

Centre for Cities-written evidence (FGU0052)

House of Lords Constitution Committee inquiry into the Future Governance of the United Kingdom

1. Introduction

- 1.1 Urban areas are where the majority of people in the UK live and where the national economy happens. Centre for Cities¹ is the leading think-tank dedicated to helping UK cities and large towns achieve their economic potential and improve the life chances and opportunities for their residents. Our research focuses on the UK's 63 largest urban areas,² including some places such as Mansfield and Barnsley that are not traditionally called cities.
- 1.2 We are grateful to the Lords Constitution Committee for the opportunity to submit written evidence to this inquiry. We would be happy to give oral evidence if that would help further the Committee's work.
- 1.3 Centre for Cities has long argued for devolution to cities to improve accountability and decision-making relative to local priorities, and has done extensive work on devolution in England, for example in our Levelling up local government in England report³ (Swinney and Jeffrey, 2020) and on metro mayors.⁴ This submission will focus primarily on answering some of the issues raised by the inquiry regarding the need for a greater degree of devolution within England. We advocate for a greater devolution of political and fiscal powers to the level of economic geography as tools to help places across the country achieve their potential, in line with the Government's levelling-up agenda and in alignment with local needs, strengths and weaknesses, which are best understood and addressed at the local level.
- 1.4 We also call for a reform of local government boundaries for a better alignment of political and local economic geographies, as well as for a widespread adoption of mayoral governance for stronger leadership and greater accountability. These reforms will require strong political will but, without them, the Government will struggle to deliver on its desire to level up the economy and boost productivity and wages up and down the country.

2. Our response

- A) ***Should there be a greater degree of devolution within England and, if so, how should these arrangements relate to the UK as a whole?***

¹ <https://www.centreforcities.org/>

² <https://www.centreforcities.org/city-by-city/puas/>

³ <https://www.centreforcities.org/publication/levelling-up-local-government-in-england/>

⁴ <https://www.centreforcities.org/metro-mayors-2021/>

- 2.1 Yes. Local areas should enjoy greater autonomy in making decisions and raising and allocating expenditure, in line with the Government's pledge of levelling up. The aim of reducing the stark geographical inequalities within the country requires strong local government that can take on more responsibilities and is faced with strong incentives to pursue local economic growth.
- 2.2 Greater autonomy in raising and allocating expenditure, together with greater decision-making power are the keys that will enable local authorities in England to plan and deliver the strategic policies that are needed for levelling up the country, such as planning, housing and transport, which are most effectively delivered at the area a local economy operates over. But before this happens, reform of the existing system is needed. The system's current institutional design means that local government in England is highly fragmented, and as a consequence local authorities find themselves underpowered, underbounded and limited by complex governance structures where closely related sets of economic powers currently sit in different tiers and bodies of government. This means that the few economic powers held by local government are not implemented consistently across the area a local economy operates.
- 2.3 We call for local government boundaries to be redrawn and powers brought together to move from the existing 349 local and combined authorities each with economic powers in England down to 69 mayor-led ones, to better reflect the areas over which people live and work. The size of the reformed areas will depend on the size of the population, ranging from a minimum threshold of 300,000 people to a maximum of 800,000, with Mayoral Combined Authorities to be formed above that number. Each of these authorities should have a directly elected leader who is accountable to the local electorate in its entirety, rather than being elected by an individual ward as is the case with the current council leader model. Such a move would align powers, remove duplication and increase institutional capacity to make local government better prepared to take on further devolved power.
- 2.4 Alongside this reform, these empowered institutions should receive two main forms of devolved powers. The first is that they should be given governance powers equal to those the Mayor of London has held for the past 20 years, such as strategic planning control over the territory covered by the local economic geography and the ability to set up a local Transport Strategy and adopt bus franchising,⁵ which would allow them to specify the routes, fares, frequencies and quality of service that works best for the local area, something London has been doing with positive results for the past two decades. The second is to give local government greater financial freedoms and flexibilities, such as four-year budgets rather than the current single-year budgets, as is discussed in more detail below.
- 2.5 Central government should be adapted and reformed to reflect the changes in local governance and avoid further complexities within the

⁵ <https://www.centreforcities.org/publication/get-on-board-bus-franchising/>

system. In particular, the Departments for Transport and for Business, Enterprise and Industrial Strategy and the Ministry for Housing, Communities and Local Government (MHCLG) should devolve responsibilities to mayoral local authorities where relevant, while keeping an oversight of national policy and its interaction with decisions made and implemented at the local level. Furthermore, MHCLG should become a new “England Office” – to match the Scotland and Wales Offices – with a remit to represent mayors and co-ordinate devolved matters of funding and strategic policymaking for housing, planning, transport and skills between central and local government.

- 2.6 Such moves would be controversial. The difficulties of implementing reform after the 1969 Redcliff-Maud report that proposed the creation of unitary authorities and metropolitan councils are a testament to this. But the public are behind more local power: recent polling commissioned by the Centre for Cities⁶ revealed that there is strong public support across all the city regions polled for more devolution, with an average of 83 per cent of people in city regions supporting giving more powers to their mayor.
- 2.7 The devolved nations have already gone through the process of reforming local government boundaries. The problem is that this has not been matched with greater powers. While some powers should be held at the nation level, the nations are not practising the devolution they preach by simply hoarding the powers they have received from Whitehall in their own national parliaments.

B) How effective are the current funding arrangements for the UK and to what constitutional implications do they give rise?

- 2.8 Current funding arrangements for local government do not allow it to effectively deliver the duties it is assigned. Their highly centralised nature, combined with the short-term basis on which they are allocated, works against local authorities’ ability to plan and deliver the services in their areas. This has been compounded in recent years with a combination of cuts to locally-controlled and the creation of ad-hoc pots of money controlled by national government.
- 2.9 As it is now, the system sets one-year budgets for local authorities and requires them to balance the books each year, thus reducing the flexibility authorities have to manage their resources. This has been further constrained by years of public sector austerity – with local government in England seeing the largest cut of any area of government spending in the 2010s.⁷
- 2.10 To address this, we also call for a reform of local government funding, which would give local administrations the powers to create four-year

⁶ <https://www.centreforcities.org/data/what-do-the-public-think-about-devolution-and-the-metro-mayors/>

⁷ <https://www.centreforcities.org/blog/budget-2021-the-good-the-bad-and-the-ugly/>

budgets to increase the ability to plan; greater flexibility on how they spend their budgets and a greater ability to keep what they raise.

- 2.11 Central government should give local government full control over business rates and council tax, while also allowing them to levy additional taxes when relevant. It should also allow them to set budgets over a four-year period, rather than the current one-year horizon, and give them complete flexibility over how it spends the money raised. Current arrangements mean that money raised in one area cannot be transferred to another one, which hinders Councils' ability to allocate spending to where is most needed in their areas.
- 2.12 There should be a five-year timeframe for this, with an aim for central government to no longer be directly involved in local government funding by 2025.

6 July 2021

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