



Communities and Local Government Committee

Oral evidence: The Government's Cities and Local Government Devolution Bill, HC 369

Monday 30 November 2015

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Watch the session

Evidence from witnesses:

Members present: Mr Clive Betts (Chair); Bob Blackman; Jo Cox; Helen Hayes; Kevin Hollinrake; Liz Kendall; Julian Knight; David Mackintosh; Mr Mark Prisk; Mary Robinson; Alison Thewliss.

Questions 213 – 306

Examination of Witnesses

Witnesses: **Rt Hon Alistair Burt MP**, Minister of State for Community and Social Care, Department of Health, and **Rt Hon Priti Patel MP**, Minister of State for Employment, Department for Work and Pensions, gave evidence.

Q213 Chair: Good afternoon and welcome, everyone, to our final evidence session in our inquiry into the Cities and Local Government Devolution Bill. Thank you both, Ministers, for coming. Before we go into our questioning, I will ask the members of the Committee who have any to put on the record any relevant interests. I am a vice president of the Local Government Association.

Helen Hayes: I am a councillor with the London Borough of Southwark and I employ a councillor in my parliamentary team.

Julian Knight: I employ a councillor in my parliamentary team.

David Mackintosh: I am a Northamptonshire county councillor.

Chair: Thank you. That gets it all on the record. Ministers, we know you both, so there is no need to formally put your names and whom you represent on the record for us. I will just say to the Health Minister, I do not know what else we may have in common after this session, but perhaps the one thing that we do have in common is that we are probably the oldest surviving members of the parliamentary football team. Should I say the longest serving members of the parliamentary football team? Is that more polite to you, Minister?

Alistair Burt: There is no substitute for either experience or quality, Mr Chairman.

Chair: That rules us both out.

Let us move on to Work and Pensions, just to kick off with. The Committee has had various looks at the attitude of the Department for Work and Pensions, particularly in the last Parliament and now in this Parliament. Why does the Department give the impression that it always believes that decisions can be best made in Whitehall and not out in the communities?

Priti Patel: With the work that is taking place in the area of devolution—the many devolution deals underway right now and the work already taking place in Manchester, London and other parts of the country—we take the view and believe that there is more to do, within communities, through greater partnership working and, in particular, greater integration of services. Of course, there is more work taking place now, too, through the new Joint Work and Health Unit that has been set up across our two Departments—the Department of Health and the DWP. Quite frankly, we should be working together with local communities to deliver integrated local services in the area of employment and health.

Q214 Chair: You say “should be”. Is it all working perfectly?

Priti Patel: Let us be clear about this. We are starting a journey. There is no one size fits all, and it is absolutely right to emphasise that no two areas are the same and no two approaches will be the same, so we have been very clear. In fact, following the Budget in July, money was allocated from the Treasury to my Department, the Department for Work and Pensions, and the Department of Health to establish the joint unit. Work is taking place right now. We are looking at initiatives and piloting various schemes around health and work, and around health and wellbeing, to see how we can support individuals who are quite far away from the labour market to bring them closer to

it, through the right kind of interventions in this space. Of course, that is ongoing work, but I think it is valuable work. It is work that will bring together services and, fundamentally, bring in the principle of co-commissioning as well, in which of course local authorities will have an important and strategic role to play.

Q215 Chair: When we take evidence from local government leaders—this goes right back to the beginning of the last Parliament—they always say to us, “If only we had the money and the power to make decisions about the Work Programme and welfare to work schemes, we would deliver it an awful lot better. We would get more people into work and we would do it with fewer resources. We just think the whole thing is so centralised and it does not take account of the different needs of very different communities up and down the country.” Your Department has a different view, does it not, about that?

Priti Patel: I would make two points on this. First of all, the Work Programme is a well-established and successful programme that has brought people back to work. There are more employment opportunities through the Work Programme. It is a successful scheme, not just in this country but internationally, and more people are in work as a result of the Work Programme.

On the point about local council leaders and local authorities, they do say that, believe you me. I have four local authorities that cover my own constituency and they say that to me as well. However, the purpose of devolution brings a great opportunity to localise services as we move forward with the next stage of the Work and Health Programme, which was briefly touched on in the spending review last week. When it comes to devolution deals, there are plenty being looked at by Government. I am working in partnership with many local authorities and we have good ways of working with those local authorities to look at, importantly, those individuals who are furthest away from the labour market, to work with local employers and to work with local authorities to bring individuals and services closer together.

It is fair to say, yes, of course, the Work Programme was successful in the last Parliament, is still successful and will continue to run, but as we move forward the landscape is changing. I come back to my earlier point that no two local areas are the same. We need to be flexible and we are talking to local authorities in some parts of the country right now about how we can work in partnership with them to co-design employment programmes going forward.

Q216 Chair: We went to see Working Well, when we went up to Manchester, to look at what they were doing on devolution. They are dealing with some quite challenging people, which is why Working Well got involved in this. They told us that the Work Programme had a 9% success rate and, with the same client group, they were having a 20% success rate, so that is a doubling in terms of the improvement in how many people were being helped into work. Does this not simply prove that doing it locally is better than doing it on a centralised, national, one-size-fits-all basis?

Priti Patel: When it comes to the Work Programme, the Work Programme has worked and it has been a successful programme.

Q217 Chair: It does not work there, though, does it? They gave us those figures.

Priti Patel: That is one locality. Of course, the Working Well pilot is going through a staged expansion from this summer and we are working with the Greater Manchester Combined Authority through localised interventions and giving them support as well. I do not think it is like for like; it really is not.

I come back to the point about the Work Programme. The Work Programme has been a commissioned and designed service that has focused on claimants, predominantly JSA claimants, and helped to get them into work. When we look at the Manchester programme in particular, I know from the work that I am doing with them that we are not necessarily talking about JSA claimants. We are talking about those who are furthest away from the labour market. Many of them are, for example, those on employment and support allowance, those who have been away from the labour market for a considerable period of time. That takes more work, more investment and, importantly, more localised and specialist integration and help.

We absolutely agree with Manchester, in terms of supporting them on that journey and working with them to achieve the right outcomes. The point about employment programmes is that they should be outcome-orientated to securing employment opportunities, and that means integrating at a local level.

Q218 Chair: That evidence from Manchester shows that the Working Well programme, with its localised approach, looking at what is needed in the area and understanding the employment market there, has double the success rate of the Work Programme dealing with the same group of people. Does that not prove that localising decision making on

the Work Programme would work as well, in terms of similar improvement?

Priti Patel: We are localising going forward, which is the point that I am making, through the devolution deals and the co-commissioning and co-design that will be taking place through the discussions we are having with local authorities.

Q219 Chair: When we asked the Working Well programme how well they were working with the Department for Work and Pensions, there was a little bit of a silence—I can see them now around the table—and they said, “Yes, but the DWP’s idea of joint working or co-commissioning is that they get on with it and then ask us what we think about what they are doing. It is not really a joint approach.” That is what they said to us: the DWP does not really want to let go.

Priti Patel: I would disagree, on the basis that we are working with the combined authority and, when it comes to the Working Well pilot in particular, there is a staged expansion of the programme. Of course, DWP has input into the pathways and the level of engagement because we are all trying to secure the right kind of outcomes. At the same time, we are there to support them when it comes to the integration of services and to work with them in terms of achieving the best outcomes, so it is more of a partnership working. It is not the case of centralisation and giving down diktats in terms of what they should be doing. It is about partnership working going forward.

Q220 Mr Prisk: Looking forward, Minister, what activities do you think city regions and other similarly devolved combined authorities can best deliver in your area of activity?

Priti Patel: There are a number of areas of focus when it comes to the localisation approach. It is about employment and employment outcomes; greater working with employers, for example through the local enterprise partnerships; having a better understanding, which we are seeing now through many of the devolution deals but also just through the existence of LEPs, of the local labour market and of where there are employment vacancies and future skills gaps; and having a much more structured approach in terms of fulfilling the needs of the local labour market while, at the same time, joining up with skills and training providers.

That is absolutely vital. It is not as if people who have been so far removed from the labour market for a number of years will automatically walk into employment vacancies at a local level. They are on a journey and they need to be supported on that journey by

integrating training opportunities and bringing in health opportunities as well, where people may face particular barriers. We know that mental health is cited as a frequent barrier to work, so it is about integrating the mental health treatment, not just while that individual is on the journey of looking for work or going through training but even when they are in employment, and making sure the support services are supporting them after they have secured employment.

It is a multi-layered approach in terms of integrating services, all seeking the same outcome, which is obviously the sustained employment outcome, while joining up and integrating at a local level when it comes to public services.

Q221 Mr Prisk: So you would like them to take the lead on future programmes.

Priti Patel: We will work with them, obviously, in terms of co-design, commissioning and bringing together many of the potential services that people need. To touch on health again, I give health and mental health as the example. We know that, when it comes to IAPT and mental health treatments, we are seeing more and more colocation of our services with both the NHS and Jobcentre Plus in certain localities around the country. That is the catalyst for greater integration and greater support in local areas.

Q222 Mr Prisk: Is that with them taking the lead, or are they your programmes that you would like them to run?

Priti Patel: It could be a combination of both. It is working together. It is working in partnership to understand the challenges, the barriers and the local landscape, and working with the Department to look at the best way to go forward. I see this as a partnership of equals.

Q223 Julian Knight: Minister, what is the core objective, do you think, of health devolution?

Alistair Burt: It has to be, at its heart, the provision of better health outcomes for those in any particular local area. It begins and ends in making sure that the outcomes for people are definitively better if we have done something new and different. We have all been through reorganisations of every part of the health service we can possibly imagine and I have said to more than one audience that, if it is just a matter of shifting things around because we have created some new organisation, it will not do its job.

First, it is those better health outcomes. Secondly, it is recognising, just as your discussion has indicated, that, if you give an impetus through local devolution to the work that is already going on to integrate health services, you are releasing, as best you can, as much local knowledge as possible about what people need in their particular area, how people would like to handle the finances and what priorities they want to make.

The last element is an important one, because it came up during debate on the Floor of the House: to ensure that, while you are doing this, you retain the statutory responsibilities that go with the National Health Service and make sure you have covered the national character in anything you do locally. You make sure you have the regulation and the standards you need to ensure a national health service, but you find, through a process of as much local autonomy as you can have within that, the ability to deliver health outcomes in the best way possible.

Q224 Julian Knight: How will you judge it to be a success or otherwise?

Alistair Burt: In time, you would be looking for local areas to demonstrate that key outcomes may be better. They may be related to statutory responsibilities like health inequalities, for example, which will certainly be of concern in urban areas, but you might be looking for any other indicator. You would look for indicators, perhaps, on winter pressures and people being able to move seamlessly from secondary care back into primary care in the community. Where there has been devolution to underpin the integration work, can areas demonstrate that things are better?

A second point would be that I do not really expect local areas to put forward ideas for devolution of health unless they themselves have some pretty good ideas about what they would like to demonstrate and to be able to demonstrate. It is a combination. No one is being forced into this. If people wish to see greater devolution working with health services, they are free to do so. They will have ideas to do so and we will back them up.

Q225 Julian Knight: You said “in time” you wanted to see these health benefits and improvements. What time?

Alistair Burt: Some timescales are naturally longer than others. If you are looking for evidence of changing health outcomes related to inequalities, for example, that might be a lengthy timescale.

Q226 Julian Knight: Are we talking five years or generational?

Alistair Burt: There will be indicators for both. You might want to look at something on issues we have heard about before—on obesity, diabetes and things like that. You might be looking for more rapid indicators, such as winter pressure and things like that. You might look at public health indicators in terms of vaccination and any particular communities that felt they were looking for things they had not been able to get before. Some timescales will be short and some timescales will be long.

Q227 Julian Knight: Why do you think that other areas that have moved towards combined authority status have chosen not to grasp the nettle of local NHS provision?

Alistair Burt: Genuinely, I do not know. This would be a matter for them. The powers are there, but of course, as the Committee will know, we are already working as best we can to try to encourage integration of services in any case. Devolution complements what is already going on and provides a further route for the integration of services, but there is already integration of NHS and local authority services going on in any case. Again, it is a matter of judgment for each area. If an area believes that the existing powers they have and the relationships they have with CCGs, the relationships between primary and secondary care and the relationships with local trusts are good and fine, they may not feel the need to take any powers in relation to this. There may be other places where they want to do rather more.

What we are trying to do with the whole concept of devolution is to respond to what local areas are looking for. Our role in the Department of Health is to make sure that there always remains the absolute national backstop of quality, standards, rights and responsibilities of the Secretary of State. That is what is in clause 18, Lord Warner's clause. Within that, as we are seeing through devolution, we encourage people to say if they want to take a little more. I would say the answer to your question is that it has to be local judgment as to what people are looking for. If they feel they do not need it, that is fine.

Q228 Julian Knight: On the point of integration of services, where do you think devolution fits in with the work that is currently going on with the integration of health and social care?

Alistair Burt: Currently, we have the £5.3 billion pooled budget for the Better Care Fund. This will continue into next year and was spoken of by the Chancellor in the autumn statement last week. There are the new models of care indicated in the *Five Year Forward View*, which looks to provide the potential for a stronger model of local shared accountability underpinning integration across different delivery partners. The CCGs and local authorities already have the ability, under section 75 of the NHS Act 2006, to work together in partnership and pool their budgets.

There is an underlying base to encourage greater integration and greater shared responsibilities. Devolution adds extra powers to that to provide for the ability to devolve powers to combined authorities, for example. As I said earlier, it complements the work that is already going on and extends the powers, if need be, but provides the essential safeguard for all of us that you cannot devolve the responsibilities of the national health service locally and thus lose the protections that we all want to see from core NHS responsibilities and the Secretary of State's responsibilities.

Q229 Julian Knight: I have one final question on that. Patient groups have come to me to express their concern that in the devolution process specialist services that have been devolved to the localities could take a bit of a back seat. This model that we are going to see in Manchester, which seems to be very much driven around health outcomes but also the economy as well and getting people back into work through the health service, itself could mean that those specialist services, which I believe account for £1 in every £7 we spend in the NHS, could take a bit of a back seat. Do you share any of those concerns and, if so, what are you doing to ensure that does not happen?

Alistair Burt: I recognise the concern. The backstop to make sure that those specialised services are not lost or put under pressure is that, of course, the Secretary of State has to sign off the devolution proposals in relation to health. We have allowed powers for specialist services to be devolved, but a case has to be made out for each specialist service to be devolved, if that is to be the right answer in a local area. Ultimately, the Secretary of State has to be satisfied that specialist services are protected. The first backstop of making sure that those services are not lost is that representations could be made if people are worried about that and the Secretary of State can make sure in the devolution plan that those services are protected. I hope we can meet the concerns that way.

Q230 Julian Knight: The difficulty could be that the Secretary of State signs off on this but then, three or four years down the line, we suddenly find that some of the specialist services take a bit of a back seat. Where do we have the certainty that, in that instance, the Secretary of State effectively says to Manchester, "Hold on a minute. You are really not looking after, for example, HIV patients as you should do. You need to put your house in order when it comes to this"? Where do we have the certainty with that?

Alistair Burt: There are two things. First, the regulatory system that already governs the NHS remains in place. We have made it very clear that regulatory services are not being devolved down to a local level, so that people cannot be responsible for monitoring their own services. If there is any threat to specialist services, it will emerge through the work of the monitors and the regulators in the first place. Secondly, the Secretary of State will have a backstop in that if functions are not being handled correctly, there will be a power to recover them.

Q231 Kevin Hollinrake: I have a question again for the Health Minister. The King's Fund has said that the devolution to Greater Manchester and Cornwall is not really devolution; it is just delegation of some powers. How would you respond to that?

Alistair Burt: I think it is a mixture of both. It is delegation to the extent that there is the ability to shift powers from one authority to another and that is genuinely putting powers in the hands of other people. It is delegating it as well, because the Secretary of State is not cutting himself—in the case of the present Health Secretary of State—off from the responsibilities of the NHS. It was very clear, from the mood of both the House of Lords and the House of Commons, that colleagues were concerned that the Secretary of State and the NHS could completely devolve responsibilities and, by doing so, affect the character of the national health service and change some of its core responsibilities. Quite deliberately, the Act now incorporates a clause to make sure that cannot be done.

True delegation would have been the Secretary of State handing over powers through the Bill and then standing back and saying, "Nothing to do with me anymore." It is quite clear that that is not the will of Parliament and so it is not going to happen. It is a mixture. It is genuinely giving people the power to organise their services as they wish in response to local priorities and local needs, but having the essential backstop that everyone would look for to make sure that

there is no way in which a local area can subvert the responsibilities of the NHS, should it in any way wish to do so.

I have to say that I doubt very much whether that would have been the ultimate outcome. My sense, in looking at those who are seeking to extend their powers, as the Chairman was saying in relation to questions to my hon. Friend, is that people have ideas about how to do things better locally and they want a chance to have a go. What we are all searching for, at a time when we are exploring new methods of government, is to what extent you can allow that, and to what extent you can encourage innovation, because somebody will do something in one area that will teach you something you might want to spread in another area, without in any way undermining the concept that healthcare has to be equal across the country and people are entitled to equal treatment. It is a delicate balancing act, but I think the Act achieves that through a mixture of devolution and delegation.

Q232 Kevin Hollinrake: There is concern that this is another reorganisation and it might lead to fragmentation or the balkanisation of the NHS. How would you respond to that?

Alistair Burt: No, it is not designed to do that. It is not a reorganisation. We have been through those and it is very clear that we have the structure now we want to work with for the foreseeable future. It is a response to the local desire to take forward the ideas that we already have, which have already been approved nationally, to bring the national health service and local authority services more closely together in a variety of areas, not least adult social care, for which I have responsibility. To do so in a manner that they believe gives them more scope to try different things, to manage their workforces in different ways and, by localising the services and the priorities, to gain more local backing for what they seek to do, I think, is entirely fair.

It would be balkanisation if services were being delivered without any regard to what the national situation was and what the responsibilities of the Secretary of State might be in relation to the NHS, but that genuinely is not happening. Most areas, whether it is local government or the NHS, have been through enough reorganisations in the past. I cannot see local areas wishing to do that. Everything about devolution at the moment is about areas looking at how to bring services together, how to make them work more effectively, and how to make them less bureaucratic. We want to encourage the sense of doing that.

Q233 Kevin Hollinrake: Finally, where does the buck stop, in terms of both accountability for the service and making ends meet in the service?

Alistair Burt: Depending on which bit is under pressure, the buck stops with providers for providing services and they remain responsible under a devolved process, as they would anywhere else. That is why the regulatory bodies continue to make sure that providers are responsible no matter who commissions them. But the Secretary of State remains responsible for the core duties of the NHS and how they are carried out. Clearly, any Secretary of State will want to ensure that, in signing off any proposals, he or she is absolutely certain that the standards can be met and will want to have powers to make sure that services are recovered should there be any threat to them.

The buck remains with those who currently have the responsibility for the services or who will be commissioning the services. Locally, electorally, a new devolved authority or a combined authority will need to answer to their own electorate as to how they are running services and in what configuration, but in terms of quality and standards, we have made very sure that the regulatory regime remains the same as it is and, ultimately, on NHS services, the buck stops with the Secretary of State.

Q234 Kevin Hollinrake: And financially?

Alistair Burt: Financially, it will be for those who have commissioned services to demonstrate that they have been able to use their resources effectively. The powers and controls and the monitoring of the financial processes are as they are at present.

Q235 Liz Kendall: Have you had any conversations either with authorities proposing devolution deals or with your colleagues at DWP about better sharing information on attendance allowance?

Alistair Burt: I have not had any direct conversations with areas that are looking for devolution, but I am aware that it has been discussed. I have not had any of those direct conversations, no.

Q236 Liz Kendall: There are over a million elderly people who get attendance allowance. Some 80% of them have a long-term condition; half of them have nine or more problems with basic mobility—getting up, washed, dressed, fed, going to the toilet—and yet a million of them do not get any help from local councils and fewer than one in 20 get help

from district nurses. Clearly, we all want to see better prevention. The essential problem is that DWP holds that information nationally; it is not shared with either the NHS or local councils. Why has this not been part of the devolution agenda?

Priti Patel: If I may, I would be very happy to come back to the Committee with some information on this. I simply do not know. My understanding is that attendance allowance—and I stand to be corrected on this—is now in the hands of DCLG and has been, I think, from earlier on this year. I will happily find out information and share that with the Committee. I will ask our officials to provide some information on data sharing and what it means with regard to devolution deals in particular.

Alistair Burt: Could I just add that data sharing in health is a very difficult area? I was slightly surprised when I came into the role, because I had missed, in recent years, just how awkward it was. The technical things I think we can get over, but every time people suggest greater data sharing someone pops up and talks about privacy issues and the like. It seems to me essential that the people who are providing services know as much as possible about the circumstances of those they are working for, in order to make sure that no one is missing out and people have appropriate provision.

Understandably, information in the public mind is something to be guarded very carefully and to be shared and used only when it is very clear it is for everyone's benefit and it is secure, but I do not think, in principle, the Department of Health has any difficulty with this. We want to try to do more by working more closely together and sharing data is a key part of what we are trying to do through the integration of local services, with or without the devolution background.

Liz Kendall: It would be really useful if you could come back, because in this circumstance it is not that the Department of Health or the NHS will not share the information. It is that DWP or DCLG has it but does not tell the local councils or the NHS that, if these people with very high levels of need got some support, it might help to prevent worse problems from happening. I would be very keen to see your reply on this.

Q237 Alison Thewliss: I want to continue the line that Kevin has started on about the limitations of the devolution that is being proposed for health. In Scotland, as you know, we have devolution of the health service, 5.5 million people, and considerable powers over public health, but my understanding is that authorities will not be able to do anything

about reducing prescription charges or minimum alcohol pricing. If you are devolving only limited powers, is that going to have a limited impact on public health improvement?

Alistair Burt: It is the balance, again, with trying to respond to a national concern to make sure that, in some way, you could not subvert the NHS by giving such powers to a local area that they could choose, if they wished, to emphasise things that might contradict the Secretary of State's role in ensuring greater health equality and the like. I cannot imagine how a local authority might wish to do it, but it is technically possible they would decide to put all their priority spending in an area that would go against what the NHS was about and, in order to prevent that, there is a certain backstop.

The way of ensuring that that is not the case is to say that the Secretary of State will see and sign off the devolution proposals that come forward in relation to health, but they are designed to be as expansive as is necessary to allow areas to make their own decisions and choose their priorities, within a national context that satisfies everyone. It is not as much devolution as there is in Scotland, but then that is a rather different case. There is a different structure of accountability, through the Scottish Parliament and everything, than there would be through local authorities, local democracy and the Parliament at Westminster. Because those responsibilities are handled differently, you cannot have quite the degree of devolution that your question implies.

Q238 David Mackintosh: Do you think that health devolution will help with the funding challenges that local authorities currently face in adult social care?

Alistair Burt: I hope so—said the Minister for adult social care with feeling. They should. The work that we are trying to do in relation to greater integration of local authority and NHS services is predicated on the fact that the more you can bring services together, the more likely it will be that you will find the sort of efficiencies everyone is looking for in the delivery and the provision of services anyway. A local authority that wants to move into the devolution area is going to be unlikely to suggest things that will add to its costs; it will be looking at ways to ensure that every pound it raises is spent as ably as possible in terms of the provision of health. That is in combination with us saying, "Here are the opportunities".

Right the way through the process, we are working beyond the devolution agenda on the better integration of services. We are already looking for best examples of care and change, and ways in which

people are handling workforces differently and providing different methods of delivery to see what can be shared among others to share cost. The devolution agenda fits into that. I am equally conscious that there is no silver bullet in this, because our collective experience around the table means that we are all wary of those who come forward with reorganisations and say, "This is the answer to all your financial problems."

This has not set out with that as the bottom line. Here are better ways of delivering, we hope, that provide for people to be as innovative as possible, keeping in mind the health objectives being required, and we think there are some efficiencies on the way that will assist us all to do everything. But it is not the only answer to all these issues that are above us, which is why I welcome the provision in the autumn statement giving local authorities the opportunity to raise finance for adult social care. That was an important thing for the Chancellor to say, which we welcome very much in the Department of Health.

Q239 David Mackintosh: Do you have any estimates on what type of savings and timescale?

Alistair Burt: No. I have asked, but they are almost impossible to calculate. First, nobody wants to pluck a figure out of the air and, secondly, the process is sufficiently new that we do not yet have a sensible base on which to work. It is an important question and I have raised it with my own officials, but the honest answer at the moment is that there is not quite enough evidence there yet to give us a sensible prediction.

We do not want to be in the business of raising figures just for the sake of it, and saying that is what we aim for because the Government has set itself a target. If the Government sets itself a target that it fails at, clearly there is a consequence, and if the Government sets itself a target that it can easily achieve, there is no point. I would far rather let us look at the experience and what is happening, and then we can make sensible estimates. I would imagine that those putting forward the proposals will be looking at local figures that they know very well and may well have some idea of themselves. I am probing this when people come forward with their devolution plans. It is a good question.

Q240 Chair: The trouble is that when the Better Care Fund was set up there was a target for savings.

Alistair Burt: It was before my time, so I will have to check. It is a fair question. The pooling of the local authority and the NHS fund was predicated on the fact that this was a better way to deliver. Local authorities put their own funds into what the Department of Health was providing. Genuinely, I cannot recall whether there was a figure for savings at that stage, but I will make sure you get an answer.

Q241 Liz Kendall: Can I probe a bit more, following on from the questions that Kevin asked? You said that the buck stops with the Secretary of State. Does that mean that if, God forbid, there are quality failures in NHS services, the Department of Health could step in?

Alistair Burt: First, the regulatory bodies have a mandate of oversight to try to be preventative in areas where there might be failings. Their work is not just to go in and sweep up after there has been a problem, but to try to anticipate and forestall that, and to try to recommend improvement. But, if something fails, the regulatory powers of those bodies will remain in place after devolution and those who have failed will be as accountable as they are today. Should that be in an NHS context, the powers that are already there to make sure that what the NHS delivers will remain the same, but if, ultimately, there is a failing, yes, if it is the Secretary of State's duty, the Secretary of State is responsible.

Will the Secretary of State want to make sure, if there is any risk, that powers are recovered? I think the answer to that is yes. There is already a power in the Bill to recover devolved responsibilities by consent from the combined authorities that are coming together. Of course, there may be circumstances in which that consent is not forthcoming because of local difficulties, so it is anticipated that the Secretary of State may need to have additional powers to prevent any potential failings, and those powers would be directly returned. We understand that risk but, ultimately, the responsibilities in the NHS come back to the Secretary of State.

Q242 Liz Kendall: Are you saying you might need to make further legal changes in case the combined authority does not want to give the powers back so that the Secretary of State can take them back? You might need further change to the legislation.

Alistair Burt: I have to tell the Committee that might be the case and that might come forward fairly soon.

Q243 Liz Kendall: Before this Bill is finalised?

Alistair Burt: Indeed, yes.

Q244 Liz Kendall: You said that the national regulatory bodies' powers and responsibilities will be the same under the devolution deals as they have been in the past. How does that work in terms of the commissioning of services, because it is no longer going to be the clinical commissioning groups? Will regulatory bodies regulate the combined authorities? Will the current NHS regulatory bodies now regulate these combined authorities when they are commissioning services?

Alistair Burt: As this is quite a technical question, would the Committee mind if I just read out a short note that I think covers it, because it is a very good point? Operationally, regulators are exploring how to work more closely with devolved areas to support a holistic and inclusive approach to regulation. Monitor and the TDA, acting as NHS Improvement, may, through discussions with devolved areas, adapt approaches to provider regulation. This could include place-based approaches to provider regulation and exploration of flexibilities for the regulation and assurance of new legal entities that operate on a larger footprint than the traditional organisational units.

The sense is that, recognising that the ground print of commissioners and providers may well change, yes, the regulatory bodies are working in tandem with that to make sure that their powers cover the wider footprint of the areas that will be commissioning and providing.

Q245 Liz Kendall: In other words, Monitor and the TDA could inspect and regulate the finances of combined authorities, so no longer just the NHS, but local councils, too.

Alistair Burt: Those who currently regulate both finances and the quality of services will remain liable to do so, but they will be able to regulate and monitor them over the wider geographical area that a new structure may provide. I do not think their functions are changed. They retain the same functions they have, but they are able to cover the new areas as set up as well.

Q246 Liz Kendall: Monitor and the TDA go through the finances of NHS organisations to make sure their plans are viable and sustainable, so that will now also include council budgets that are involved in the combined authorities.

Alistair Burt: NHS Improvement and CQC will continue to regulate provider organisations, but do not have a role around

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commissioning, so they would not have a role for a combined authority as a commissioner.

Q247 Liz Kendall: How are they going to check the money then?

Alistair Burt: That will have to be done through those who already cover the commissioning process, so that will be handled by those who already cover that.

Q248 Liz Kendall: Who is that?

Alistair Burt: I am trying to find if there is a particular name for the department that covers it. NHS England is responsible for the quality of the commissioning process and making sure it is financially viable, so that will remain in place. The point I started with, in answer to your question, is that there is not a significant change to the regulatory regimes. The regulatory regimes remain in place to cover those they are already covering. In the new structure, that is not changed, so it is not as if we are creating a separate regulatory structure, which no one would want to see, to deal with combined authorities, but we are making sure that the powers that the regulatory and monitoring bodies already have apply to the new bodies as they are set up. There is no changing of those responsibilities and those who are already responsible remain responsible for them.

Q249 Liz Kendall: I must admit I do not feel terribly clear about that, but thank you for that answer.

Alistair Burt: If there is anything you want to follow up directly, by letter from the Chairman, about this as a particular point and there is anything I can clarify by letter afterwards, I will happily do so.

Q250 Chair: If there is therefore a pooled budget where the local authority is putting its money into that budget to try to join up the services, does NHS England also look at and audit the spending of the local authority element of the pooled budget on commissioning?

Alistair Burt: My understanding is that it remains responsible for its bit of the pooled budget.

Q251 Chair: So you have one pool with different people overseeing it.

Alistair Burt: Indeed, because it remains NHS responsibility, so the NHS has to ensure the quality and the financial propriety of the bit

that belongs to the NHS. That is my understanding of the situation and that is the view of officials.

Q252 Liz Kendall: The issue is that when Monitor and the TDA assess the finances of providers, they need to look at the demand, whether the proposals are realistic, whether they can guarantee the use and a whole bunch of questions. What it seems to be saying is that will continue to remain the case for the NHS bit of the money going into the devolved pot, but nobody is looking at the sustainability of what the council is proposing to put in. As council finances change with the removal of the grant from Government, relying on business rates and council tax alone, it seems that nobody will be looking at whether the local council bit of money that they are putting in is as rigorous as it might be. That is what concerns me.

Alistair Burt: First, before I look at the note, I understand your point, but you are making the assumption that the bodies are working entirely separately and that, in an area where there is already pooled provision and greater integration, there is no contact between the two bodies and, therefore, they are not aware of issues that affect both of them. I do not think that is going to be a realistic way in which they work. Statutorily and strictly, they have to be responsible for the bits of finance that have come through them and for which they are legally accountable. That must remain and they cannot devolve that responsibility to anyone else. But, in order to make sure that the service works effectively, of course each part of the budget and those who are responsible for it have to work reasonably closely to make sure that the work is being done. That will involve an understanding of the different pressures on different parts of the budget, so there is a distinction. The audit responsibility must be legal and clear, and it must remain with those who have had the legal authority to sign off money and to commission. That must be separate from the overall understanding of what the budget is designed to do and the pressures upon each.

I can understand how the structure works to do that. It cannot work without people talking to each other, and that is part of the process, but understandably the people legally responsible to ensure that there has been propriety in the handling of money have to retain that responsibility, unless you bring that together in some new organisation, which is not my understanding of what we are going to do.

Q253 Alison Thewliss: I was not particularly going to come in on this point, but I am quite worried by some of the issues that have been raised here. As a councillor, several years ago I was involved in the community health and care partnership in Glasgow, which was a partnership between NHS, Greater Glasgow and Clyde and Glasgow City Council. Part of the reason why that that fell apart as a model of joint working was because the council was not prepared to devolve the budget, so areas that should have had good shared working and good shared practice could not, because the two budgets were running together and were not allowed to merge. It worries me that you have not thought of that all the way through.

Alistair Burt: No, I think we have. I mentioned earlier that the important backstop in relation to this is the Secretary of State's power to sign off the devolution proposal. It is essential that what I have just discussed in terms of how budgets are handled together is covered, as far as the NHS and Secretary of State are concerned, by adequate oversight of how that combined working will come together. Indeed, that will be part of the order that the Secretary of State will use to sign off the devolution proposal. The Secretary of State has to be clear that what I have just described as the regulatory authorities working together is sufficiently set out in the devolution proposals that he is able to sign the transfer order to make sure that the oversight can be provided.

Alison Thewliss: I am just quite concerned by what was raised there.

Q254 Bob Blackman: Alistair, in the devolution proposals originally we had public health devolved to local authorities, which was broadly welcomed, but there were two different ways of doing that. One was very much a revenue-driven devolution and the other was a mixture of capital and revenue. Different authorities have different ways of taking the public health agenda forward. With this further devolution, how is it going to be checked that authorities are doing what they said they would do in the first place when they bring together their proposals for public health and the health agenda generally?

Alistair Burt: My understanding is that local authorities have broadly welcomed the acquisition of the public health powers, are very determined to deliver on them and, at present, we have no sense that they will not handle their duties perfectly responsibly. If the Department has concerns about that, clearly that can be expressed directly to local authorities, but my understanding is the devolution of that power to local authorities was a genuine devolution and they are

responsible. They are responsible for the provision of public health within their areas in relation to that budget.

Q255 Bob Blackman: Just to come back on this, originally the money was ring-fenced, but now it is not.

Alistair Burt: Yes, it is not. That is the challenge to the local authority: to respond to the needs that they have and make their own decisions about how they handle that budget. Again, you cannot have it both ways, because we get back to delegation or devolution—the discussion we had slightly earlier—and it is either devolved or it is delegated, with the powers kept. My understanding is this is a devolved responsibility that the local authorities have to make their own decisions about.

Q256 Bob Blackman: You will not see the impact on the health agenda generally if a local authority says, “We will not bother about this bit at the moment.” You will not see the result of that for five or 10 years, when suddenly there is a huge influx of people who have not had the treatment or assistance at an early stage.

Alistair Burt: Yes, but the greater integration of NHS and local authority services will mean that, in the provision of local services, that is not necessarily likely. The joint determination of NHS and local authorities in the provision of better public health is likely to mitigate that. Again, you have health and wellbeing boards; you have Healthwatch; you have a number of new bodies set up to guard the provision of local health services, involving greater engagement with local authorities. Working together should ensure there is rather greater local orientation of public health money than there was in the past. That was one of the reasons for the devolution and that is one of the reasons why local authorities welcomed the responsibility.

Q257 Chair: We have local health providers and commissioners; we have local councils; we have health and wellbeing boards created; we have national regulatory bodies; and we have now got thrown in combined authorities, elected mayors and a Secretary of State sat on top being accountable. Is there any slight chance the public might be a bit confused about who is responsible for all this?

Alistair Burt: Things look much worse on a drawing board than they turn out to be in practice. I return to the central point. Devolution will happen only if local areas want it. It is not mandatory. No one is forcing this on anyone. This is only being done if local areas think that the provision of health in their area will benefit from them

taking on NHS powers through the Bill as part of their devolution process. There will be areas that will do this and there will be areas that will not do this. As you said, because those local bodies are not necessarily given any statutory powers like Healthwatch or health and wellbeing boards, but are there to work as a bridge between the local community, the local authority and the NHS to try to make things work well and work better, that should work to make sure that the provision of services is understandable and that people know who is accountable and everything else.

I am very now conscious, as a Minister, of working in a more devolved structure. Colleagues will be aware that when I sign off letters, I am often directing colleagues to other places, because the responsibility has moved away from the NHS to a local commissioning group, a local trust. I am often signposting colleagues where they must take up an issue because, as Minister, I am no longer personally able to intervene as I do not have the authority.

My principal concern is to make sure that no one is left in the middle of this—that constituents and those who have raised issues do not fall between stools. Is there a risk? There is always a risk when you have more than one authority involved, and it is part of the supervisory role of the Department of Health now to make sure the monitoring and regulatory systems are sufficiently strong that people do not fall through those cracks. That is the aim and that is the determination.

Q258 Chair: Is there a responsibility as well with the devolved bodies to try to get across to the public exactly where responsibility and accountability does lie in these new structures?

Alistair Burt: Yes, absolutely.

Q259 Chair: Otherwise, I think there will be a default position where people just think the mayor does it. People will think, “Oh, we will go to the mayor. He must do all of this now”.

Alistair Burt: We are quite clear at the moment that we do not see it as a mayoral function. It is essential for anyone using health services to know whom they can raise a case with, whom they can take up a complaint with and who is responsible for ensuring the quality of the services they are getting. If you go into a good facility these days, whether it is a GP’s surgery or a health service provision, you will find information on the notice board of where, if you are concerned, you go

to. That should certainly be the standard for everyone. Then it is our responsibility to make sure that through those processes things work.

There have always been difficulties. I have been dealing this year with some of the problems of those with learning disabilities who feel that they are placed in inappropriate accommodation and may have been through a number of appeals and difficulties over the years. It is not something new that has come out. I remain concerned to make sure that people have direct access to those who can do something about their circumstances and that there are clear lines of accountability. Your initial question was well phrased when you set it out like that. It is the determination of all of us to make sure that there are clear avenues and pathways to getting things changed or done.

Chair: Ministers, thank you very much for coming and answering questions this afternoon.

Examination of Witnesses

Witnesses: **Rt Hon Greg Clark MP**, Secretary of State, Department for Communities and Local Government, and **James Wharton MP**, Minister for Local Growth and the Northern Powerhouse, Department for Communities and Local Government, gave evidence.

Q260 Chair: Secretary of State, Minister, thank you very much for coming this afternoon to the very final evidence session of our inquiry into the Cities and Local Government Devolution Bill. You are both very welcome. To begin with a pretty obvious question, everyone seems to be in favour of devolution. What are the objectives we should be looking to achieve through the devolution process?

Greg Clark: To restore to the cities, towns and counties of the country the ability to drive their local economies forward and to be more successful socially and environmentally as well.

Q261 Chair: It is as simple as that.

Greg Clark: There is a lot in there.

Q262 Chair: Yes, but it does seem that, from looking at economic success and growth, which was probably the initial focus of the look at cities and the city deals that you pioneered in the last Parliament, we

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have moved on now to look at public service reform, particularly the health and social care aspects of the Manchester and Cornwall deals, and greater engagement with local communities, with the idea that we are a bit remote down here in Westminster and Whitehall, and decisions can be taken closer to the communities. Are there any other objectives you have in mind that you would want to see achieved as part of this process?

Greg Clark: They contribute to that; you are absolutely right. The city deals pretty much started with an approach focused on economic development. That was necessary, because, as this Committee and its predecessors have considered over the years, there has been a long-standing gap between the economic performance of places outside London and the south-east, and of this part of the country. That impelled it forward. It has always been my view that if you want to achieve your best economically as a nation, you need every part of the country firing on all cylinders.

That was the initial round of city deals, but it has broadened beyond that, as I always hoped it would. There are no hard lines around this. As you know, in some of the recent proposals—and, indeed, some of the recent agreements—the reform of the delivery of public services has been very much part of that, and the built environment has been part of that. There is a greater sense that having decisions taken locally by people who live, work and do business in the area makes for more informed decision making.

Q263 Mr Prisk: Following on from that principle—I will ask the Secretary of State first, but both Ministers may want to comment on this—how do you actually measure the effectiveness of these deals?

Greg Clark: Having had a broad set of economic, social and indeed environmental ambitions for this—environmental in the sense that these places should be better places to live and work—there is no single measurement of success. On the economy, I would like to see the trend rate of growth of the places with which we are doing deals increase compared with where it was, so the gap is closed relative to other places. They should not be falling behind; they should be catching up and closing that gap. That translates, of course, into greater prosperity for each of the residents there.

Another aspect of it, if we are talking about public service reforms, is that people feel they are getting a better service there. I know you have been talking to our colleague Alistair Burt about the NHS. The NHS has a number of measures, as members of the Committee know, one of which is called the family test, which is whether you would recommend the service to members of your family.

In areas where you had more local engagement and control, I hope that would go in the right direction. The cultural prosperity of our cities, towns and counties is also very important. My firm view is that the economic success of London in recent years is inseparable from the cultural success that is London. That is exactly the same if you look at Manchester, Liverpool, Sheffield and, indeed, our county towns as well.

There is not a single measure, but I would hope—perhaps I can cite London as an example of this—that most people, reflecting on 15 years of devolution to London, think that London has benefited from having a greater sense of being able to shape its own future. I would hope that, in all our cities, towns and counties that have taken on these powers, after a period of time, people will think, “Actually, that was a move in the right direction.”

Q264 Mr Prisk: One of the concerns here has been that there are a number of different objectives, as we have heard from different witnesses. You are crystal clear, as a Department and as a Secretary of State particularly, with regards to the local economic agenda, but of course our regional data do not relate to the LEPs or the city regions, as we know; they relate to the rather antiquated nine old regions that we used to have. Is there any plan by the Government to match the economic metrics so that they reflect the organisations on the ground and so that the public in their localities can measure how Manchester, Leeds, Bristol and Birmingham are actually doing? Without that, there is a deficit in terms of being able to measure whether these deals are a success. Do you accept that this is a problem?

Greg Clark: I do. It is exactly right. The legacy of the old Government administrative regions, which we have moved away from in favour of a more accurate description of the economic geography, needs to be caught up with in terms of the figures we produce. In the Department, the Cities and Local Growth Unit is working on producing some of these figures that come out at a regional level by LEP level, which for the most part will also coincide with the areas to which we are devolving.

Q265 Mr Prisk: That is probably important. I take it from that, therefore, that you are planning to match the geography of your sub-national economic data to the actual entities on the ground.

Greg Clark: Absolutely. In some cases, it is necessary through the deals. When we are looking at the earn-back deals, for example, there is an agreement to look at the relative performance of places

against the rest of the country and against the historic trend, which requires that data. There is an imperative there.

Q266 Mr Prisk: I will perhaps now focus on your ministerial colleague with regards to the different roles of different Departments. We have had a number of Departments come and talk to us about this. As we understand it at the moment, the Treasury is the lead Department and CLG is the lead Department for the Bill, but the Cities and Local Growth Unit is in the Cabinet Office. What are the different roles of the Departments?

James Wharton: As is so often the case with devolution, because different areas are looking at different things, you have different actors who are then part of those discussions. The Cities and Local Growth Unit is cross-cutting across a lot of Departments, including, of course, DCLG, the Cabinet Office and BIS. It takes quite a large part of that co-ordinating role on, but it really depends on the area that is coming forward in terms of the deal negotiations we have. Depending on what they are asking for and depending on the level of engagement with each Department, that determines how it is taken forward.

The Cities and Local Growth Unit will have someone, and BIS will have someone on the ground there whom they can talk to already. It engages through local authorities, and the link is often primarily there initially with DCLG. We try to co-ordinate all those together. In some of the deals, the Treasury has been a lead Department in terms of pulling it together, but in other deals, DCLG is very much taking on the role of seeing how we can get all the different pieces to add up. Because different areas ask for different packages, the challenge is that you cannot say, "This will always be the lead Department for every deal," or, "This will always be the Department with which we work most closely." If they are asking for different things, particularly where they ask for new and innovative things, it takes more time to assess their deliverability and to ensure that we can make that happen.

The track record so far is pretty positive. We have been able to deliver quite a lot of deals in a relatively short space of time, particularly with areas where my initial assessment would have been that there may be challenges. I know some of the local authorities, and I have been pleasantly surprised at how well they have come together to work towards this objective. Again, I would be reluctant to say, "This will be the Department that always leads on it," whether it is one or the other, because where that co-ordinating role falls depends on the mix.

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Q267 Mr Prisk: There could be a dispute within any particular deal, in that there will be different elements involving different Departments. We have heard that local authorities have been engaged in a number of bilateral conversations, which then constitute a deal for the locality. What exactly is the role of the unit? Which Minister makes the final decision as to whether that deal happens or not?

James Wharton: By their very nature, deals are by agreement. It is not a matter of one Minister making an agreement while another Department feels something is in there that is not deliverable. We have to get each piece of that deal to a place where it can be agreed by the Department, and the responsible Minister in the Department, and where it is deliverable. It is one thing to sign a document saying you are going to do something, but it is important that what you agree to can actually be put into action following that and that you follow through on the agreements that are made. There is not necessarily one Minister who would sign it off, but if any Minister was not willing to agree, a deal would not be able to go ahead—we would have to revisit it to get it to a place where we could get that broad agreement.

Q268 Mr Prisk: As the Minister with responsibility for devolution, you are not able to close a deal if a Minister at Work and Pensions disagrees.

James Wharton: If we had something in a deal that a Minister at Work and Pensions said was not workable, it would be wrong to sign off that deal. The whole point is to work to identify where we can come to an agreement on a package that is going to be practical to implement. The reality is that you will not always be able to agree every single thing straightaway.

In the experience we had, for example with Greater Manchester, there was an initial deal where we found a number of areas of responsibility that could be devolved, and then they went on to ask for additional responsibilities. Some of those were new areas they had not asked for before, but others were things they had asked for that we had not felt we were able to deliver. On working through them and looking at the options, we found a way to deliver them, and they came in further tranches as that process went on.

Q269 Mr Prisk: In terms of managing this process, one of the questions we have had from one or two of the localities is that they felt that while some Departments are very keen, motivated and positive about this, others are less so, to put it politely. That might be the best

way of putting it. What can you do to make sure that Departments are offering the maximum and being as ambitious as your Department would like them to be?

James Wharton: I must admit that in my experience so far, I have found every Department to recognise the importance of this. It is a commitment the Government have made. We have been very clear about it. That message is very clearly understood. I meet Ministers from other Departments all the time to discuss deals that are taking place and what they can do as part of this process, as I am sure does Greg, as Secretary of State. Other Ministers have meetings between themselves.

The challenge is not so much, in my experience so far, whether Ministers want to do devolution or not; it is finding workable ways to deliver the asks that come forward. Areas come forward to ask for a wide range of different things as part of devolution deals—some more deliverable than others. The challenge is seeing how far we can go to meet those asks, while ensuring that it is still deliverable and that the Government can meet their broader objectives.

So far, in my experience, it has not been a matter of, “This Minister will not do it,” or, “This individual does not want to take part in the process.” That has not been the issue. The issue has occasionally been, “The ask coming from this local area goes further than we can be confident in going at this time.” We often then discover that we can find some sort of compromise they are happy with and we will continue, as part of the nature of the devolution process, to look to see if we can go further in the future and what other levels we might be able to make available to them to reach their objectives.

Q270 Mr Prisk: Would you prefer the Cities and Local Growth Unit to be part of CLG?

James Wharton: It is.

Q271 Mr Prisk: We understood that it was part of the Cabinet Office.

James Wharton: It is cross-departmental. Some of the civil servants in the Cities and Local Growth Unit are responsible to DCLG.

Q272 Mr Prisk: They are solely responsible to you, as Minister in the Department.

James Wharton: They have cross-departmental responsibilities. I have meetings every week with the Cities and Local Growth Unit to talk about the progress of this. A number of their senior civil servants are DCLG civil servants.

Q273 Mary Robinson: We have heard from previous witnesses that the 4 September deadline and the timeframe limited both the public engagement and the quality of the proposals. Will you allow devolution to make progress at different speeds in different places?

James Wharton: You are looking at me, so I will answer that question. Yes is the straightforward answer. The amount of interest that was shown by that 4 September deadline rather militates against the assumption that is underlying your question. A lot of areas came forward with proposals. It is true to say that some are more easily deliverable than others. We are working with all the areas, and will continue to do so, to find the right deals that have local agreement. The whole process of devolution and the approach we are taking requires that local agreement and consent. That is how we are setting about trying to ensure we get deals that are sustainable, that do what we want them to do and that deliver on those objectives we have already spoken about.

Areas that take a bit longer may take a bit longer. There is no desire, certainly from my point of view, to close the door on devolution and say, "You did not reach an agreement in time. Therefore, we will refuse to talk to you again." I see this, as I think is the Government position, as an ongoing process both for making deals, and also for deals that have been made to continue to evolve.

Q274 Mary Robinson: Looking at those deals, what criteria do you use to judge the proposals?

James Wharton: It depends what areas are asking for, because we are keen not to force areas to have an identikit devolution model. That is absolutely the right approach. If this is going to last, it has to be a genuinely bottom-up process where different areas will ask for different things. None the less, you can look at some of the deals that have been done and see the areas where there is commonality and interest. We expect to see that co-operation and that desire to drive this agenda from the areas coming forward. It is more difficult if there is disagreement, with one authority proposing something for a combined area that is not supported by all of the authorities within it. We want to see that bottom-up agreement.

It is easier to work through things that have been agreed in other areas, where you can look at an example and say, "That is how it is being done there." But we also want that imagination and ambition, and different things to come in. It is not a matter of applying strict or set criteria to each deal and saying, "You have to tick these boxes if you want to be successful." If this is going to work, we need to be more flexible than that. There are examples of where deals have been done and there are examples of good practice of collaboration in local areas. Of course, those can be looked to as one route through this process to reach agreement.

Q275 Mary Robinson: Talking about the areas where it has worked, where it has been done and the learning process, why not have a framework or a core settlement on which to base these deals?

James Wharton: The temptation there is to prescribe, or to start to prescribe, what should be in them. I do not want, and the Government do not want, to go to any area and say, "If you want devolution, you need to have these four or five things, or you need to follow this particular model." The reality is that a lot of deals have commonality. Of course they do; they are looking at similar things.

As soon as the Government set out a checklist or a framework of the nature you are talking about, we potentially inhibit the innovation and ambition that areas can have. The whole point of the way we are doing devolution, and of how the Bill itself is drafted, is to recognise that those people in those local areas who understand those local economies are best placed to identify what they need to drive improvement and in what direction their ambition should be channelled if they are to get the most out of this process.

My worry would be that, as soon as we put something like that down, some areas will see that as the easy route to getting a devolution settlement. They will just say, "We will have all the things from that list, nothing more and nothing less. Thank you very much." That would undermine the potential that devolution can unlock and that we want to see it unlocking.

Q276 Mary Robinson: Would a framework based on the commonalities perhaps be something that would be worth using as a base?

James Wharton: No, not necessarily. There do not have to be commonalities. There are areas of policy in which a lot of the proposed

deals show an interest. That does not mean that every deal has to show an interest in that area of policy. I would be very reluctant to lay that down because, as soon as you start to do so, people will assume, "If we do not have that, that and that in, we are on the wrong track." Actually, you might just be on a different track, but a perfectly valid one in terms of what we are trying to achieve.

Q277 Mary Robinson: Looking at these deals—there are a lot of deals coming forward—does the Department have the capacity to deal with all these negotiations?

Greg Clark: You are looking at me now, so I will answer. I would say yes. We have been delighted by the level of response that we have had. We have a very capable team. As James was saying, we work very well across Whitehall. The whole Government are now focused on making these work. There is a lot of excitement about it. The work of my Department and quite a lot of Departments across Whitehall is now looking in this direction in a way it was perhaps not before.

Q278 Mary Robinson: What extra resources have you deployed to improve capacity?

Greg Clark: It is not so much deploying extra resources. People are seeing it as part of their job and their role to engage in these negotiations. We have not increased the level of resources in the Department, as you will have seen in the spending review. We continue to make savings.

Q279 Chair: One idea contained in the Sheffield agreement was the general understanding that, where the combined authority had asked for powers in a certain area that the Government could not give at this stage, if similar powers were given to another combined authority at a later stage, it would automatically trigger an agreement for Sheffield having them. Is that the sort of approach you might see coming into other agreements as well?

Greg Clark: It is a characteristically ingenious approach from the leaders of Sheffield, with whom you have a familiarity, that anything agreed with anywhere else should reopen the discussions with Sheffield. That is exactly the sort of ingenuity I had hoped for when we saw these deals.

Of course, everyone looks very closely at what is being negotiated in those places. Because this is not a one-off final chance,

people do come back, and we have seen this in Greater Manchester. I am absolutely certain that Sheffield will, as it demonstrates its ability to make use of the powers, come back and ask for more. Some of those will be determined from the experience on the ground and some by looking over their shoulder and saying, "This city over there has done this. We did not think of that, but now we have seen it and we would like to do the same." I very much expect this approach to continue.

Q280 Kevin Hollinrake: Most people see the benefits of devolution, but some areas are concerned about their place in how devolution will work for them, particularly when they stand in the shadow of a large metropolitan centre. I cannot think of a good example at the moment, but is there a danger that counties might get left behind in these devolution settlements?

Greg Clark: I am determined they will not. In fact, I met the leaders in Dorset this morning and I am meeting the leaders in Oxfordshire tomorrow. We have had discussions with the leaders in Hampshire. We have already concluded a deal in Cornwall, as you know.

As I said right at the beginning, I very firmly believe that every part of the country should have the opportunity to contribute. Local knowledge and leadership can be just as fruitful when expressed in country and district areas as it can in cities.

Q281 Kevin Hollinrake: Secretary of State, you mentioned economic performance as being a key element of devolution. Where business wants one thing and politicians seem to want another, how should that be resolved?

Greg Clark: That is one of the most encouraging effects or products of this process. For the most part, you have had quite a close engagement between the business community and local civic leaders. I will mention two. In the case of the Sheffield city region, as the Chairman will know, until very recently the chairman of the LEP, James Newman, has been a very important figure, bringing the business community into the negotiation of the Sheffield devolution agreement. In the Tees Valley, for which James is an MP, again the relations between the business community, through Tees Valley Unlimited, which is the LEP, and the local leaders have been very cordial.

There are places where that has not been so well developed. In the north-east LEP, there was a time when the business community felt the leaders were not making enough progress and the north-east

chamber of commerce sent a letter to Newcastle's *Journal* saying, "Come on. In the interests of our local economy, get your act together." It proved to have a galvanising effect. That is wholly to the good. One of the big benefits of devolution on the economic side of things is to make it absolutely clear that the economic success of an area absolutely depends on the business community. It needs to be very much at the centre of these discussions.

Q282 Kevin Hollinrake: Tees Valley decided to take an elected mayor, whereas Cornwall decided it did not want one and it got a devolution settlement on that basis. Has that set a precedent for future deals?

James Wharton: I do not like the idea of setting a precedent in devolution. Where we are talking about significant packages of powers to areas made up of councils and local authorities coming together in a combined authority, there is a challenge to make sure that there is both accountability to the people and a mechanism for ensuring that those powers are exercised in a way that gets the maximum benefit. We have been very clear that where metropolitan and more urban areas want a package of powers akin to that in Greater Manchester, there will be an expectation that a mayor is part of the package.

Of course, devolution is a voluntary process. No area is forced to do it but, when they want those sorts of significant packages, the expectation that a mayor will be part of it is a reasonable one. I do not want to go as far as to say that if anywhere is like the Tees Valley, they therefore need to have the same model as Tees Valley, because everywhere is different in terms of the packages they want, the nature of the area's economy and the communities that are represented. I certainly welcome the fact that Tees Valley has agreed a mayor. I think it is the right package for that area, of course, which is particularly close to my heart.

Q283 Kevin Hollinrake: In some areas, an elected mayor will mean you have four tiers of local government, effectively. Is that too many?

James Wharton: It might be; it might not. It is not for me, as part of the devolution process, to tell areas how many tiers of government they should have. Of course, there is scope for areas to look at rationalisation of government, again by agreement, and to have the sort of model they want to have. I am clear that I believe, if we want to get the most from the levers we are devolving and the powers we are giving local areas, there ought to be proper democratic direct

accountability, which a mayor brings. There ought to be somebody who takes responsibility for exercising those powers and for the results of that exercise of power. A mayor is the best model for doing that.

That is not to say that it is my job to tell each area what either the right package or the right governance has to be for them. It is a deal. It is a two-way process, and we have those discussions.

Q284 Jo Cox: Do you think there are going to be enough candidates to be mayor? Is it likely to be the usual suspects?

James Wharton: That is an interesting question. I do not like to pre-judge what is likely to happen in terms of who will put themselves forward. There is certainly a lot of interest. If I talk to my direct experience, both as a constituency MP in Tees Valley and as a Minister, the engagement from the business community has led to people coming forward to talk about this project and wanting to be involved in it who have perhaps not shown an interest in politics before. They are often very good, very highly skilled people.

How they will choose to engage in the future I do not know. Whether they will choose to put themselves forward as possible mayoral candidates, either with a party political badge or as independents, I do not know. All my experience thus far, however, would indicate to me that there is a lot of interest in this agenda, and that would appear to be a good sign for having some good-quality candidates. Who people elect will ultimately, of course, be up to them.

Q285 Jo Cox: Do you have benchmarks in terms of success that would relate to turnout—how many people vote for the mayor? Is that something you are considering as a benchmark for the success of the model?

James Wharton: I do not think so. It is important that people have the choice. It is then for the local campaigns and the local candidates, which will all want not only to galvanise public interest, but to galvanise it in one direction or another, to engage as they see fit. I hope this is a process that will be readily engaged with by the public. I hope that it will excite people because of the potential it represents.

There is a public mood—I have certainly had this feedback from the business community when I talk to people who are driving the economy in all sorts of different places across the country—to take more control and see more decisions taken locally. A recent opinion poll by the BBC showed that somewhere in the region of 82% of people

agreed that more decisions should be taken locally in these sorts of areas. That is a good sign for turnout, but I do not want to pluck a figure out of the air and say, "It has to be this percentage or that percentage, or it is not a success—or it is a great success." The truth is that people will decide.

I have never really been a supporter of compulsory voting. If people choose to exercise their right, that is great. I hope many will and will engage in the debates that follow. Whatever happens, I am confident the mayoral model is the right one in a number of the deals we have been doing.

Q286 Jo Cox: I have a question on scrutiny. The Committee questioned Lord Kerslake last week on levels of scrutiny. One of the things he said was that he felt areas should be forced to think very consciously about levels of scrutiny. Are you confident that sufficient thought has been given to that? Should the Bill require local leaders to set out clearly the mechanisms of scrutiny?

James Wharton: There will be a mechanism of scrutiny committees and a requirement for some political balance on those. For example, the chair of the scrutiny committee will not be from the same political party as the mayor or the dominant party on the combined authority. Those scrutiny committees, similar to the way we do in local authorities now, will have powers of call-in, powers to question the mayor and so on regarding decisions that are being taken. That is a powerful mechanism, but of course the strongest way of holding the exercise of powers to account is by elections. Elections are exactly what the mayors bring to the process. The people will be the ultimate arbiters of whether they believe powers are being well exercised or not.

Q287 Chair: Why do the Government not set out specifically what powers will not be devolved to the combined authority unless they have an elected mayor?

James Wharton: Because there is not one particular list that prohibits or requires a particular approach. Every deal is going to be different. We have to look at the combinations of powers, the ambitions that areas have, the geography of them, the economic reality of them, the makeup of the local authorities in them and, yes, the powers they want. All these things inform the decision and we have that discussion with local representatives to reach a deal—and it is a deal. We are not forcing anything on anybody.

Again, it is a bit like the question of whether we can set out a checklist framework for what should be in these deals. It would be a mistake, because the way we will make devolution last is to get the right deals for the right areas. That is why we are having these discussions and taking this process through in this way, rather than prescribing, which doing that would lend itself to.

Q288 Chair: Members of the Committee are not party to the negotiations that go on. In those negotiations, are combined authorities effectively being told, "You can have these devolved powers, and you can have these extra ones if you have an elected mayor, but not if you do not"?

James Wharton: I do not think that is the nature of the discussions taking place, because that would rather presuppose us saying, "Here is the list. If you want this list, you have to have that. If you want this list, you have to have the other." It is the other way around. Areas are coming to us and saying, "These are the things we want." We are looking at those and working through those with those areas. We are talking about governance in tandem with that process.

Q289 Chair: Is there a danger that when you have a figurehead such as an elected mayor, the public will assume they are responsible for lots of things they are not? In Greater Manchester, health is not the devolved responsibility of the mayor. In Sheffield, skills and economic development remain with the combined authority, and the mayor's major function is transport. Are not the public going to get confused? They have this figurehead—this person who is going to lead everything, but actually they do not.

James Wharton: Mr Chairman, I do not know your experience as a Member of Parliament, but the public in my constituency occasionally think I am responsible for things over which I have limited control. It would be for that mayor to make very clear the platform on which they stand and the things they are doing in office. If they are challenged in that way, it will be for them to take the approach they see best to explain the limitations, as well as the potential, of the powers they do have.

Chair: We will wait and see on that one.

Q290 Bob Blackman: Greg, the changes to business rates have been warmly welcomed. Is that the beginning of fiscal devolution?

Greg Clark: It is not the beginning, because it started earlier with the 50% retention of business rates that my predecessor brought

in. The big moment for this was in the Greater Manchester city deal, when they made a proposition that was then considered to be heretical at the time. They said, "If we invest more money locally in transport, we think this will improve the performance of the Greater Manchester economy. Some of that is going to be reaped by the Treasury, so we think we should have some of our money back and we want to have a dividend on that."

When I first proposed that to the Treasury, you can imagine the reaction in the building, but they did not give up and we did not give up. We established what has been called an "earn-back" or a "gain share" that established, where there was some local growth that could be attributed to local investment, there should be a flow from the Treasury to those places. We are continuing in this, but you are absolutely right to point to the 100% retention of business rates by local government as a major step in that direction.

Q291 Bob Blackman: Clearly there are many representations—we have had this from all sorts of witnesses coming before us—about full fiscal devolution, which seems to be specifically excluded from the Bill. Are we at the beginning of the process? Do you see another piece of legislation coming in along the way?

Greg Clark: This Committee worked with Graham Allen and his Committee in the last Parliament on various inquiries. Graham has a view that there should be a codification of the powers of local government, including the respective fiscal roles, and that this should involve a stated set of fiscal powers that local government should have. What I said to Graham's Committee in the last Parliament, and what I have said to this Committee before, is that moving in that direction is something we both agree with, but we would not have succeeded in making the progress we have if we had done it in the abstract.

Things like the retention of business rates and these earn-back agreements have been case-by-case presentations. It has been possible to challenge our colleagues in government and to say, "This seems like a reasonable proposal and it seems to be good for the nation as well as for the place. Is there any reason why we should not accept this?" We have advanced in this way. Given that we have made a breakthrough with this, I am loth to cast that aside and have a very constitutional approach that these are the fiscal powers of local government versus central Government.

Q292 Bob Blackman: You spoke very warmly of the success that London has enjoyed after 15 years of devolution, but London is specifically excluded from this legislation. Is anyone looking at the extra powers and devolution that should go to London?

Greg Clark: Yes. Of course, London will benefit from the 100% retention of business rates. Part of the City Growth Commission that Stuart Lipton and his colleagues produced was to argue for that. That will be in a Bill that will come before the House when we implement his proposals. The focus of the Cities and Devolution Bill is to give powers to places that have not had the advantage of the particular legislation that London has had. I am not only open to, but in regular discussion with the leaders of London—the Mayor, the GLA and the London boroughs—about, what further powers can be given to what is clearly a very successful city.

Q293 Bob Blackman: You will have seen the evidence that came forward last week, for example. Would you agree that London needs that extra devolution to carry on being the successful world city it is?

Greg Clark: I would like to see more devolution to London. The experience of London is that it has been a ratchet. It started with a certain set of powers and more have been taken. I very much see that as the direction we should go in.

Q294 Bob Blackman: The clear point here is that virtually everything done in London requires legislation from this place, agreed with the other place, almost to do anything at all. Is there a plan to produce a suitable Bill for London?

Greg Clark: We are in discussions with London as to what further powers they want to have. I expect us to be able to make some progress on that. I am very keen. You could not believe in devolution, as I do and we do, and want to say, "London has had enough." London is a good example of it working. We want to see more.

Q295 Mr Prisk: I want to touch on business rates. The modernisation of the business rates system has previously been recognised by Ministers in Treasury and CLG as being a prerequisite before they are handed across, as it were, to local authorities and the revenue is transferred. There was surprise last week that nothing was said in the autumn statement around this. Clearly local authorities, let alone local businesses, will want to understand whether, for example, the rates are going to be made more market-led, with more regular revaluations and so on.

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Could you confirm that the improvements to the system will be announced and set out, with the reforms implemented, before those transfers happen? Will we hear this in the Budget? Will we be able to see this so that we can understand what the system will be before the revenues are then transferred?

Greg Clark: The Treasury is leading that part of the review. I cannot pre-empt what it might have to say about that, but it is accepted and recognised that the reason for having a review is to make sure that the arrangements that then produce the business rates are up to date. The Chancellor has said that our commitment is to have 100% of business rates retained by local government by 2020. There is time for that, but I absolutely accept the point that this should go hand in hand with reform.

Q296 Jo Cox: There have been some concerns expressed around the differential impact of the business rate retention offer on some councils with low revenue income and others that have very high revenue income. Could you say a little more about the redistributive element you see rolling out so that this policy, welcome as it is, does not reinforce inequalities?

Greg Clark: I cannot say at this stage, but one of the reasons for announcing the intention was to allow those discussions with local government to take place in an open way as to what we need to do for exactly the reasons you say: to make sure that a place that simply does not have a very big business rate base, but may have very many demands on its services, can have its needs addressed.

We want to do that and we are doing that in consultation, and indeed through joint working, with our colleagues in local government. That is what we are doing. It is very much required; it is necessary as part of the reforms. Of course, once we agree them and set them out, no doubt as proposals, we will want to consult on them. I am sure the Committee will want to have me back to ask some detailed questions.

Q297 Jo Cox: Do you have a sense of the timeline for that?

Greg Clark: I do not at this stage. We are already discussing the broad approach with our colleagues in local government. It is quite technical, as you will understand. I would not want to give a running commentary on it, but once we are at a stage at which we can share some of the proposals—this is sufficiently technical that one would want to consult on them, rather than simply introduce them one day out of a clear blue sky—that will be the approach we will take.

Q298 Chair: Hand in hand with that will be the issue of the extra resource in total that local government will have. Business rates and council tax are greater than the grant and council tax. There is an issue about what extra powers might be devolved. I am sure the Committee would be interested in helping, maybe with an inquiry into that area, if that would be welcome from your perspective.

Greg Clark: Absolutely. This is a big moment for local government. It is an opportunity not only to have 100% retention, but to take on some more responsibilities to meet the gap. There could be an opportunity for local government. I am sure the Committee will want to advise us on that, and I would be very keen to take the Committee's advice.

Q299 Bob Blackman: Can I ask about one specific issue coming out of the autumn statement while we have you? This concerns London. The announcements on housing were very welcome, but one of the concerns is the affordability of starter homes in London. What ability is London going to get to set the strategy for that, as opposed to it being driven by the Department?

Greg Clark: On starter homes, we hope and expect the boroughs and the Mayor, through their planning powers and their direct provision, will be in the business of building starter homes. There is the overall cap in London, but it is a cap—it is not an expectation that starter homes will be at that level. I have already been talking to leaders in London as to how we can take forward these housing policies to make sure that, in London—where, of all places, the need for more homes is so clear and obvious—we get on with alacrity and build them.

Q300 Bob Blackman: Moving back to some of the other issues, obviously devolution is extremely welcome, but a lot of these combined authorities are bringing together quite disparate groups of councils with different political controls. What happens if a constituent authority decides, "This is not working; we do not like this. We want to exit"? What is the process and what are the consequences of that happening for the devolution settlement?

Greg Clark: We are not at the point that that has presented itself. There is a danger in creating a structure that people can come in or out of at short notice, given that it often involves and allows quite long-term arrangements to be put in place, for example on transport. It is always open to any Government to review how things are working and, through legislation, to make changes that are needed.

I would hope that the experience has been that people working together will be able to come to a view. The creation of combined authorities rests on the idea that there are things that can be done together. Of course, the essence of the combined authority is that the individual authorities continue to exist. They may choose to put many of their functions through a combined authority without being obliged to, for example. They retain their individual identity and ability to function.

Q301 Bob Blackman: How are you going to make a judgment on whether one of these devolution deals is failing and then choose to step in?

Greg Clark: You can say that for all sorts of different aspects of public policy, whether it is existing councils, existing agencies of the state or existing partnerships. It is always possible to take that view. There will be data, as we have talked about. Mr Prisk suggested that more of the data should be available at the combined authority level. That will help. No doubt, part of the job of this Committee and, indeed, the Chamber of the House of Commons, is to highlight any poor performance or failure so that intervention can take place. Combined authorities are no different from other types of bodies where there is the ability for the Government and Parliament to say, "This is not working in the way we want and it needs special attention."

Q302 Bob Blackman: Finally from me, you have been a champion of devolution for a long time. You are starting to see it happen. How do you see it developing in, say, five or 10 years' time? What is the endgame now?

Greg Clark: It is incredibly gratifying to see it taking off in the way it has. I think it has momentum behind it now. To my delight, I find there is an increasing level of assertiveness on the part of leaders not just in our cities, but in our counties. I expect to see increasingly ambitious proposals coming forward, following up the existing ones that are there, to see a renewed degree of confidence and success in all our towns, cities and counties, and to see prosperity coming forward strongly and closing these gaps.

It has been very apparent in the past few years that the experience of job creation, for example, in the cities of the north has been much better than in the previous five or six years. The larger part of job creation has been outside London and the south-east, when it was the opposite in the years before 2010. These are early signs, but I hope and expect to see that continue in this direction.

Q303 Chair: At the Committee stage, we asked the Minister about whether, when all these deals were being worked through and put in place, it might be appropriate to have some point of reflection about the overall shape of devolution, the various relationships between central Government and local government, and indeed Parliament's role as well. Is that something you would welcome—giving everyone an opportunity to have their say? I am not talking about a formal constitutional convention, but at least some point at which a stock take is had and then looking at how we move on to further stages.

Greg Clark: Yes, as long as it was not a kind of pause. I would not want to be in a position of holding a place back that was about to do a deal because we were going to take a little time to look at this. Certainly, any Government worth its salt will want to keep a constant review of how things are working. I know this Committee will and I dare say colleagues across the House will. That is absolutely right to admit.

Q304 Chair: Rather than looking at individual deals, it is to see how the individual parts are coming together to form a whole.

Greg Clark: Yes. The Public Accounts Committee has had a look at the city deals, for example. That was a useful reflection.

Q305 Chair: Finally, in our earlier session, there was a particularly interesting part with the Health Minister about accountability. We will have pooled budgets, with some money coming from the Department of Health and some from local authorities. We will have the situation where one bit of spending will be overseen by the Department of Health and the other bit by the local authorities and ultimately, presumably, by DCLG. Given that so many Departments are now contributing to the devolution process, are we not in danger of getting to a situation where every bit of money that is put into that process is then accountable back to a different Secretary of State? Is that really a realistic way for devolution to move on in the future?

Greg Clark: I would put it in this way. They are certainly responsible to Parliament, and there are colleagues in our House who take a particular interest in health matters—the Health Committee, for example—but I would hope and expect that other colleagues in the Chamber would scrutinise every initiative and penny spent as part of the deals there and bring their expertise to bear. That brings more transparency to it, in some ways, so I would hope to have that.

It is a reflection of reality. One of my observations—this has been the Committee’s observation in the past—of central Government is that it has operated in silos rather than reflecting the fact that, in many respects, these are arbitrary distinctions. That applies locally as well. Whether it is in health or, perhaps particularly, in health and social care, simply recognising that these are joint responsibilities—that the Health Secretary has an accountability for that, and perhaps the mayor of the combined authority has a responsibility for that—is recognising the reality. People will be able to have a greater level of scrutiny as a result.

Q306 Chair: It is not a problem, then, that the silos at national level will simply be replicated at local level because every individual stream of funding is accountable back to a different Secretary of State.

Greg Clark: I would hope they were not silos. A lot of these would be contributions that have come from national budgets to joint arrangements locally. One of the assurances James and I have made to the House, as the Bill is being scrutinised, particularly on the NHS, is that we are not taking away from the Health Secretary his responsibility for health matters nationally. We are allowing local arrangements, but still making it very clear that the Health Secretary is responsible for the NHS.

Chair: Thank you very much indeed for coming to give evidence this afternoon.