

**Written evidence from Professor David Richards (University of Manchester), Professor Diane Coyle (University of Cambridge), Professor Martin Smith (University of York) and Dr Sam Warner (University of Manchester)<sup>1</sup> (EDE 17)**

**Public Administration and Constitutional Affairs Committee  
The Evolution of Devolution: English Devolution**

This written evidence collectively addresses questions 4-7, before considering question 1 by way of concluding and to offer recommendations.

In February 2020, Simon Clarke MP when announcing the forthcoming English Devolution White Paper, argued it would demonstrate the Government's commitment to: '...full devolution across England'.<sup>2</sup> What this means in practice, however, remains vague whilst the White Paper itself has been delayed more than once.

Yet the Covid-19 pandemic has revealed the limitations of the UK's heavily centralised system of government. As governance structures and practices have become increasingly complex and fragmented, the capacity of the central state has been found increasingly wanting. Meanwhile, the resilience of local authorities, both financially and in terms of their capacity to deliver policy, has been undermined by a decade of financial austerity. In a context of scarce resources, public service providers are struggling to cope with the magnitude of the challenges they face.

Drawing on insights from our Nuffield Foundation-funded<sup>3</sup> project investigating the planning and control of public expenditure in Whitehall and beyond, we contend that a transformative form of English devolution is needed to challenge weaknesses of the UK's political culture bound up in the Westminster Model (WM) of government. Despite the rhetoric of devolution, the persistence of 'power hoarding' tendencies by central government, and associated hierarchical governance arrangements that flow from Whitehall, limits the power and autonomy of government at the local level. This, we argue, owes much to the systems of financial management and control imposed by Her Majesty's Treasury (henceforth the Treasury). If the government is serious about 'levelling up' the UK economy, the next phase of English devolution should not only empower local leaders and communities but also fundamentally reconfigure centre-local relations. Rather than grafting on incremental reforms, this will necessarily involve Whitehall generally, and the Treasury specifically, adopting an alternative approach to governance to that currently presented by the Westminster Model.

We expand on this by turning to each of questions 4-7.

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<sup>2</sup> Clarke, S. (2020) Devolution: England. *Written answer*, 12 February, HC 15037. <https://questions-statements.parliament.uk/written-questions/detail/2020-02-12/15037>

<sup>3</sup> <https://www.nuffieldfoundation.org/project/public-expenditure-planning-and-control-in-complex-times>

***To what extent should there be consistency in devolved and local governance within England, and to what extent is asymmetry necessary? [4]***

1. Traditionally, Whitehall has dominated economic and social policymaking, leaving the English regions dependent on the centre for policy direction, financial and operational capacity and, as a result, the ability to plan for the future. The impact of 10 years of austerity, compounded by the consequences of the Covid-19 pandemic, has left regional and local levels of government in a precarious position. Whilst the response of local officials to the pandemic has been admirable and resourceful, local government is underfunded, meaning its room for manoeuvre is constrained.
2. Importantly, the Covid-19 crisis has again revealed that whilst policy making in England is highly centralised, Whitehall continues to display an unwillingness to effectively consult on policy at the local level. This compromises the capacity to deliver on the ground because of a limited central understanding of local conditions. Centralisation means essential local information has gone unused. The insistence on a centralised track and trace system and the problems associated most notably with the tracing element, provides an illustration of the way in which top down decision-making has failed to link to local delivery. Traditionally, centralisation was about ensuring a strong executive and stability within a unitary state. However, the UK's inability to adapt means an asymmetric set of power relations remain between the centre and the local, mired in a bewilderingly complex governance landscape.
3. English devolution should embrace regional diversity and a multiplicity of local governance arrangements, reflecting the diversity of contexts and needs. The Treasury has stressed its willingness to countenance bespoke deals that account for local specificities, with George Osborne advocating progress driven by example, not force. In reality, English devolution has been a top down process within a context of close Treasury control over financial and policy matters. Local government's subordinate constitutional position and lack of resources makes it difficult, if not impossible, for local leaders and communities to influence the national agenda. However, responsibility for policy design and delivery is fragmented. Consistency is hard to come by as policy actors in core areas like health, policing and education do not align with local government. As a result, local actors belong to multiple networks of service delivery. Lines of accountability are therefore unclear.
4. Academics and think tanks have highlighted that central government does not trust the competence of sub-national government.<sup>4</sup> This fuels suspicion about the motives behind English devolution in a fiscally restrictive environment. Multi-year settlements have been inadequate. Sticking plaster pots of money, emanating from the Treasury via numerous responsible departments in Whitehall, are often short-term fixes. Local leaders struggle to be able to plan for the medium and long-term as a result.
5. Devolution in England reflects elite co-option whereby local leaders have felt compelled to accept prescribed arrangements in the hope of gaining much needed agency and resources. Asymmetric power relations remain unchallenged whilst the structures of the WM are reproduced at a local level. The apparent primacy of the Treasury's finance

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<sup>4</sup> Norris, E. and Adam, R. (2012) *All change: why Britain is so prone to policy reinvention, and what can be done about it*. London: Institute for Government.

[https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG\\_All\\_change\\_report\\_FINAL.pdf](https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_All_change_report_FINAL.pdf)

ministry role risks blinding it to the bigger picture. Financial mechanisms designed to keep a tight rein on public expenditure often create a structural impediment to local autonomy and strategic leadership.

6. Despite the emergence of a multiplicity of bespoke ‘city deals’ across England, the UK’s system of government is incapable of accommodating, and indeed promoting, diversity because of the centralised control mechanisms it embodies. There is fundamentally a need for a change in mentality. Whitehall needs to let go and allow devolved authorities to make decisions and indeed with it potential mistakes. This requires proper lines of accountability for devolved institutions to their local constituents and a significant rethinking of the centralising tendencies of the doctrine of Ministerial Responsibility.

***What is the purpose of the current “devolution” deals and mechanisms? Are these purposes being achieved? [5]***

7. In announcing a ‘devolution revolution’ in October 2015, then Chancellor of the Exchequer, George Osborne, stated the purpose was ‘to devolve new powers from Whitehall to local areas to promote growth and prosperity’. Specifically, the government committed to move towards a position where local authorities retained 100 per cent of local taxation whilst regional mayors were granted some powers to increase local rates for infrastructure spending (subject to the agreement of local business leaders).<sup>5</sup> However, we remain a long way off a more geographically balanced economy. Disparities in regional growth rates remain stubbornly entrenched and regional inequalities have widened between the north and south of England.<sup>6</sup> The consequences of Covid-19 restrictions and the likely economic ‘scarring’ caused by the acute phase of the pandemic will exacerbate this trend.
8. The historical lack of investment in regional infrastructure continues. The Treasury has been captured by principles of agglomeration – that economic activity clusters around urban areas such as London – when making investment decisions. The Treasury’s Green Book has effectively codified this position and hindered equalisation.<sup>7</sup> The review of the use of the Green Book, currently under way, is likely to lead to a sharper focus on geographic impacts. However, a meaningful investment strategy has not emerged yet. The embedded centralisation of the British system treats the cities and regions of England in isolation rather than as a dynamic system.<sup>8</sup> Strategic leadership, innovation and the cross-fertilisation of ideas needs to be fostered but this will require significant funding if it is to halt or reverse the widening gap.

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<sup>5</sup> HM Treasury. (2015) *Chancellor unveils ‘devolution revolution’*.

<https://www.gov.uk/government/news/chancellor-unveils-devolution-revolution>

<sup>6</sup> Raikes L., Giovannini, A. and Getzel, B. (2019) *Divided and connected: regional inequalities in the north, the UK and the developed world*. Manchester: IPPR. <https://www.ippr.org/files/2019-11/sotn-2019.pdf>; Office for National Statistics. (2019) *Regional economic activity by gross domestic product, UK: 1998 to 2018*. <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/regionaleconomicactivitybygrossdomesticproductuk/1998to2018>

<sup>7</sup> Coyle, D. and Sensier, M. (2020) ‘The Imperial Treasury: appraisal methodology and regional economic performance in the UK’, *Regional Studies*, vol. 54, no. 3, pp.283-295.

<https://www.tandfonline.com/doi/abs/10.1080/00343404.2019.1606419>

<sup>8</sup> Coyle, D. (2015) *Why devolution is good for the economy*.

<http://blog.policy.manchester.ac.uk/featured/2015/03/why-devolution-is-good-for-the-economy/>

9. Devolution was presented as one of the three pillars of the so-called Smarter State agenda, alongside ‘reform’ and ‘efficiency’. When money is put in the hands of local people, it is argued, it is spent more prudently. Under current arrangements, the Treasury is the dominant actor in relation to financial matters, including the allocation of central grants and the redistribution of Business Rates not currently retained. In short, Whitehall has displayed little confidence in the ability of regional government to control its own finances. Local government in England remains the delivery arm of Whitehall.
10. At an Institute for Government event in March 2016, Will Garton, Director General of Public Services at HM Treasury, echoed the Smarter State narrative to describe devolution as a means of public service reform and, ultimately, achieving more for less. A range of monitoring mechanisms have been written into all devolution agreements, particularly around financial management. Whilst mechanisms to intervene have been exercised rarely, their existence illustrates the power asymmetry between the centre and localities and the fact that the objectives for devolution are not always clear or consistent.
11. English devolution was intended to be fiscally neutral as the retention of a proportion of Business Rates was offset by reductions in central grants. Public expenditure on local government would be constrained and the public finances protected. In real terms, government funding for local authorities fell by 49.1 per cent between 2010-11 and 2017-18.<sup>9</sup> Whilst satisfaction with public services held up and even improved between 2010-15, the consequences are now being felt on the ground by service users and providers. Autonomy is overstated when the centre largely controls budget allocations and sets the range of statutory duties local authorities must comply with. This forces difficult decisions as ‘non-essential’ services are cut to meet tight financial and delivery targets.
12. Directly elected mayors were intended to bring strategic leadership to the local level, acting as accountable, visible spokespersons for the regions. Until recently, they have largely failed to capture public imagination or spark a resurgence in local democratic engagement and vibrancy. Throughout the Covid-19 pandemic, however, mayors have found a new visibility, especially in the case of metro mayors such as Manchester’s Andy Burnham, the West Midlands’ Andy Street and Liverpool’s Steve Rotherham. Nonetheless, their subordination in financial matters has meant their wings have been clipped by the Treasury whilst their role in regional co-ordination is limited. Time will tell whether their growing voice will solidify into new centres of power in the regions. In the context of Covid-19, the actions of the centre have been akin to ‘divide and rule’.<sup>10</sup> Moving forward, Whitehall should embrace the opportunities associated local mayors, including harnessing their regional knowledge and expertise.
13. The ‘purpose’ of English devolution as it stands is at cross purposes and contradictory. On the one hand it advocates city regions take control of their own affairs whilst on the other hand it creates a fiscal environment in which autonomy is limited and policy innovation is difficult. It passes responsibility down without suitable lines of accountability between local leaders and their constituents, and without adequate resource. It creates further complexity, fragmentation and confusion in local governance

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<sup>9</sup> Comptroller and Auditor General. (2018) *Financial sustainability of local authorities*. London: National Audit Office. <https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

<sup>10</sup> Thomas, A. (2020) *England’s patchwork quilt governance is not strong enough for a crisis like coronavirus*. <https://www.instituteforgovernment.org.uk/blog/england-governance-crisis-coronavirus>

structures whilst simultaneously attempting to have devolution on the cheap. This is a long way removed from the Smarter State vision.

### ***How should decisions on English devolution be agreed? [6]***

14. English devolution to date has been a top down and prescriptive process, spearheaded by the Treasury. Deliberations over ‘city deals’ did not involve cooperation between equal partners. Local leaders have regarded these agreements as a necessary part of securing a stable financial settlement. Devolution in England has been ad hoc and, as one leader reported, officials were ‘making it up as they went along’.<sup>11</sup>
15. Unlike devolution settlements in other parts of the United Kingdom, English devolution has not been propelled by popular demand. In 2004, New Labour’s proposed North East England regional assembly was resolutely rejected by voters. In 2012, nine English cities rejected regional mayors in local referenda. Devolution needs to capture the imagination of local communities and their leaders and shed its image as an elite project.
16. Research commissioned by the Political Studies Association points out how ‘informal governance’ dominated negotiations, lacking in formal procedures and objectives. The Report calls for greater transparency and accountability to be built into future rounds of devolution, among other recommendations.<sup>12</sup> On this point, we are in full agreement. Cloistered decision-making does little to boost devolution’s credibility and limits local ownership of outcomes. By favouring closed negotiations, informality and loose structures, elites in Whitehall and the regions have frozen the public out of the process.
17. This illustrates the role the Treasury has as a policy actor. This is problematic on a number of levels. First, compared to local leaders and public service providers, the Treasury lacks specific knowledge of local priorities and circumstances. Second, its power in negotiations does not come directly from its policy knowledge but from the dominance it enjoys in Whitehall and beyond due to its role as custodian of the public finances. This power makes it essentially a veto player, blocking initiatives rather than enabling strategic thinking, innovation and risk taking. Third, research by the Institute for Government<sup>13</sup> points to ways in which the Treasury’s economics and finance ministry roles can conflict, to the detriment of strategic decision-making and effectiveness. This was an issue recognised by the Wilson Government over 50 years ago when creating the Department for Economic Affairs. Local officials lament the Treasury’s lack of understanding of the reality on the ground and policy outcomes, given its failure to acknowledge the importance of granular information.
18. When confronted with multifarious public policy challenges, exemplified by the difficulties experienced by local government throughout the Covid-19 pandemic, the Treasury is ill-equipped to respond rapidly. The Treasury should relinquish its blunt

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<sup>11</sup> Public Accounts Committee. (2015) *Oral evidence: Wave 1 City Deals*, HC 395.

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/wave-one-city-deals/oral/21665.html>

<sup>12</sup> Ayres, S. (2016) *Examining the role of ‘informal governance’ on devolution in England*. London: Political Studies Association. <https://core.ac.uk/download/pdf/73982855.pdf>

<sup>13</sup> Wheatley, M., Bishop, T. and McGee, T. (2019) *The Treasury’s responsibility for the results of public spending*. London: Institute for Government. <https://www.instituteforgovernment.org.uk/sites/default/files/publications/treasury-responsibility-public-spending-WEB.pdf>

financial leavers and commence a process with political leaders, communities and local stakeholders to consider regional fiscal autonomy and an enhanced policymaking role. Devolution decision-making should foreground local information, expertise and skills. The Treasury's focus should be in ensuring a strong financial framework but not determining policy outcomes at local level.

19. Unlike UK-wide devolution settlements, decisions about English devolution should not be informed by Westminster-centred internal party management. For example, there are reports of resistance to reform among Conservative-held district councils who fear the agglomeration of local authorities. Conversely, newly elected Conservative MPs in so-called 'red wall' seats in the North of England favour radical proposals. This internal struggle should not influence the government's White Paper or, indeed, the broader 'levelling up' agenda that devolution is central to.
20. We advocate a democratic process of civic engagement driven by local leaders and the communities they serve.<sup>14</sup> It should encompass consultation, consensus and consideration. Nothing is served by rushing forward with the next wave of devolution. This way, English devolution can shed its top down character whilst the process can simultaneously be insulated from the short-termism associated with Westminster politics. Political will at the centre has driven devolution in its own image to date, whereas the next phase should move away from prescriptive forms of imposition from the centre.

***How should the interests of different parts or regions of England be better represented to central government and in intergovernmental arrangement as well as in Parliament? [7]***

21. Our line of argument challenges the premise of this question. The next phase of English devolution demands a major reconfiguration of central-local relations to challenge the basic tenets of the WM of government and centralised decision-making power and financial control. The failures of the British state's response to Covid-19 has shone a light on the fragility of English governance. But to end the dependency of the regions on Whitehall, in both policymaking and financial terms, there must be a change of attitudes at both the central and local level.
22. If 'levelling up' the regions is really the Government's priority, fiscal devolution is needed. In 2014, Boris Johnson when Mayor of London, informed the Communities and Local Government Committee that London was 'fiscally infantilised' and fiscal devolution was an idea 'whose time had come'.<sup>15</sup> Not only is the UK one of the most regionally unequal OECD countries, it is heavily centralised in terms of financial management. In 2016, out of 35 OECD countries, the UK was 29<sup>th</sup> in terms of the local revenue raising powers of sub-national government. Moreover, of this same group, it was 26<sup>th</sup> regarding sub-national control of investment. This does not point to a 'devolution revolution'. There is compelling evidence that this degree of centralisation is a 'serious structural disadvantage' to driving regional growth and ironing out regional inequalities.<sup>16</sup>

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<sup>14</sup> Richards, D. and Smith, M.J. (2015) 'Devolution in England, the British Political Tradition and the Absence of Consultation, Consensus and Consideration', *Representation*, vol. 51, no. 4, pp.385-401. <https://www.tandfonline.com/doi/abs/10.1080/00344893.2016.1165505?journalCode=rrep20>

<sup>15</sup> Communities and Local Government Committee (2014) Oral evidence: Fiscal devolution to cities and city regions, HC 1018. <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/communities-and-local-government-committee/fiscal-devolution-to-cities-and-city-regions/oral/7110.html>

23. The incremental move toward Business Rates retention is a positive step but does not go far enough. Now that it has been confirmed that the Spending Review will provide budgets for one year only, local authorities face a crisis in terms of planning. Serious discussions about local borrowing and tax raising powers should commence, taking account of the Fair Funding Review's recommendations when they come. Fiscal devolution is not problem free, but a consensus for reform now exists. As the Greater Manchester Combined Authority *Independent Prosperity Review* argued, devolution to date amounts to: '...responsibility for a specific programme or area of funding rather than the levers that will affect system-wide change'.<sup>17</sup> Whitehall must trust local leaders to make that change.
24. Whilst the Treasury enjoys a unique vantage point in Whitehall, it struggles to disentangle financial and policy decisions to the detriment of an understanding of outcomes. This problem is particularly acute regarding complex delivery challenges locally. Greater financial autonomy would overcome much of this by driving responsibility and accountability for, and the ability to deal with, operational difficulties to a more appropriate level. Fiscal autonomy should solve the problems of short-termism, over-optimism in funding settlements and sticking plaster financial management through the allocation of heavily restricted pots of money outside of spending reviews.
25. The choice between retaining a WM system of centralised control with ensured national standards and fiscal devolution legitimising regional disparities is not binary. A quick comparative exercise demonstrates as much.<sup>18</sup> Furthermore, we already have these problems without fiscal devolution and the status quo has proved ineffective at addressing them.
26. The further the process of devolution progresses the more contradictory it has become. Vertical lines of accountability to Parliament via the Secretary of State for Housing, Communities and Local Government and the Department's Accounting Officer are not fit for purpose. When there is a failure at the local level, local decision-makers should be held accountable. Fiscal devolution requires horizontal lines of accountability, bringing decision-makers into closer proximity with their constituents. This, in turn, would benefit local democracy.
27. The Public Accounts Committee has called for improved scrutiny and accountability systems at the local level to ensure value for money is protected. However, it has stopped short of questioning traditional lines of accountability.<sup>19</sup> Without breaking the link between Parliamentary Sovereignty, the WM and vertical accountability lines it will be impossible to create truly devolved governance arrangements in England. These constitutional questions should be investigated by a Royal Commission.

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<sup>16</sup> Carrascal-Incera, A. (2020) UK interregional inequality in a historical and international comparative context. *National Institute Economic Review*, No. 253, pp.4-17. <https://www.cambridge.org/core/journals/national-institute-economic-review/article/uk-interregional-inequality-in-a-historical-and-international-comparative-context/609F458029515373F3E42E2CF0A12ACA>

<sup>17</sup> Coyle et al. (2019) *Reviewers' report*. Greater Manchester Independent Prosperity Review. [https://www.greatermanchester-ca.gov.uk/media/1826/gmis\\_reviewersreport\\_final\\_digital.pdf](https://www.greatermanchester-ca.gov.uk/media/1826/gmis_reviewersreport_final_digital.pdf)

<sup>18</sup> Fyans, J., Roughley, B. and Qureshi, Z. (2019) *Hitting reset: a case for local leadership*. London: Localis. [http://localis.org.uk/wp-content/uploads/2019/05/028\\_HittingReset\\_WEB\\_AWK.pdf](http://localis.org.uk/wp-content/uploads/2019/05/028_HittingReset_WEB_AWK.pdf)

<sup>19</sup> Public Accounts Committee. (2015) *Devolving responsibilities to cities in England: Wave 1 City Deals*, HC 395. <https://publications.parliament.uk/pa/cm201516/cmselect/compubacc/395/395.pdf>

***Should there be comprehensive reform of the English devolution and local government system? [1]***

28. In July 2020, Simon Clarke informed the Local Government Association: ‘I believe it’s right, as we work with you to remove the local barriers to recovery, that we shift power from Whitehall to people on the ground who know their areas so well, understand their priorities, and are empowered with the mandate, levers and agency to act upon them’.<sup>20</sup> To date, there is little in the devolution process to suggest this rhetoric will be matched by transformative reform.
29. If English devolution is to be a success, the process needs to break free from the fixed hierarchies and power structures that have proved to be unfit for purpose. Devolution should be driven from the bottom-up by local leaders, stakeholders, businesses and the constituents. Mark Rogers, the former Chief Executive of Birmingham City Council, informed the Public Accounts Committee in 2015 that the first phase amounted to ‘practising for devolution’.<sup>21</sup> As all parties become more proficient and devolution progresses, the Treasury must facilitate the transfer of power, including greater fiscal autonomy, not block it. The principles of devolution should not be cascaded down from SW1.
30. With the government’s White Paper still in the formulation stage, we make the following recommendations for comprehensive reform of the central and local levels of government as the basis for the next phase of English devolution:
- To date, a top down approach has created an elite-driven rather than democratic process. Rather than rush to a second phase, a truly deliberative and open process should take place engaging with local communities, local political leaders, businesses and community groups.
  - If the government is serious about ‘levelling up’ the unbalanced economy in England, it must match its radical rhetoric with radical action. To that end, local levels of government must be granted significant autonomy over economic decision-making.
  - Local and combined authorities must be properly resourced. Local government has fewer resources but strict and extensive statutory duties to fulfil, social care being the obvious example. Owing to fiscal constraints, ‘city-deals’ have failed to resolve co-ordination problems or act as a catalyst for regional growth. As a short-term solution, the Treasury should increase funding as England cannot have devolution on the cheap.
  - In the medium-term, the role of the Treasury should be re-shaped, and fiscal devolution enacted. Centralised financial control and monitoring concentrates

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<sup>20</sup> Clarke, S. (2020). *Speech to LGA Annual Conference*. <https://www.gov.uk/government/speeches/local-government-association-annual-conference-2020-minister-for-regional-growth-and-local-governments-speech>

<sup>21</sup> Public Accounts Committee (2015) *Oral evidence: Wave 1 City Deals*, HC 395. <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/wave-one-city-deals/oral/21665.html>

power at the centre of government, stifles innovation at the local level, discourages risk taking and hampers efficiency opportunities.

- Central government should embrace the new-found visibility of metro mayors and promote the role. Similarly, mayors and their administrations should strike while the iron is hot and use their new public profile to kick start engaged democratic participation at the local level.
- With enhanced financial powers for local leaders must follow increased accountability. This will involve a move to horizontal accountability lines between local leaders and the communities they serve.
- We believe there is a strong case for moving toward a new constitutional settlement governing central-local relations which defines the role and powers of different levels of government. The time has perhaps come for a Royal Commission to investigate the well-known limitations of the WM as a system of government.

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