

Governing England: lessons from across England

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In the months leading up to the English local and metro mayor elections in May 2017, the British Academy organised five roundtables across England for local politicians, academics, policy-makers and commentators in areas where devolution deals were, or had been, in development.

The roundtables were well timed to coincide with the development of the deals at various stages. At each event, the Academy was able to gain a unique insight in to the development of the local devolution deals, and why some were successful, and others not.

The seminars highlighted healthy relationships in many regions that had developed between various local authority representatives, often from different party backgrounds. These positive relationships were often key to ensuring a good devolution deal. The local authority representatives who spoke at the events, even those who were neither in favour of combined authorities nor metro mayors, were open to the new funds and powers on offer in these devolution deals in order to attempt to address the challenges of their region.

Concerns were raised as to whether devolution deals in England offer genuine devolution, or covert local government reorganisation. There is an abiding fear that the money committed by government to support the deals will not be sufficient, and a worry that the role of mayors will be undermined by a lack of public awareness and confidence.

Our publication builds on some of these themes and questions raised at our events, and we hope this work contributes to the national debate around devolution in England at a time of change and reform.

ENGLISH DEVOLUTION IN CONTEXT

The Labour administrations of 1997-2010 established devolved government in Scotland, Wales and Northern Ireland, but no equivalent was created in England. The one area which received devolution was London, in the form of a mayor and elected Assembly: The Greater London Authority. Lord Prescott of Kingston upon Hull, then Deputy Prime Minister, promoted a move to deliver elected assemblies for the English regions, starting with the one deemed to have the strongest regional and administrative identity: North-East England. The proposal was heavily defeated in a 2004 referendum and the policy was abandoned.

What remained were a Regional Development Agency (RDA) and a Government Office (GO) for each region. These had existed, in various forms, since the 1970s. They had various purposes, such as lobbying for their region and attempting to coordinate government policies from different departments towards that region. The first function led to zero-sum competition between the regions, and the second faced difficulties due to lack of engagement from some central government departments, although the Regional Government Offices had a clear effect in the policy domains of what are now the Department for Transport and the Department for Communities and Local Government (DCLG). The Regional Development Agencies and Government Offices were later abolished by the coalition government in 2011.

On 4 May 2017, metro mayors were elected for the first time in six English city-regions where local and central government had earlier agreed the terms of devolution deals. Labour won the elections in Greater Manchester and Liverpool. The Conservatives won the other four – in Tees Valley, Cambridgeshire & Peterborough, the West of England, and the West Midlands. Turnout ranged from 21.3% in Tees Valley to 32.9% in Cambridge & Peterborough. These are below normal local election turnouts, but above the somewhat disappointing turnouts for the first round of Police and Crime Commissioner elections in 2012, which averaged just 15%.

CONCERNS OVER METRO MAYORS

Government ministers, including under both the Cameron and May administrations, have advocated a mayor in a combined authority framework on the basis that this individual provides a single point of accountability and contact in an area, for government and others. The mayor provides a strategic overview for an area, for example on coordination of infrastructure. However, the post of mayor has attracted controversy. The proposed West Yorkshire deal has had repeated difficulties over the post of a metro mayor with significant resistance to the role in some areas, largely one political party fearing that another might secure the post. Concerns over the post of mayor caused North Somerset council to withdraw from the West of England deal, while those areas that did proceed with the deal retained concerns that the new post of metro mayor may upset a functioning working relationship.

Many local authority figures, both elected representatives and council officials, reported that they felt that they had been ambushed and forced into having a mayor as a condition of any devolution deal. One devolution deal within central southern England had brought together a fragile coalition of partners but collapsed as a result of insistence by government on having a metro mayor, which those involved felt was imposed late in the development of the deal. However, this account was challenged as inaccurate by some others involved in these deals; some felt that all those involved were aware from the start of the importance ascribed to mayors and thus insistence on the inclusion of a metro mayor in the deal should not have been a surprise.

Professor John Curtice FBA FRSE FRSA attended each roundtable and used polling evidence to show that the public are not enthusiastic about mayors. The lack of support should not have been a surprise; previous drives for cities and council areas to have elected mayors were rejected in many areas when put to the people: of 53 local referendums held on whether to introduce a directly elected mayor since 2001, the proposal has been rejected 37 times¹. Among the few cities which did vote for elected mayors are Middlesbrough (part of Tees Valley Combined Authority), and Bristol (part of the West of England Combined Authority). These places now have two mayors – a directly-elected mayor for the city and a metro mayor for the wider combined authority.

In Bristol, we heard that a great deal of confusion arose at the election of the metro mayor for the West of England – “But we already have a mayor” – “Is Marvin having to stand again?”

Local politicians tended to take a pragmatic approach to the post of mayor. Many reported that agreeing to a metro mayor was a price worth paying for the greater financial package and powers on offer from central government. Many local political leaders entered into negotiations over the mayoral combined authority agreements with an expectation of gaining more funding and powers at a later time.

In addition to public resistance to more politicians, one reason why the mayoral model has proved so controversial is the issue of the concentration of power in the hands of one individual. Each of

the combined authorities has a complex set of decision-making arrangements to ensure that the mayor cannot simply impose their preferences in the face of opposition from local council leaders. For instance, the West of England Combined Authority published its constitution in March 2017, and this sets out that the decisions of the combined authority must be approved by a majority, with no casting vote for the mayor. Major decisions – for instance relating to agreement of the spatial development strategy for the region – will require unanimous support. Such provisions mean that mayors will have to work closely with their local partners and earn their trust.

GEOGRAPHY LESSONS

Many attendees at the roundtables linked devolution to a desire to boost economic growth, but felt that a lack of clarity over the purpose of the new devolution arrangements hindered progress. If devolution is to follow the ‘Powerhouse’ formula then Functional Economic Areas² are a logical geographical basis on which to proceed. Some attendees spoke of devolution deals for democratic reasons, others for service provision, others for administrative convenience. Each of these approaches has merit, but clarity of purpose would assist in assessing the success of devolution in England long term. Calls for greater clarity around the desired purpose of English devolution policy echo the same point made recently by the Public Accounts Committee³ and IPPR North on this matter⁴.

Functional Economic Areas

The focus on Functional Economic Areas (FEA) has merit but attracted some criticism from attendees. It was generally felt that this was too rigid an approach, more suited to urban areas such as London and Manchester than to semi-rural areas such as the North East, East Anglia, central southern England or the West of England beyond Bristol. The distinction between urban and rural is relevant to governance too. The Cornwall devolution deal does not include either a combined authority or the post of mayor, unlike all other devolution deals. This flexibility for one case (Cornwall) may undermine the FEA-based approach which local politicians felt was applied as a ‘one size fits all’ model. Often, local politicians stressed that “we are not all Manchester”.

Identity and coherence

Concerns over the correct geography of the devolution deals have not always prevented deals being concluded. The semi-rural Cambridgeshire & Peterborough devolution deal has been successfully agreed and James Palmer took office as metro mayor in May 2017. In part, the success of this deal was attributed to the sense of cohesion provided by each area covered by the deal being, or having been, historically in one county. The deal follows ‘the logic of administrative convenience’, by utilising old county council boundaries, which also map onto the police and fire authority areas. Peterborough has signed up to the deal, but having gained its ‘independence’ from Cambridgeshire County Council as a new unitary authority in the 1990s, there are some mixed feelings about the new arrangement. Concerns regarding the geography were overcome in order that the Cambridgeshire & Peterborough deal was successfully struck, after the original East Anglia devolution deal collapsed. In part, the vote to reject the East Anglia deal was motivated by concern about the structure of one mayor to cover all of Cambridgeshire, Norfolk and Suffolk.

Regional identity was raised repeatedly, as it impacts upon the coherence of the areas. The original East Anglia deal collapsed due to disagreements amongst the 23 different councils involved in the area covered by the original deal. Without a coherent and collective identity, some attendees felt that a deal could not be reached. The Cambridgeshire & Peterborough combined authority covered a much smaller area and this may have contributed to the success of the deal.

The successful agreement of the Cambridgeshire and Peterborough deal can be contrasted with the lack of progress in and around Oxford. Two possible reasons for the difference emerged during the roundtables: political and administrative geography. Cambridge city council is surrounded by South Cambridgeshire district. In contrast, Oxford city council is a hub with four radiating spokes (South Oxfordshire, Vale of the White Horse, West Oxfordshire, and Cherwell). Liberal Democrat (later Labour) Cambridge councillors talked easily to representatives of Conservative-led South Cambridgeshire to explore their mutual interest in a devolution deal. Labour Oxford was unable to successfully strike a deal with four Conservative authorities, and the districts also reacted against Oxfordshire's proposal to become a unitary authority. It has been left to an unelected national body, the National Infrastructure Commission, to publish a report which, if implemented, would bring the rail and road improvements to the Oxford-Cambridge corridor which the 'Northern Powerhouse' proposes for Manchester-Sheffield and Manchester-Leeds, because of an inability of Oxford and Oxfordshire to work together in a collaborative manner. An unwillingness to put aside political differences was also said to have undermined attempts to secure a devolution deal or deals in Yorkshire, especially the prospect of a Yorkshire-wide devolution deal.

London and Greater Manchester were often cited as examples of coherent areas, but in each case emphasis was placed on how long coherence and cooperation has existed in these areas, and for how many years local authorities in these areas had been collaborating. London County Council and the Greater London Council existed for many years before the current Mayor/Assembly arrangement, perhaps reflecting or enshrining coherence and a shared identity which thus provided an early blueprint for those keen to pursue devolution in London; while the Manchester deal was said to have been two decades in the making. Rather than a source of pessimism, these examples show what can be achieved in the medium to long term.

GOOD RELATIONSHIPS BETWEEN REPRESENTATIVES OF LOCAL AUTHORITIES ARE KEY

The personal relationships between the representatives of local authorities involved have been crucial in the successful development and agreement of devolution deals. Attendees in central southern England felt that their MPs had been less effective champions for their area in this regard, in contrast to those who had successfully helped their region secure a deal. In order for deals to be successful, working relationships must cross both geographical and party lines. In the West of England this has clearly been the case, in large part due to close collaboration of the three local authorities. Attendees in Bristol expressed concern that a new metro mayor may disrupt the current civil and constructive working relationship enjoyed between the leaders of the three authorities which will make up the combined authority.

FINANCING LOCAL GOVERNMENT

The devolution deals currently agreed have attracted some criticism for the funding attached to

them. The headline funding figures quoted – often nearly one billion pounds – are spread over many years. For instance, in the Cambridgeshire and Peterborough deal it equated to around £20 million per year for 30 years. The £30 million per year for the proposed North East Combined Authority was considered insufficient for agreement to be reached on that deal; one of many factors which contributed to the collapse of that proposed deal.

Beyond the financing of the devolution deals, the way in which local government is funded is changing. At present in England, business rates are collected locally but then partly pooled and redistributed to councils according to assessed spending needs (as of 2013) while part is retained locally⁵. Bristol has taken part in a pilot scheme whereby councils retain 100% of the growth in their business rates as part of a broader move away from grants from central government. Attendees in the North East heard that the reliance on business rates for funding often creates ‘perverse incentives’. Rates are levied on the rateable value of properties, with exemptions and reliefs for small properties occupied by small businesses, meaning that local authorities are incentivised to rely on large distribution centres and shopping complexes rather than housing or spaces for smaller businesses. The proposed scheme of 100% retention of business rates could leave local authorities dependent for their funding on a small number of large employers who may, in time, leave that area or be affected by economic conditions beyond the control of the council.

Fears have been raised as to a trade-off between providing incentives and rewards for growth and redistributing revenues according to need. A reduced focus on pooling of risk or provision for redistribution has led to resistance to reliance on business rates as the sole means of funding local government. Granting devolved bodies flexibility over taxation rates risks allowing tax competition between areas. Divergent levels of taxation and provision could lead to people looking to live in low tax areas while accessing services in neighbouring higher-taxation areas. Given that, as the Institute for Fiscal Studies has pointed out⁶, the government is moving from grant funding of local government to funding by business rate retention, this policy has the potential to have a significant impact. On one hand, local government may become more focused on growth, and perhaps faster growth, while on the other there is a risk of divergence which may be unsatisfactory to the public. There may be a risk of financial unsustainability for particularly poorly performing local authorities.

A more comprehensive devolution policy might devolve serious tax powers, and a more radical policy could look at not only the structure of property taxes but also consider other taxes such as income tax – which might incentivise broader growth in local incomes. Council tax and business rates are taxes with significant shortcomings. An alternative to consider may be a property tax based on land values.

CONCLUSIONS

Without strong public support for the new combined authorities and metro mayors, it is difficult to assess how they will succeed, and develop the economies of their regions. As the findings at our roundtables demonstrate, public awareness and expectations remain low, and funding from central government is deemed by many to be insufficient to truly tackle many of the systemic problems facing some of the English regions.

The mixed picture resulting from the general election of 2017 means that it remains to be seen how much momentum endures behind the drive to devolve power within England. The main political parties have outlined some level of support for devolution within England but questions have been raised as to the priority assigned to this policy. As Brexit, and wider issues relating to regional inequality and the performance of the economy loom large, devolution may find itself slipping back down the political agenda.

The new voices and leadership in the combined authority regions may prove counter to this. It may be that the metro mayors develop innovative public policy solutions to tackle local and regional challenges in their area, and which can be applied elsewhere in England. So much will depend on the personalities of the metro mayors, and the levels of collaboration between the various actors.

We may see a fruitful partnership blossoming between the Liverpool City Region and Greater Manchester, as the two Labour metro mayors seek to show what Labour can achieve in elected office. Greater Manchester has the opportunity to devise a new approach to great challenges such as social care.

While the post of mayor was repeatedly highlighted as a source of controversy and reportedly caused at least one proposed devolution deal to fail, mayors have been advocated as a means of providing a strategic overview and a single point of accountability. Local politicians in many areas have taken

a pragmatic approach to mayors, agreeing to one in order to receive enhanced powers and funding, though whether this policy continues in future remains to be seen.

The 2017 Conservative Party manifesto in fact signals a softer approach: it states that mayors will not be required for devolution deals in rural areas, although they will still be 'supported' for city-region deals.

Another key outcome from the roundtables centred on the importance of the strength of identity in the relevant areas. A lack of collective regional identity within some areas has undermined the successful pursuit of the deals. In future, greater consideration should be given to which structures would better reflect coherence and create institutions with which the public can identify. While many attendees felt that the 'Manchester model' was being applied too rigidly, the positive experience of devolution to Greater Manchester has demonstrated what can be achieved over time.

Polling data has shown that the public are not currently enthused by devolution. However, if the new metro mayors are able to achieve visible improvements, then experience in areas with devolution shows that people may come to support their mayors.

The June 2017 Queen's speech indicates that there may be limited appetite or time for significant further devolution. The Local Government Finance Bill, which was lost as a result of the dissolution of Parliament, was not mentioned, so business rate devolution and the mayoral 'infrastructure levy' might not now come into being. The Conservative party manifesto for the June 2017 general election committed to "a full review" of the whole business rate system, following the political controversy over revaluation; it will remain to be seen whether or not this now takes place.

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