devolution and freedoms when it comes to financial freedoms, the checks and balances need to be in place and there need to be criteria for that. I actually think it is in the right place, to be honest. There will always be a trade-off. Central Government want to direct, because they want to make sure that everywhere in the country gets access to the same level of opportunity, but accepting that the best way to achieve the outcomes that we all want is to allow that local flexibility that is able to marshal it to the local place.

Q15 Chris Curtis: Currently, the West Midlands, Greater Manchester and Glasgow have innovation funds. Would you consider rolling out innovation funds to mayoral strategic authorities?

Jim McMahon: I will let Will come in on the detail of the growth fund and innovation funds.

Will Garton: Yes, it is a commitment in the White Paper. We should be clear, though, that innovation funds are not currently in the integrated settlement. We have made tremendous progress with the integrated settlement. There were 20 different funding streams with a variety of conditions and hoops that places had to jump through. Now, suddenly, from April this year, Greater Manchester has £629 million as a block capital settlement. I know that it wants more flexibility than the 10% that you raised and that is something we can come back to. We would look to review it at the end of this spending review period. I would be surprised, by the way, if it did do more than 10% flexibility to start off with, but it is definitely something to come back to.

Currently, we do not have innovation funds there. Those are run by UKRI. You are absolutely right to identify the innovation accelerators in those three places as a potential model. We are looking at it quite hard. The trade-off is local flexibility against excellence criteria from UKRI, but we have commitment to look at it properly and it is something that we should come back to as we roll out the integrated settlement.

Q16 Chris Curtis: There are a large number of Government arm’s-length bodies that put funding in place for different areas of the country. Take Homes England, for example. Do you see the direction of travel being that that is devolved down and combined authorities are taking on the power to dish out Homes England or Arts Council England funding?

Will Garton: The commitment in the White Paper is to move Homes England to a regionalised model, which is quite a big change. We want it



to be more place sensitive and less place agnostic. We want it to be embedded in the strategies, local growth plans and planning powers that strategic authorities have.

We also have a commitment in the White Paper because we know that there are frustrations with engagement with National Highways and Network Rail and we understand that. Those organisations also have immensely complicated programmes to roll out, but we can do better on making them sensitive to place and part of the overall local plan. That is something we are looking at. It is not obvious how you structure it, so it takes a bit of work, but that is certainly on our to-do list, yes.

Q17 Chris Curtis: On the direction of travel as well, across lots of areas there are lots of public sector-owned buildings, which are often owned by an eclectic mix of national organisations here. NHS Property Services is one that we have been talking about recently. Do you see a move—again, direction of travel and appreciating the difficulties—to having a one public estate model that is moving under the control of combined authorities?

Jim McMahon: That is a piece of work. We had a webinar yesterday with the LGA and Georgia Gould from the Cabinet Office, where we were talking about public sector reform and the one public estate approach for that. It has to happen, partly because, if we want to improve public services in a way that people can see, feel and value—in many areas the last decade has really taken its toll on decent public services and local public assets—we have to sweat the assets that we have better than we currently do.

It is fair to say that the areas where we need most interventions, so those with high levels of deprivation and high levels of need, were probably the first in line when asset disposals came. The assessment I saw was that something like 75,000 public assets had been sold in the last decade. If you were to map where those are, I would say that they are in the areas of need where we need intervention.

We need to use the public estate better. That is better for house building to free up that public estate for development. It is also better in terms of sweating the assets so that the public get a better return on that investment. It is a workstream that is taking place. It would be fair to say that it is in its infancy, but it has only been seven or eight months.

Q18 Chris Curtis: This is a final question from me. I am passionate about the policy. It is great to see the direction of travel on this. You have talked about lots of workstreams that are moving very fast that we hope to be getting going quite quickly with. There is a concern, or at least I certainly have a concern, that, while we are doing this, you could end up with a real two-tier problem. You have places that have combined authorities that have been put in place. You have lots of areas of the country that will not have combined authorities. In many cases, they will not have them for some time. In my case, we have a place that is desperate for a combined authority and was not fast tracked.



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Are you confident that those places without combined authorities are not going to be missing out on opportunities from this Government, whether that is potential funding pots, opportunities or the ability to do some of the things that we have been talking about? How are you going to ensure that they do not get left behind as you move towards giving all of these opportunities to places with combined authorities?

Jim McMahon: For me, that is tied very strongly into the local government finance settlement, the multi-year settlement and the review that we are consulting on at the moment in terms of relative needs and resources. We are determined to move away from the competitive bidding process of the previous Government, where areas were set up against each other to bid for a very limited supply of resource, to a model where there is a fair assessment of need, deprivation and the cost of service drivers, and areas get a fair amount to deliver decent public services and investment in their local area.

On that model, recognising that local authorities are the foundation of devolution, we expect, at the end of the multi-year settlement, that areas will be in a good position, or certainly a much better position than they are in today. It would be disingenuous not to say that there will be a difference in areas that have a mayoral combined authority as we move to strategic authorities, because the level of ambition in terms of what is devolved is growing. We should be honest about that.

We want to ensure that every part of England benefits from devolution and, in particular, benefits from mayoral devolution and strategic authorities. Why? That massively takes away the role of central Government to command and control and determine what gets done in each local area and gives that power to local areas. It also means that everywhere has a champion that can pull together different parts of investment, whether that is public sector or private sector investment.

Also, I bring into account at this point the review that is taking place of the Local Government Pension Scheme. There is a huge resource there that, if better marshalled, could be used to invest in UK plc and investable products that will benefit local communities. Blending all that together at a local level, with a champion of a mayor, supported by local leaders, is the direction of travel. For those areas that have that, our expectation is that they will feel the difference. Otherwise what is the point in devolution?

Q19 **Maya Ellis:** My question is building on that. Where is your current thinking? Taking innovation funding for example, I think that there are lots of people who would argue that, historically, in the last 10 years a lot of the innovation funding has gone directly to the combined authorities because it is a bit of a shortcut and an easy route. I get that there is an argument to say that that is a valid shortcut, because those areas are organised and ambitious, and they have the infrastructure to potentially deliver that.



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Once you have more combined authorities, there is only a limited pot of, for example, innovation funding or Arts Council England funding. How do you marry up the national assessment of need in different areas versus the idea that every area is entitled to its bit of devolved money? Like I say, take innovation for example. There is an argument that, even when every area is devolved, it would be a fair national assumption to say that not every area is going to have the critical impact for that innovation funding. How are you then going to marry up that decision? If you are not going to devolve it equally, how would you marry that up with need?

Jim McMahon: That is a very fair point. Part of the reason why we are determined to see every mayoral strategic authority with a local growth plan is so that there is an anchor document, if you like. There is an underpinning that makes it into the sum of its parts. Many local authorities have tried their best, whether it was through UKSPF, innovation funds or different routes, whether it is the future high streets fund or the left-behind towns fund, with local authorities working in partnership to navigate what is a complex picture.

A good outcome is that the majority of funds that are currently in scope are devolved down and that is part of a single allocation that is made. We have to be realistic and say that any central Government will want to be able to say that there are certain national priorities that we want to see accelerated. We want to make funding available for that and there will be an assessment about how that is delivered.

Q20 **Maya Ellis:** How do you make sure that you do not fall back into grant funding and that those local growth plans do not just become another application into a national pot for innovation funding, for example, that people have to bid on based on how good their local growth plan is?

Jim McMahon: The local growth plans and the integrated settlements would not be a competitive bidding process, but there is always a process by which we have to cut the cloth to suit. If there is a national allocation of any money—we do this in the local government finance settlement as much as we do with capital or any other type of funding—there would always be those conversations about how best to direct resources.

We talk about this in the consultation that is out about the multi-year settlement and the future review of local government spending, which is in large part for day-to-day spending. It is not for the Government to give everyone exactly the same within local government. It is for local government to take a fair assessment of what areas can legitimately and fairly raise from local taxation, whether that is council tax or business rates, and for central Government to be an equaliser to the system, to make sure that no area is left behind just because it has a historic tax base that is weaker than others or higher levels of demand on the other side that mean that the sums do not add up.

It is for central Government to make sure that every community has access to decent public services and that we are providing an equalisation



to the system. I know that that is a slightly different point. Many combined authorities have been forced to almost infill, because of local authorities retreating in some areas, because they have not had the capacity and resources to deliver decent public services.

Q21 Joe Powell: To follow up on Chris's point, for London we have the Greater London Authority Act from 1999. I understand that the focus has been on filling in the map, but it starts to feel like the London deal looks less ambitious than a lot of the more recent deals. When will we have a proper look at the right balance between the boroughs, the mayor and central Government in terms of London?

Jim McMahon: The honest answer is that these are live conversations. There are plenty of people who want to have conversations about it and we want to be open to that. Also, it is legitimate for councils in London to look at councils outside of London, and say that the mayoral combined authority model that is today moving to strategic authorities gives local authorities outside of London a seat around the table and a different role from local authorities in London.

Where that comes into focus is in accepting the principle that growth and reform are two sides of the same coin. If you want to see economic growth in a way that is felt in every community, you have to reform public services as a foundational means to achieve that. That is councils. London councils will say, quite rightly, "We want to have a relationship with Government that is a direct relationship. Of course, it is complementary to the role of the GLA and the mayor, but it is particularly given that we are the service deliverer in large part for the Government programmes that are in scope". That is not to say that there is an answer. It is not even to say that there is a proposal. It is to say that these are live conversations that we are aware of and we understand the tensions.

Q22 Chair: That is good. I should declare an interest, having been a councillor, assembly member and now an MP. It would be good to see those discussions with London, with my London hat on.

Jim McMahon: We were clear in the White Paper and there is a section on London. There is a slight danger in England, because we are such a centralised country, that, if you are not in London, you look to London and say, "We want a London-style housing scheme. We want a London-style transport scheme".

We need to raise our heads a bit further up and say, "That is not the measure here. We need to be looking at European counterparts. We need to be looking at the American cities and other places". Devolution is not a job done in London, far from it. Equally, because innovations have been taking place in other parts of England, there are some places that are more advanced when it comes to devolution than London itself. Now is the right time to step back and have that assessment.



Q23 Joe Powell: Some of our witnesses throughout this inquiry have talked about the concerns around scrutiny. It builds a little bit on what we were just talking about with the consensus-based model for mayoral combined authorities. What steps are you planning to take to strengthen scrutiny? What is your vision for what good scrutiny will look like?

Jim McMahon: Combined authorities have done a good job at trying to, by and large, self-organise different scrutiny models in a way that brings members in from the component local authorities to provide some degree of check and balance. As combined authorities have grown and developed, and received more delegation and authority individually, it is the right moment, through the White Paper, as we prepare the legislation, to think about how we can strengthen that.

We are looking at things such as accountable officers, so you have that very clear political/official divide. We are consulting and we are open to hearing ideas on local public accounts committees, where that check and balance can exist. We are alive to the tension around mayoral development corporations, those currently being out of scope of best value and whether they should be brought into the scope of best value, so that the oversight can be in place, as well as a range of other measures. Those were in the White Paper. We are assessing sector representations at the moment and preparing the ground for the legislation.

Q24 Joe Powell: In terms of between-election citizen engagement, as you get to a bigger unit one concern is that it becomes harder to have some of that direct citizen engagement. Are you thinking about ways of encouraging public participation in policy development and citizen oversight between elections?

Jim McMahon: I would probably come at that from two aspects. One is to what extent people are involved early enough in the formulation of decisions, rather than at the back end when the decision has been made and you go out for a consultation as a check and balance. That is versus the power that people want to feel in the places where they live, so that they are positive about the direction of travel in their immediate community. Those are related, but they can be quite separate.

There are a number of things that we covered in the White Paper. One was the role of what we currently might say are back-bench councillors. I think that it is quite offensive to many councillors who would say, "We are the frontline. We are the people on the ground, knocking on the doors, doing the work and raising the issues. If we had a bit more power and agency, we could get a lot more done". We are very clear in the White Paper that we want to recast those back-bench councillors as frontline community conveners, with more power in the places where they live, so they can get things done.

I think that, for most members of the public, that would be significant progress on where they are now, where very minor things that get



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reported can churn around the organisation for months, or years in some cases, before even being resolved. That is one bit and that is in the White Paper, because we do not believe that the project is just transferring power from here to mayors. That is not it at all. The real test is whether people feel more power and agency in the places where they live, more able to get things done and more confident about the future than they did before. You have to have a top-to-bottom distribution of power on that basis.

That is quite separate, though, to the check and balance that we are trying to build in, in terms of the rigour of combined authority decision making, the checks and balances, the skills around the table and whether trading companies should be in scope of best value.

Q25 Joe Powell: My final question is in terms of that second part. Do you think that there is a case for professionalised staff to support scrutiny committees, so like we would have in a Select Committee here, but having dedicated staff capacity and training to do that?

Jim McMahon: That would be entirely in line with the way that local government works. Local government can have independent members. Some of them will have independent chairs. They will be drawn from a range of professionalisms, including accountancy backgrounds. Having the same support in strategic authorities, as there will be, is definitely something that we want to see grown out.

Q26 Naushabah Khan: I appreciate that we have touched on this already, but it would be helpful to understand, given the opportunities we have had with this particular White Paper, why further fiscal devolution and powers to combined authorities has not been part of it.

Jim McMahon: In a way, it is because we are so underdeveloped from the freedoms and flexibilities even within the current system. There has been a priority about unlocking the current system. To do that for local government, in terms of the number of individual grant schemes, with individual reporting requirements and individual terms and conditions given by different parts of Government, leads to to a very complicated landscape, but, probably more than that, adds to a culture of waiting to be told what to do and how to do it.

There is a review taking place now as part of the local government finance settlement work to take away ringfences and look at the consolidation of different grant funds. We began that work as part of this settlement. In a way the integrated settlements are the same, but for combined authorities at a bigger scale across more ranges of government activity. That was the focus, because we have not made the progress in the last decade that we probably could and should have done.

Not to duck the question about fiscal devolution, there is a tension around wanting to have an overview of the impact of tax decisions across the piece. That is particularly relevant when it comes to business taxation



and making sure that the burden of business taxation is seen in the round and not segregated off. Also, we need to develop our proposal on that. The types of taxes that have been proposed will not be a surprise to the committee. We get routine requests for things such as tourism tax and overnight accommodation levies from mayors and those are fairly regular conversations, but there is still a case to be made for it.

Q27 Naushabah Khan: To touch upon that, compared to perhaps some of our European counterparts, the way that we have fiscal devolution is quite constrained by comparison, which means that there are challenges, particularly for local government. That is something that we, this Committee, have heard from other witnesses in the past.

I know that you have touched there upon some certain taxations that could be used. For example, we heard quite powerfully about the visitor levy that is used in Edinburgh, what that can generate for a city and how that could be expanded. I appreciate that that is not the only answer and is not going to work for everyone. What work is being done to understand some of the best practice that is being done by some of our local authorities, taking into account that, as you have said, in terms of those proper devolutionary powers around fiscal, fiscal devolution is still a bit of a challenge? There are still some examples of good practice and I wanted to understand how you are using some of those and how that is being considered as part of this process.

Jim McMahon: That is happening now. Manchester has a voluntary overnight accommodation levy in place with the hoteliers in Manchester city and of course learning will be taken from that. Where there are conversations about fiscal devolution and, if you like, marginal taxes, to take that in the round, they might generate a reasonable sum but, in the scheme of freedoms in, say, the integrated settlement, you are talking about budget lines in the end that will end up being in the billions, not just the tens or even hundreds of millions. The scale of ambition is beyond just that that local authorities can take.

It is also maybe being slightly more realistic about how far any Government might want to go for that, because any Government would naturally be mindful of the burden of tax on individuals and business. The schedule of tax at a local level, by and large, is ringfenced to council tax and business rates. We all know around the table that those are two forms of taxes that are acutely felt: council tax by individuals and households, and business rates by the high street and businesses operating in still quite a challenging environment.

Any Government will have a view on that and will want to take that in the round. As a country, we are certainly not there in terms of radical devolution in the way that I know some political parties might talk about with local income tax levels and the rest of it. If you look at maybe European counterparts, that is probably where it would take you to. That is not a piece of work that we are looking at in terms of local income tax type fiscal devolution of scale on that.



Q28 Chair: Do you think that that would be in the next round of areas that you would want to explore? You have cited our European counterparts. In comparison, councils collect only about 5%. In France, it is 14%. It is 23% in Japan. It is 35% in Sweden, which has a relatively smaller population than ours. Do you think that we can get to bigger percentages and that this is something that could help councils in the future?

Jim McMahon: If we take the view that devolution is an evolution rather than a revolution, although some of the parliamentary conversations definitely feel like it is a revolution at the moment, that might be something for the future. I will say honestly that there is not a piece of work taking place on fiscal devolution that would take you anywhere near the types of percentages that you talk about. England, for historic reasons, is fairly unique and there is not a piece of work that is going to reset that today.

We can give local areas more control over the public money that is being spent in their area today but actually it is very constrained. All the conversations that we are having with local leaders and mayors are about giving them the freedom to make the right choice for their areas, rather than being constrained by central Government, which is where the integrated settlements come into it. We have the two in Greater Manchester and West Midlands coming out at the moment. The following year we have four others. We have set criteria now, so local authorities and combined authorities know how they can work towards it, and that is good progress.

Q29 Naushabah Khan: I appreciate what the Minister has said; I just wanted to understand a little bit. We might not want to get to the levels that we see in our European counterparts, or perhaps that piece of work has not been looked at, but are there any plans to look at further tax devolving powers at this point or in the near future? Is there any flexibility in this or anything beyond simply capital tax and business rates that is being considered?

Jim McMahon: I would not rule anything out, but the focus of the current project is on rolling out the integrated settlements and more freedoms and flexibilities at a local level. In direct answer to whether there is a significant piece of work on radical fiscal devolution, there is not. That is not to say, though, that we are closed to proposals. If a case can be made from local government or from mayors, we would be open to that. I can ask Will to come in more detail about any other aspects, but I would not want to set the Committee off on a false route about the scale of that.

Q30 Chair: I am sure that you will look at the levy that they are introducing in Edinburgh when that starts. Would you be able to come back to us later once you have seen that proposal?

Jim McMahon: I have been very honest and said that we are alive to what are now fairly routine requests that come in from our mayors and



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local authorities about what I would say are quite marginal freedoms around fiscal devolution. Also, I would return to say that any Government will want to take taxation in the round. That is the position.

Q31 Maya Ellis: Looking broadly at this country at the moment, we know that political and democratic engagement is quite low. Unitarisation and devolution should be aiming to re-engage people more with government, to have more faith in what it can do and to improve it, so I will ask a few questions around unitarisation. Particularly in my constituency, Ribble Valley, we have big rural areas where that political engagement and sense that government, local and national, works for rural and regional areas is low. How are you ensuring that rural areas, places and regions, and people on the ground, feel engaged with this process? How are you holding local areas to account to make sure that they do that through this process, particularly, of unitarisation and reorganisation?

Jim McMahon: It predates reorganisation in the current round. One of the very first things to be sacrificed at the start of austerity was local neighbourhood services. Because quite a lot of council delegation to things such as district executives, area committees, district forums or neighbourhood forums were, by and large, for neighbourhood-type services, a lot of district working was sacrificed as a result of that. Even where it currently exists, it is probably a shadow in many places of what it was. There is something that brings back a decent level of neighbourhood services at a point in time when we rebuild, and we are at that point, with local leaders, so ward councillors, being able to convene the local community to agree a set of local priorities that people believe are right for their area. That is where we would want to get to, but I will be honest and say that it is going to take time to rebuild.

Many local authorities are probably thankful for the finance settlement that they have had. We did a lot to marshal and to get the money to where it was needed. The fact that we have not—touch wood—had any section 114s as a result of financial distress is a testament to the work that we have done in terms of the recovery grant and other measures.

We are under no illusions about the pressures that councils are facing. When faced, still, with a choice between adult social care, children's services, temporary accommodation and those statutory dominating pressures, councils in many places do not yet have the headroom, but this project is not a single-year project. This is about, over the life of the Parliament, rebuilding local government so that it is fit, legal and decent, and has strong foundations that we can build back up from.

If we do that, we begin to address the local disconnect where people do not think that the council is working in their interest. As I say, that predates reorganisation. Even in areas with district councils, if they do not think that their local services are being provided to a standard or that their local area is being championed, frankly, the council could be 100 miles away. The disconnect is powerful. We have to rebuild that localism theme as much as devolution.



Q32 **Maya Ellis:** Is there anything that you are trying to bed in, though, to the process over the next year where the decisions are being made about how areas reorganise where you expect local councils to engage locally? Is it in your judgment that actually that is for the councillors to decide?

Jim McMahon: It is probably a bit of both. The criteria that we set out of course have population numbers because, in part, this is about efficiency. It is about taking money that is currently held in operational costs down to the frontline, so people can see an improvement in services. Councils will have to take into account local identity so that, in the end, they make sense in a way that people can relate to. Whatever size of council comes through reorganisation, in the end it matters to those councils, and to councils that are not part of reorganisation, that, at the end of this project, people in every part of England should feel that they have more responsive, better provided local public services.

We have a deficit here where councillors maybe do not want to come forward for a number of reasons, but part of that is because they do not think that they can get things done. They do not think that they can make the change. How many councillors stand for one term and do not re-stand because they think, "What is the point in that? I stood because I wanted to make a difference and I was not able to do it". That will matter for a council that is not yet in reorganisation of 100,000 or 200,000, but also for a much larger council. It should not matter, provided that they have a localism agenda and a way of working to local communities.

Will Garton: If I could specifically reassure you, on the criteria that we set out for local government reorganisation, this is one thing that we have said we want to see: "New unitary structures should enable stronger community engagement and deliver genuine opportunity for neighbourhood empowerment". We are very conscious of the risk that you might lose some of that. We do not want that to happen and have been really explicit that that is one of our criteria going forward.

Q33 **Chris Curtis:** One thing that it feels to me would help square this circle is if, while you are moving powers from districts up to these slightly larger unitary authorities, you also looked at powers that would be potentially moving down from those district councils to parish councils. Most rural areas, and a good chunk of this country, have those parish councils in place. Parish councils are mentioned three times in the White Paper. Is there a stream of work looking at how actually you can solve some of these localism problems by looking at more support and more powers that can be moving down to parishes?

Jim McMahon: I think so. In the English devolution White Paper we included a section on community power. There is quite a lot of this that is architectural. It is about the structures that support devolution and local government, but that is quite separate to the powers that people feel in the places where they live. That can range from whether they can affect a local decision or feel positive about local investment, right through to whether they feel they have any control at all over the decline of the local



high street or the loss of local community assets. The agenda on that is quite wide and it is in development.

We reference parish and town councils, partly because there are over 10,000 of them, so they have to be part of the family and part of the answer. We were also very clear not to skip over the role of local government, because the danger in the devolution conversations has been, honestly, that it can be a bit too much about combined authorities and mayors, and probably not as much about local authorities. Local authorities are the foundation of combined authorities. They are the foundation of devolution and they have to have a clearly defined role and be empowered far more than they are today in the new settlement. That is not at the expense of more local structures when it comes to town and parish councils. They will have a role too.

Q34 Maya Ellis: I have one more specific question going back to unitarisation and how you make decisions locally. I will be putting you on the spot, so if you cannot answer now I would appreciate a response on this in writing. Where councils in a local area cannot come to a single consensus in terms of a proposal for reorganisation or unitaries, what criteria are the Government going to use to choose which proposal to adopt?

Jim McMahon: We set out the criteria in the letter that went out as part of the statutory invitation. We have also had some feedback from local authorities that said, if there was a template or pro forma, not to limit local proposals but to form the submission to the statutory invitation, that would be helpful too. The Government will naturally, as the decision maker, have to reserve their position to say that, if competing proposals come forward in some areas, which is inevitable—it is fairly obvious that in some areas there will not be a consensus among local authorities—we will have to get the balance between scale and efficiency, local identity and, in the end, unitary councils that have an anchor to them that makes sense.

Q35 Maya Ellis: You would say that those are the three criteria.

Jim McMahon: The criteria are wider than that. Those are the guiding criteria from a political point of view.

Will Garton: It is about reform, having a single council, the right size that they can withstand shocks and achieve efficiencies, so the guidance of 500,000, the delivery of high-quality public services and how they have worked together with colleagues in the place, supporting devolution arrangements and community engagement.

Q36 Maya Ellis: Essentially, if there are competing priorities, you will judge based on how well they meet each of those criteria.

Will Garton: Those criteria are all published and clear. Ultimately, as the Minister says, then there is a judgment for the Minister and the Secretary of State to make.



Jim McMahon: It also requires flexibility on all sides. We were very keen to reset the relationship between central Government and local government, where, for a long time, local government felt that it was being done to. In this reorganisation, we are very clear about the direction of travel. We are looking to bring to an end the two-tier system and to reorganise the remaining 21 counties. That is a clear direction of travel. We are also very clear on the direction of travel in terms of mayoral strategic authorities and completing the map of England. How we do it can be done in partnership. Those areas that were in the priority programme were all self-selected areas. There was more interest in that process than we were able to accommodate.

It requires flex on both sides. As an example of that, if you were just focusing on efficiency, you would have a reorganisation that delivered a fairly uniform set of local authorities of about 500,000 population each, but we understand that in some places, in order to achieve other competing interests such as identity and belonging, or in some places due to very vast geography, flexibility is required on population size. We have said that we are willing to be open to that, and we will look forward to proposals coming forward.

Q37 **Lewis Cocking:** I want to talk about how we got to the figure of 500,000. When you were coming up with this proposal within the Department, was that figure of 500,000 in there from the start or did the Department have a different figure in there, but when it got to the Treasury they said, "No, you are not having that. We are changing it"?

Jim McMahon: There was not a different figure. The figure of 500,000 is generally accepted. If you want to do a reorganisation for efficiency and you want councils that balance local identity and the spread of geography—you have to bear in mind that the two-tier system, as you all know, is generally across the shire counties—that figure is a compromise between efficiency and geography.

From that number, we have reflected that some places would not be able to reach the 500,000 population mark and maintain the other criteria around local identity and having an anchor to the local authority that makes sense to the local community.

The 500,000 is a guide. It is correct to provide that because local government was asking for that, but we also accept that there will need to be flexibility in the proposals that come forward.

Q38 **Chair:** I am sorry. Just to clarify on that, Minister, there was no evidential basis for that 500,000 figure.

Jim McMahon: The evidence is really from the local government reorganisation that has taken place. What we are seeing from the local government reorganisation that has taken place—there are variations on the theme: some much larger, some much smaller—is that that is the right level to get efficiencies out of the system, given that this is an



efficiency drive—there is money held up in the two-tier system that can be redirected to frontline services that people see and feel—and recognising that in large parts these cover quite large geographies.

Will Garton: As it says in the White Paper, 500,000 is the minimum. Ultimately, it is a judgment. It would be misleading to say that there is some formula or evidence base that can spit out, “500,000 is okay, but 480,000 is not”. There is an element of judgment in this. You cannot say that definitively it is the right answer because so many other factors are in play, not least identity, alignment with public service boundaries, travel to work areas and so on and so forth.

It is a judgment. It is a judgment that we have come to. Reasonable people could take a slightly different take, but ultimately we would have to make that judgment and give that as the minimum.

Q39 **Lewis Cocking:** What is the lower limit, then? You are saying, “If you meet all of the other criteria, but you do not meet this criterion”. You must have in your head, “We will accept 200,000”, or, “We will accept 300,000”. What is the lower figure?

Jim McMahon: At the moment, the statutory invitation has gone out. It is for local authorities to decide whether they want to be part of this batch of LGRs that are going forward. It is for local areas to develop their proposals. We have issued the framework for that. What does a good outcome look like? If everyone agrees in their locality on what they want, there might be only a single proposal that comes forward that gets exactly the right balance between efficiencies and local identity, which might take it up to 500,000, and everyone says, “This completely works for our area”.

Of course, the real world says that in some places that might happen, but in other places it will be more challenging. The Government have to be flexible. At this point it is not helpful to add more confusion to the process when we have already set the criteria.

Q40 **Lewis Cocking:** You are already adding confusion, are you not?

Jim McMahon: We are allowing flexibility and saying, “We will do this in partnership”. I would reject that as adding confusion. That is about working in partnership and being flexible. That is what we have been asked for. Setting a clear sense of direction, which is what the criteria are, is also what we have been asked for. We have done the two for the right reasons.

Will Garton: The White Paper says the minimum is 500,000.

Q41 **Lewis Cocking:** I am sorry, but that is not what the Minister said.

Will Garton: No, it is. He said there will be some exceptions to that, but, as a guiding principle, 500,000 or more is what this document says.



Jim McMahon: The White Paper is very clear on what we mean by “exceptions”. Where it is going hand in hand with devolution, where strategic authorities are being created in a larger population base or a larger geography, you might want to give a bit on population to have a more localised footprint. It is hand in hand with devolution.

Q42 **Lewis Cocking:** What is going to happen to all of the other unitaries that currently exist? Your own council, Oldham, is 242,000. What is going to happen to them? Are you saying that that is a bad council, that it is not efficient and that it needs to be abolished or merged with something else to get it to 500,000 people?

Jim McMahon: At that point, it is not really about population size; it is about the two-tier system. Think about how many councillors are dual-hatted because they represent both the district council and the county council because, to get things done, they feel like they have to be in both places, in some cases. Think about the taxpaying members of the public who do not know which local authority to go to to get a very basic service carried out. Some of it is just about simplicity in the system. In Oldham, where it is a single local authority, we do not have that issue at all.

Q43 **Lewis Cocking:** Why are you looking at size, then, in terms of population? It makes no sense. If you want local councils to be efficient, you are saying that they have to have 500,000 people to be efficient, effective and all the rest of it. Why are you not asking the question about what you are going to do with the existing small unitaries that do not meet that criterion?

Jim McMahon: There is not a proposal to carry out a reorganisation in the met authorities, to answer directly the point being made. That is a bit of a distraction.

The project is across the remaining 21 two-tier areas, to bring to an end the two-tier system and to create unitary authorities in those areas. In achieving that, the project will give a clear enough steer to local areas to develop localised proposals to submit to Government that we can assess, which is what we have done.

Q44 **Lewis Cocking:** Do you think your local council is a good local authority?

Jim McMahon: That is in the eye of the beholder. Obviously, I think my council is wonderful.

Q45 **Lewis Cocking:** There is a reason I ask that. Why can you not allow other proposals to come forward with a similar population to your own council?

Jim McMahon: This is about balance, clarity for the taxpaying public, the efficiency of delivering local public services and getting money to the frontline rather than spending it on operational costs. Efficiency also brings you to scale. In two-tier areas, there is always a tension between those people-targeted services, such as adult social care and children’s



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services, that are provided currently by the council, being divided into unitary authorities. The more you divide them into more local authorities, the more upward pressure you put on that capacitor.

There is always going to be a balance and a compromise that needs to be made on that, but it would not be our expectation that local authorities will be marshalling population sizes of the mid-200,000s. Those are not representations that we have had so far from any area.

Q46 Chair: If we look at some of the smaller unitaries, we have Plymouth on 219,000, Stoke-on-Trent on 263,000, Peterborough on 290,000, and Leicester on 380,000. You accept that, and you accept that you are asking them to work on, if we are going to be honest, an arbitrary figure of 500,000.

Jim McMahon: To a point, any figure that we publish would be arbitrary, but it is about giving a framework. When areas are pulling together to try to reach a local consensus where possible, they know broadly the guidelines that they are working to in making their submissions. You have to draw the line somewhere. We believe that is the right compromise between scale, efficiency and having a local anchor that makes sense in most places.

Of the areas that have been mentioned, a lot of them would say they feel quite constrained. They have housing demand and economic demand that goes far beyond their own local authority boundaries and further into the surrounding districts. They would say that their natural functioning area is not reflected at all in the local government boundaries, as they stand today.

Q47 Chris Curtis: Just picking up on the Chair's previous comments, the broader question was that we are not aware of any evidential basis for the number. The response was, to paraphrase slightly, "Look, it is always going to have some level of subjectiveness to it," which I accept. Both of those two things can be true at the same time, and yet we still have not seen the evidence that went behind where those subjective decisions came from.

It could be that some of the indicators are pointing slightly higher than 500,000 and some of them are pointing slightly lower than 500,000, but we have not seen any evidential basis behind that decision at all. While appreciating the subjectiveness of it, it would be good to see some of the reasoning and the evidential basis that the Department used when coming up with that decision so we can have some level of confidence in the number and that it was right, given the trade-offs involved.

Jim McMahon: There are assessments made of the savings that can be achieved through local government reorganisation. There have been very recent reorganisations that have taken place that have delivered savings. That evidence is there.



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What makes it difficult to profile potential savings coming forward is that we do not know yet what proposals local areas are going to submit to Government for us to agree to. That will be a significant determinant on the amount of savings that can be drawn out.

Chris Curtis: I get the point on the savings generally, but you could have gone, "We get the point about unitarisation. We do not need to have a number." You decided to put the number in there because you have looked at some evidence, I assume, that points to that number being the right one. It would be good for us to know what that evidence is.

Q48 **Chair:** There is no evidence. That is what you are saying.

Jim McMahon: We can provide the references. The assessments are out there. We can provide examples of reorganisations that have taken place and the savings that have been drawn out through that.

Will Garton: We have come to a judgment by looking at a range of factors. They include the rule of thumb that, by and large, if the council is bigger, you will get bigger efficiencies, but there is a trade-off with existing public sector boundaries. We also said that we want to try to avoid disruption and map on to existing public sector boundaries. There is probably a trade-off with community engagement. If you had absolutely huge councils, you would lose something there.

Looking at a range of different factors, we have given guidance to try to help the sector. We can try to set that out in more detail if that would be helpful, but there is not a document that says, "The right answer is this", based on a series of formulae because those formulae would be so spurious they would not have any meaning. It is a judgment.

Jim McMahon: It also falls apart the minute that you receive proposals that are not entirely in line with the assessment that you have tried to make sense of. We are going to do this genuinely in partnership with local areas. We are going to provide the framework and the guidelines so that areas know what they need to be working to, but we are also saying that we want to be flexible too and take into account local circumstances.

In a way, it is self-defeating to tie ourselves to a model that will not last the next couple of months when those proposals come in. It is far better to get the right outcome in terms of the overall number of local authorities—there will be significantly fewer local authorities at the end of this than at the start of it—mixed with local identity, travel to work areas and the other points that have been outlined.

Q49 **Lewis Cocking:** Will, you just said that the bigger you are, the more efficient you are. Birmingham is the biggest one in the country. That has to be one of the most inefficient councils that we have. They cannot collect the rubbish. They have had loads of issues. They have nearly gone bankrupt a couple of times. I would not call that a beacon. If we make all these big councils, they are not all going to be perfect.



Jim McMahon: No, there is a difference between organisational efficiency and efficiencies of scale. They are not the same thing.

When we look through the lens of reorganisation, it is self-evident that you can have fewer overhead costs and fewer posts doing the same job in multiple local authorities. In reducing the number of local authorities, there is a saving that can be derived from that. It is a more efficient way of delivering that service.

Will Garton: It is a rule of thumb. I accept it is a generalisation. Without wishing to comment on Birmingham specifically, I accept there may be large councils that have some inefficiencies. In trying to make policy and trying to steer the most logical way forward, it is just true that there are greater savings for the taxpayer. As the Minister has set out, the sector as a whole is under substantive pressure. If we can reinvest savings from having fewer councils in frontline services for citizens, we are doing a good thing. It is a rule of thumb and not a hard and fast rule, as we try to get this balance right.

Jim McMahon: I would also be a bit careful. Not to get away from the significant pressures of Birmingham and other councils—they are self-evident—there is a lot of good work taking place in Birmingham as well. I would be a bit careful that we do not return to the way things were in our recent past when we start parading individual local authorities around for public shaming.

There is good and bad in every council. There are some councils with more pressures than others. It is self-evident in the sector that that is what you will get. In Birmingham, there is a determination to turn things around and to get the council on the right track. We are working in partnership on that.

In terms of tone—you can make your own points, and you do that well—I think we should avoid that if we can.

Q50 **Naushabah Khan:** I want to start exploring the logistics of this in a little bit more detail. In thinking about how this will work with unitary authorities joining up together, the impact on services is going to be a key part of the consideration. It would be really helpful to understand your thoughts on that and how the actual logistics of this will work.

As a Committee, we have had representations from others who have voiced some concerns about potential operational risks, particularly around essential services in councils when they go through unitarisation. It is just really about understanding what the Government's plans are to support councils through that process and how we are going to make sure this is as smooth as possible. There are going to be a lot of logistical elements to think about as well.

Jim McMahon: They are all fair points. There are live conversations about how we support the sector. Some of it will be dependent on the scale of the requests that we get in for reorganisation as part of this



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current statutory invitation process. There is a recognition that support and capacity will need to be provided. Some of that is professional capacity from the Department, the LGA and other places to make sure that councils have the skills for transformation.

It will also be, in large part, dependent on the type of proposals that come forward. If, for instance, we have a suite of proposals that take the boundaries of existing districts and unitaries, the reorganisation will be reasonably straightforward. Reorganising the workforce, the assets, the liabilities, the debt, the reserve levels, et cetera, is more straightforward. It becomes a bit more complicated when those are not the building blocks that are used and areas want to start from scratch in disaggregating that. A bit more support will be needed on that.

We also know that there are key areas, such as adult social care, children's services, temporary accommodation and other places where there is a need to keep the show on the road, whatever structural changes are taking place. There will definitely be support from the sector itself, through the LGA and other places, and from the Government to make sure councils are supported on that.

Q51 Naushabah Khan: Just to follow up on that, this is not going to be cheap. In terms of the financial support that is needed to make sure this happens, what considerations have been given to how that would work?

Jim McMahon: We have considered that. It is correct to say that there will be some investment required to unlock some of that. That may well be capacity more than finance, although the two are related. It is more about seeing reorganisation as a project in the round. Even if investment were required up front, that would be realised as a saving later through the efficiencies that will be drawn through reorganisation.

As I said before, there are councils that have been through reorganisation more recently. They are now realising the cash savings of reorganisation, which have gone way beyond the initial investment that was made.

Q52 Naushabah Khan: I have one final question. As I mentioned earlier, I used to be a councillor in Medway, a unitary authority that only became a unitary authority 23 years ago. There were huge challenges when unitarisation happened around bringing those councils together, the cost implications of that and the impact on services. It is not a smooth, easy and simple process.

I appreciate what you have said about considerations being given, but what lessons are also being learned from the authorities that have done in the past? That includes where there has been best practice, but also what some of the challenges were. Is there any work being done around that?

Jim McMahon: The sector has done well, particularly the LGA, to provide that. We also know that the County Councils Network and the District Councils' Network are fully engaged on this, understandably.



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There is lived experience, politically and professionally, in the councils that have been through reorganisation in Dorset, Cumbria and other places. They have quite different experiences of what reorganisation has been, for good, for bad and for somewhere in the middle. Sharing that across and ensuring those lessons are learned is important. We will work on that with the LGA, District Councils' Network and the County Councils Network.

Q53 **Maya Ellis:** Building on that, there was a mention in the White Paper about a local government workforce development group. I just wondered whether you could give a bit more of an update or detail on where that is up to. I am particularly interested in whether that is just around those tiers of local government.

This is one of the questions that I have asked the civil servants before. With devolution, a lot of the skillsets, particularly around policymaking, do not necessarily exist in the regions at the moment. I am interested in how we support local areas to become a lot more upskilled in areas where they now need to have talent locally, which does not necessarily exist right now.

Jim McMahon: The workforce group that we set up through the Department is across Government. It includes representatives from the Department for Education, Department of Health and Social Care, the LGA and other places. It is still working out its priority areas, but they are fairly self-evident. It is adult social care and children's services, by and large, where we have a significant crisis in recruitment and retention.

Some of that is structural and will be dealt with things like fair pay agreements and making it a good and rewarding career to be in, but we also need to do far more to develop and retain talent as well. The workforce group will be looking at that across Government and across the sector. It is beginning to look at that.

We also have conversations at the newly established Leaders' Council. As part of the wider architecture of the Council of the Nations and Regions and the Mayoral Council, we have also introduced a Leaders' Council to bring together leaders across parties and across the country to grapple with the big issues of the day. Some of those are tricky issues such as asylum placements or public service reform, but workforce recruitment and retention is also part of that.

That is quite different to the challenge that we have in combined authorities. To be absolutely clear, there is no desire or intention for those to become big service deliverers or even super-county councils. We are very clear that these are strategic authorities that really provide the type of service that you have outlined in terms of policy development and research capacity. There is more that we can do there in terms of secondments and sharing expertise across the sector.



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There is quite a lot in the ecosystem, though. If you think about the pan-regional groups, such as Midlands Engine, Northern Powerhouse, Great South West and other places, there is quite a lot in the ecosystem more broadly that combined authorities could look to bring in at a more localised level. I would not underestimate how much is there, but Government could do more.

Will Garton: We are very conscious that we are setting up new institutions. We want these institutions to last and to change the country, and we are asking a lot of them. It is really high on our list of priorities. We are looking at how we fund strategic authorities through the local government finance settlement. If they have certainty, they can recruit staff over a sustained period. At the moment, it is a bit piecemeal and hand-to-mouth. It is not a sustainable system for the type of responsibilities that we are transferring.

The biggest thing that we can do is to fund them properly and ensure they can recruit people locally. We have faced a bit of a problem, where sometimes central Government have said, "Do you have the capacity to do that?" and the combined authorities have said, not unreasonably, "You have not promised me that I have the responsibility to do it. I am not going to go and recruit a bunch of people for something that I do not have responsibility for".

Hopefully, the framework that we created says, "This is where responsibility sits", so that central Government get the confidence that the combined authorities can go and invest in capacity. As the Minister said, there are now quite a lot of interchanges and secondments between Government Departments and combined authorities. It is really good training for civil servants as much as anything else.

The only other thing that I would add is quite a lot of the time we conflate capacity and capability. There is a capacity issue; I am not convinced there is a capability issue. We have capability issues in central Government. We need to sort our own house out, if you know what I mean, before we go around saying that we have no capability. I am not sure that is always true. It is about capacity.

Q54 **Chair:** There is just a final question from me. One of the big proposals that you outlined on devolution was about potential savings. You will be aware of the PwC report from a few years ago, which stated potential savings of £2.5 billion over five years. When we had witnesses before the Committee a few weeks ago, they were very keen to stress that that figure would be unlikely. Has the Department carried out any work to look at how much savings would be realised from this?

Jim McMahon: The PwC report is a good anchor. It holds to the evidence base that was drawn. It will naturally have limitations because it does not take into account the LGR proposals that will come forward. Until we see what areas are proposing and those proposals come into Government, it will be very hard to make an accurate assessment.



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Nevertheless, there will be a saving. Whatever the range of saving will be—whether it is a lower saving because there are more local authorities at the end of it, a larger saving because there are fewer local authorities at the end of it, or somewhere in the middle—there will be a saving to some degree.

That is only one part of it, though. It is also about making sure that local authorities sit as first among equals on strategic authorities and play their part on the devolution agenda. That is a very important part of it. It is also about simplicity so that local people know where to go to get things done in their area. The two-tier system does not provide that in all cases.

Savings and efficiency is one part of it, but it is not the only part of it. The PwC report is a good anchor, but, until we see the proposals that come forward, it will be very difficult to put a number to it.

Q55 Chair: When do you plan to evaluate or commission any work on the savings? Will it be after two years or after three years? At what point will you do that?

Jim McMahon: There will be a constant review of savings. When local authorities transfer from shadow to their new unitaries, they will have to budget in for the budget settlement they have. There will be a to-ing and fro-ing with a multi-year settlement as part of that work.

Central Government will have to take a view on what realistic savings can be borne out from that at a point where we have analysed the proposals that have come forward. In answer to that, the earliest indication will be sometime after the interim proposals are submitted. The best time after that will be when we have had final proposals that we can really tie down.

Q56 Chair: Minister, I have mentioned to you a number of times the up-front costs that areas are facing. When we had the chair of the District Councils' Network before us, she said there are huge up-front costs. Many unitary councils created in recent years have experienced crippling financial problems because of the up-front costs. Is that something that your Department will be looking at? Will those be counted in terms of the overall savings you are hoping areas will achieve?

Jim McMahon: There are different reasons for that. There are examples of where the up-front costs were probably underestimated, where the system and workforce change costs and the reform in the estate had not been really factored through. Many councils would say they did do that work and they provided as much clarity as they could do, but events just overtook them. The demands from adult social care, children's temporary accommodation and transport at the same time meant that many budget lines did not hold over the years that that transformation programme came into force.

There are different reasons for that, but we will be able to get an assessment of a reasonable expectation of a fair up-front cost to support local authorities through that transformation and, secondly, what a



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reasonable saving at the end of that process will be as part of the wider settlement.

Q57 Lewis Cocking: I am concerned that you may be putting too much of a focus on how much money is going to be saved by doing all of this. Pre-2009, there were probably billions to save, but lots of councils now—district councils, county councils, unitary councils and all the rest of it—have loads of joined-up services. Some have shared chief executives; some have shared staff and shared delivery services. That is going to impact savings, because those savings are already in their budgets.

Coupled with that, the unitaries that we have created over the past couple of years have started to set up delivery arms, committees based on the old district boundaries and things like that. Those are an additional cost.

Can we just have some assurance that you are not just going to bandy around, “This is going to save a couple of billion pounds and local government is going to be awash with money when it goes to unitary”? Can we just make sure that we look at all of that? There will be a saving, but it is not going to be anywhere near what it would have been because there are so many joined-up services within local government.

Jim McMahon: We are in violent agreement. We should not be running towards a figure that does not hold in the end, recognising the complexities that you mention.

However, I would not overstate the significance of shared service models in the system today. There are significant savings and efficiencies that can go beyond that. You are right to say that there will be limitations. The last decade has meant that, like it or not, councils have had to become more efficient and leaner. That is due to the nature of the settlement. That will be true too, which is why we are trying desperately not to get to a figure that will not hold.

We acknowledge that there are figures out there, but let us see what proposals come forward. From that, we will know how many local authorities will be in existence at the end of the reorganisation process. That will give us an anchor to have an assessment of how much is needed up front to support the transition costs and how much is a reasonable saving that can be borne out at the back end in terms of savings on a recurring basis.

Q58 Chair: To follow up on Lewis’s point, you will be aware that many councils have existing debts. If they are then forming part of a unitarisation, what is going to happen if one council has substantial debt and they join with another council? Who is going to be obliged to take responsibility for that debt?

Jim McMahon: We will take it in the round, in the way that the previous Government did their reorganisations. We will take assets and liabilities in the round. We do understand—it is fairly self-evident—that there are



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some councils that have debts that are somewhat in excess of their revenue. Those will need to be looked at.

The starting point, as with the previous Government, is that the assets and liabilities of all the local authorities in an area will be taken in the round. If we get to a point where that becomes either a financial or even a moral hazard, we will need to take a view on that, but we are not at that point yet.

Will Garton: Just on the savings point, the Minister has summed it up on the financial side. The only thing that I was going to add is that the public service benefits of moving to this model will also help financial sustainability. We are under no illusion that this is going to solve all of the financial problems in local government. We really do not think that. For example, having housing, social care, rough sleeping and temporary accommodation done by one body does give you the potential to have better public service outcomes for citizens in that place, which in turn can help deal with or help ameliorate some of the increased costs that councils are facing.

It is not silver bullet—it will not solve all the problems—but it does have the potential to be more cost-efficient and deliver better value for money for taxpayers.

Chair: Thank you very much, Minister. As this goes on, we would be grateful if you could update the Committee. I am sure this is a discussion that will continue for many months.