

## Devolution and Governance Structures in the UK

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# Devolution and Governance Structures in the UK

Industrial Strategy Council



## Research Paper

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May 2021

# About the Industrial Strategy Council

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The Industrial Strategy Council ('the Council') was an independent non-statutory advisory group established from November 2018 to March 2021. It provided impartial and expert evaluation of the government's progress in delivering the aims of the Industrial Strategy. Its membership comprised of leading men and women from business, academia, and civil society.

## Acknowledgements

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# Executive Summary

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The UK is one of the most inter-regionally unequal countries in the industrialised world. It is also one of the most politically and fiscally centralised large countries in the developed world. The Council's research suggests this is not a coincidence. Based on two years of research, the Council's 2021 Annual Report argued that devolution of spending and decision-making powers is an essential tool for 'levelling up'. This report presents a devolution framework for ambitious and effective devolution that will help unlock the potential of regions across the UK.

The UK has a tendency to oscillate between advancements and reversals in decentralisation policy. Policies regarding sub-national governance have been piecemeal rather than coherent strategies. As a result, the current local institutional landscape is confusing and fragmented. Having no clear, long-term, coherent vision for sub-national policy is problematic for local institutions as they have to continuously adapt and change direction. Some regions will be more adept at doing this, and therefore this can exacerbate geographical inequalities.

## Findings

The Council undertook substantial primary research into devolution and governance structures across the UK. The aim was to draw lessons from how local institutions work together to drive policy implementation, which structures seem to work best, and gauge appetite for greater devolution. The findings from this research have been grouped under four pillars: Political; Administrative; Fiscal, and People and Place. The key messages under each of the four pillars are:

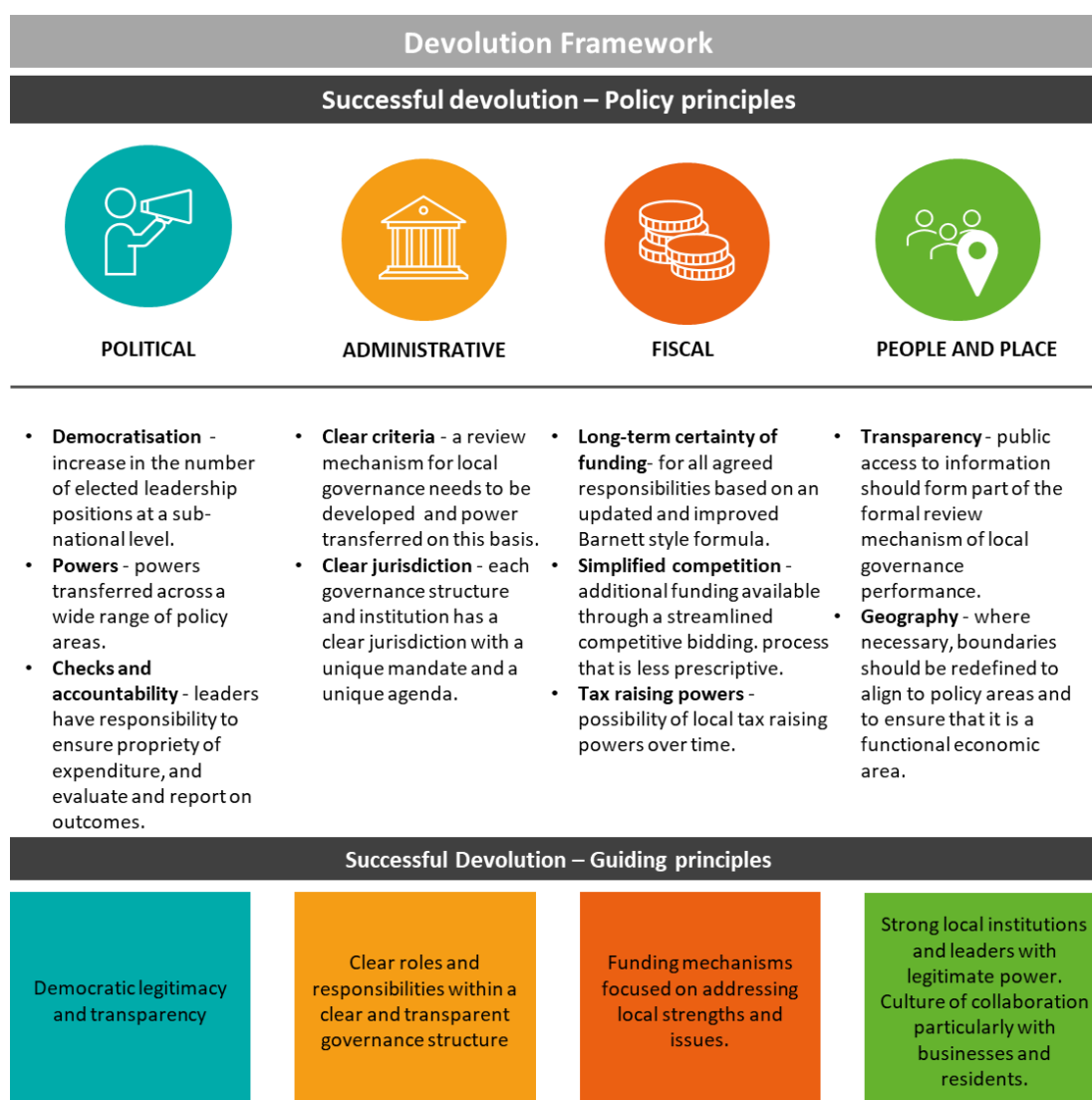
- **Political:** there is substantial appetite for greater devolution to the sub-national level.
- **Administrative:** more clarity is needed around roles and responsibilities; there is a need for greater long-term planning and for the elimination of duplication of remit for institutions within the same boundary. Complicated governance structures are a problem but there is no "one-size-fits-all" model.
- **Fiscal:** multi-year settlements are needed to create more certainty and enable longer-term strategic planning and implementation. In addition to multi-year settlements, there is a need for a more streamlined and less bespoke bidding process for central pots of money.
- **People and place:** partnerships and collaboration must be utilised to deliver on shared priorities and strategies to ensure devolution works smoothly. Overlapping boundaries should be eliminated where possible, and boundaries should be aligned to a functional economic area. Identifying with a place is important for conceiving and driving forward initiatives.

## Principles for devolution

The Council has distilled these findings into a devolution framework (Figure 1). This framework is designed to provide a structure and set of principles that can survive changes of national government and ensure some continuity for the devolution process. The audience for this framework is both central and local policy makers.

The framework contains two parts: policy principles and guiding principles. The policy principles are tangible, actionable evidence-based recommendations, which should inform central government policy officials on the creation of devolution policy. The guiding principles should be used by both central and local leaders and are a set of behaviours, which should be embodied by those who work with, or in, sub-national governance structures. Taken together, they provide a basis for long-term devolution and governance solutions for the UK.

Figure 1: Policy and guiding Principles for Devolution and Governance



## A possible approach to devolution

Devolution is a process and not an event. It requires staged implementation with room to innovate, test and adapt. This research demonstrates that there is no optimal level at which to implement devolution in the UK. There is a need for both top-down and bottom-up solutions, using a multi-scalar implementation model.

The multi-scalar model is designed to be iterative. Areas gain increased powers over time as governance structures are agreed and tested. The multi-scalar model satisfies the need for both place-led solutions and good governance. To be effective, governance and leadership need to flourish at the sub-national tier. Flexibility needs to be a feature of the policy and political process across all four pillars of devolution.

In practice, the approach would be initiated through central government handing powers and funding down to large sub-national units. For powers and funding to flow down further to smaller functional areas, those areas must have the capacity to deliver. Previous Council research has shown capacity is variable at the sub-national level in England.<sup>1</sup> Local areas would need to meet a set of pre-established criteria for powers to be transferred. Areas that did not meet these criteria would remain under the remit of the larger sub-national unit.

Criteria for devolution to smaller functional areas might include:

- Binding commitments to collaborative working and power sharing from local authorities, business networks and significant institutions such as community groups and higher and further education.
- Evidence that it is a functional economic area<sup>2</sup> (also referred to as economic functionality) such as travel to work areas, existence of a chamber of commerce, existing infrastructure, supply chain access.
- Clear governance structures with agreed roles and responsibilities.

Devolution could take place through measures such as the creation of new economic and strategic institutions, establishing new elected leadership positions, guaranteed levels of fiscal devolution, and granting of decision-making powers including spending, infrastructure, and planning.

A suggested starting point for a multi-scalar model would be to devolve powers and fiscal responsibilities to the existing Devolved Administrations and the nine English regions used for the Regional Development Agencies (RDAs)<sup>3</sup>. Further devolution could then flow from the devolved administration/regional tier to smaller areas, such as a combined authority (CA), as they meet the agreed criteria.

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<sup>1</sup> Romaniuk et al. (2020). *Understanding the policy-making processes behind local growth strategies in England*. Industrial Strategy Council.

<sup>2</sup> A functional economic area is one that optimises the use of goods and services. In this context, it refers to the optimal management of the provision of public resources in a defined area.

<sup>3</sup> The nine standard regions have their boundaries altered slightly for each policy area, but the RDA boundaries are the most recognisable from a policy infrastructure point of view.

# Introduction

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Based on two years of research, the Council's 2021 Annual Report argued that devolution of spending and decision-making powers is an essential ingredient for 'levelling up'. This 'Devolution and Governance Structures in the UK: Lessons from Evidence' report and its recommendations propose a roadmap for ambitious and effective devolution that will help unlock the potential of regions across the UK.

Devolution in the UK has a long and complicated history. The roots of today's devolved systems and governance structures date back to at least 1886 when the first Home Rule Bill was introduced to Parliament. Since then, devolution has continued to be debated within Parliament and among academics, researchers, and practitioners.

The UK is a centralised country<sup>4</sup> and one of the most regionally unequal countries in the developed world.<sup>5</sup> Inner London is one of the most productive areas in Europe, whilst in other parts of the UK productivity is similar to that of Poland, Hungary, and Romania.<sup>6</sup> Alongside inter-regional inequality, there is intra-regional inequality, with stark income and well-being differences between neighbourhoods within the same local authorities. It is widely recognised that these inequalities need to be tackled and 'levelling up' is one of the Government's priorities. In March 2021, it published 'Build Back Better: our plan for growth',<sup>7</sup> and has committed to a 'levelling up' White Paper later this year. In the 'plan for growth', it is recognised that devolution will need to play a role in 'levelling up'.

There are advantages and disadvantages to devolution. Some see devolution as an opportunity to develop policy tailored to local contexts as well as freeing up the national government to focus on national issues and the bigger picture.<sup>8</sup> Others see it as a loss of central control that results in incoherent and contradictory policies, slower decision-making and increasing instability.<sup>9</sup> The existing evidence is limited in terms of concrete findings on the impact of devolution, with a surprising lack of quantitative evaluation of current and historic devolution deals in the UK.

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<sup>4</sup> Institute for Government. (2015). *UK 'almost most centralised developed country', says Treasury chief*. Retrieved from: [www.instituteforgovernment.org.uk/news/in-the-press/uk-%E2%80%99almost-most-centralised-developed-country%E2%80%99-says-treasury-chief](http://www.instituteforgovernment.org.uk/news/in-the-press/uk-%E2%80%99almost-most-centralised-developed-country%E2%80%99-says-treasury-chief)

<sup>5</sup> Industrial Strategy Council (2020a). *UK Regional Productivity Differences: An Evidence Review*. Retrieved from: [www.industrialstrategyCouncil.org/uk-regional-productivity-differences-evidence-review](http://www.industrialstrategyCouncil.org/uk-regional-productivity-differences-evidence-review)

<sup>6</sup> Raikes, J. (2020) THE DEVOLUTION PARLIAMENT DEVOLVING POWER TO ENGLAND'S REGIONS, TOWNS AND CITIES. Retrieved from: <https://www.ippr.org/files/2020-02/the-devolution-parliament-feb20.pdf>.

<sup>7</sup> HM Treasury (2021). *Build Back Better: our plan for growth*. Retrieved from: [www.gov.uk/government/publications/build-back-better-our-plan-for-growth](http://www.gov.uk/government/publications/build-back-better-our-plan-for-growth)

<sup>8</sup> Bradbury, J. (2003) The Political Dynamics of Sub-State Regionalism: A Neo-Functionalist Perspective and the Case of Devolution in the UK, *The British Journal of Politics and International Relations* 5(4): 543–575.

<sup>9</sup> Mitchell, J. (2013), *Devolution in the UK*, Manchester, Manchester University Press.



Devolution is not a ‘silver bullet’, but it could provide the opportunity to bring elements of decision-making to a more local level. This has the potential to improve economic prosperity and accountability across the country. The theory underlying this is that local policy makers and politicians are better placed to tailor, develop and coordinate policy to respond to the strengths, weaknesses, and opportunities of the place they belong to, and identify with. This can lead to the creation of policies that should tackle place-specific inequalities and support the wider government agenda of ‘levelling up’.

For devolution to be successful, it needs to be ambitious in scope and conscious of context. It will require commitment and leadership at the national level. At the sub-national level, devolved governance and institutions must be robust, coherent, and transparent, with strong central-local coordination and collaboration.<sup>10</sup>

This report contributes to the debate by identifying principles, which will support and facilitate successful future devolution particularly at the sub-national level. To do this the history of devolution in the UK is set out to shed light on why, despite a long history of attempts at devolution, the UK remains such an unequal county both within and between regions. A range of primary evidence was gathered from stakeholders who engage with or work in sub-national governance across the UK, to understand what works, and what needs to change, regarding sub-national devolution.

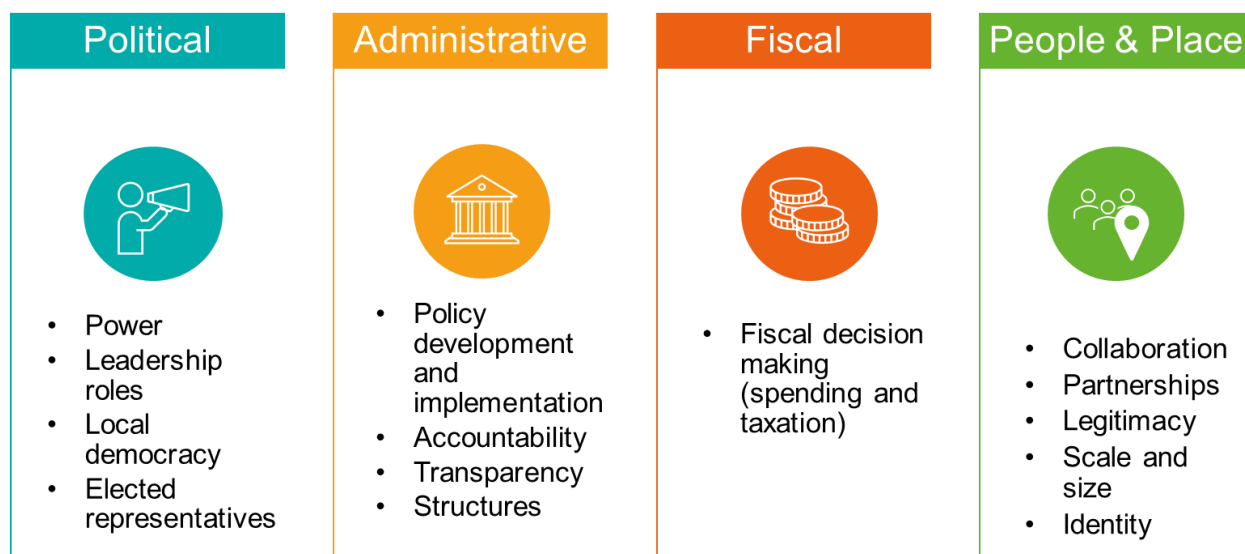
Using this evidence, the Council has developed a four-pillar model (Figure 2), building on an OECD model for decentralisation.<sup>11</sup> The four-pillar model covers all aspects of devolution. The evidence from the Council’s primary research and the subsequent recommendations are presented using this framework. Figure 2 sets out the Council’s interpretation of what each of the four pillars encompasses. As devolution is discussed throughout the report, the below figure serves to remind the reader of what constitutes political, administrative, fiscal, and people and place devolution.

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<sup>10</sup> Zymek, R. and Jones, B. *UK Regional Productivity Differences: An Evidence Review*. Industrial Strategy Council. Retrieved from: <https://industrialstrategycouncil.org/uk-regional-productivity-differences-evidence-review>

<sup>11</sup> OECD. (2019). *Making Decentralisation Work: A Handbook for Policy-Makers*, OECD Multi-level governance studies. Retrieved from: [www.oecd.org/regional/making-decentralisation-work-g2g9faa7-en.htm](http://www.oecd.org/regional/making-decentralisation-work-g2g9faa7-en.htm)

Figure 2: The Four Pillars of devolution



The report is structured as follows:

- Section 1 sets out the context for devolution.
- Section 2 provides a short history of devolution and governance structures in the UK.
- Section 3 explains the methodology and how the report adds to the body of evidence on devolution.
- Section 4 summarises the current picture of devolution across the UK.
- Section 5 presents the Council's findings from the primary research.
- Section 6 presents the devolution framework based on the evidence gathered and proposes an implementation model for delivering further devolution in the UK.

# Section 1: The Role of Devolution

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Devolution is a process, which enables more place-based policy development and implementation. It can be defined as “the transfer of power and control from national to sub-national level” and is a part of decentralisation, which aims to build a more co-operative and strategic role for national and subnational governments.<sup>12</sup> Based on the OECD definition, devolution is a subcategory of decentralisation. It is a stronger form of decentralisation as it consists of the transfer of powers from the central government to lower-level autonomous governments, which are legally constituted as separate levels of government. Decentralisation generally refers to the transfer of powers and responsibilities from central government level to elected authorities at the subnational level (regional governments, municipalities, etc.) that have some degree of autonomy.<sup>13</sup>

The concept of devolution used in this report covers four pillars: Political, Administrative, Fiscal and People and Places (Figure 2). These dimensions are inter-dependent. There can be no fiscal devolution without political and administrative devolution. On the other hand, without fiscal devolution, political and administrative devolution can become meaningless.<sup>14</sup> The importance of progressing all four dimensions has clear relevance for further sub-national devolution in the UK. This section briefly sets out the literature on why devolution matters and the role it can play in reducing inequalities and supporting the ‘levelling up’ agenda.

## The theoretical case for devolution

In recent years, there has been an increased focus on inter-regional disparities in the UK, which are large compared to similar European countries. The Council’s evidence review of regional disparities found that differences in productivity across UK regions are large, in absolute terms and by international standards, and are longstanding.<sup>15</sup> A Council report showcasing international case studies of levelling up showed that strong local leadership and efficient governance are key ingredients in driving local economic growth. The evidence, therefore, suggests that devolution can play an important role in the ‘levelling up’ agenda.<sup>16</sup>

Recent qualitative studies arguing for devolution and governance at the sub-national tier have tended to focus on three core themes: globalisation, innovation, and governance and leadership.<sup>17</sup>

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<sup>12</sup> OECD. (2019). Op cit.

<sup>13</sup> OECD. (2019). Op cit.

<sup>14</sup> OECD. (2019). Op cit.

<sup>15</sup> Industrial Strategy Council (2020a). Op cit.

<sup>16</sup> Industrial Strategy Council (2020b). *What does it take to level up? Evidence from international experience*. Retrieved from: [www.industrialstrategycouncil.org/what-does-it-take-level-places](http://www.industrialstrategycouncil.org/what-does-it-take-level-places)

<sup>17</sup> Quinn, M. (2013) New Labour’s Regional Policy: Lessons from the East Midlands, *Local Economy* 28(7-8): 738-751.

The first of these posits that globalisation has ‘hollowed’ out the state and increased the power of multi-national corporations, supra-national bodies, and trade agreements.<sup>18</sup> Logically, there are policies, which are better designed and implemented at the supra-national level (World Trade Organization (WTO), European Union (EU), and United Nations (UN)) such as defence, trade, climate change, immigration etc. Similarly, some policies are more appropriately designed at the national level such as justice and policing, education and training and health and social care. However, often the impacts of globalisation are felt more acutely at a regional/local level. Consequently, some elements of policy development and decision-making are better suited to the regional level. Local leaders are better positioned to adapt their local economies to both economic shocks and long-term structural shifts, and to determine how their area can support national strategy. Having decision-makers embedded in localities with a better knowledge of issues facing local businesses and people should also lead to an improvement in economic performance.<sup>19</sup>

The second argument is that innovation, being key to economic growth and development, requires infrastructures specifically designed to underpin it (systems of innovation, such as financial institutions, higher education, and vocational training). Effective governance structures at the local or regional tier can offer the support needed to form and manage collaborations between firms and the public sector as they emerge.<sup>20</sup> Research shows that mayors in devolved authorities have been effectively using their ‘soft power’ to build consensus and develop new partnerships.<sup>21</sup> This typically has positive spillover effects as it can create and encourage new opportunities for investment, as well as wider benefits of social inclusion. It can also lead to a ‘crowding in’ effect and support development of private sector resources and investment in an area.<sup>22</sup> This all should have a positive impact on productivity.

The third theme highlights that economic development requires a system of good governance and leadership to encourage growth.<sup>23</sup> Studies show that decentralisation (of which devolution is a sub-category) can be conducive to public sector efficiency, democratisation and political stability.<sup>24</sup> A larger sub-national share of public expenditures has been found to correlate with lower corruption. The sub-

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<sup>18</sup> Davies, J. S. (2002) ‘The governance of urban regeneration: A critique of the governing without government thesis’, *Public Administration* 80(2): 301-22.

<sup>19</sup> Pike, A., MacKinnon, D., O’Brien, P. & Tomaney, J. (2019). *Submission to HCLG Select Committee Inquiry on Progress on Devolution in England: A submission by the Centre for Urban and Regional Development Studies (CURDS)*, Newcastle University, UK.

<sup>20</sup> Cooke, P. and Morgan, K. (1998) *The Associational Economy: Firms, Regions and Innovation*, Oxford, Oxford University Press.

<sup>21</sup> Johns, M., Raikes, L., & Hunter, J. (2019) *Decent Work: Harnessing the Power of Local Government*, IPPR North; Paun, A. & Macrory, S., (2019) *Has Devolution Worked? The First 20 Years*. Retrieved from: [www.instituteforgovernment.org](http://www.instituteforgovernment.org)

<sup>22</sup> Raikes, J. (2020) *THE DEVOLUTION PARLIAMENT DEVOLVING POWER TO ENGLAND’S REGIONS, TOWNS AND CITIES*. Retrieved from: [www.ippr.org/files/2020-02/the-devolution-parliament-feb20.pdf](http://www.ippr.org/files/2020-02/the-devolution-parliament-feb20.pdf).

<sup>23</sup> Geddes, M. (2005) ‘Neo-liberalism and local governance – cross national perspectives and speculations’, *Policy Studies* 26(3/4): 359-77.

<sup>24</sup> OECD (2019). *Op cit*. Chapter 4: Decentralisation: Its Benefits and challenges.

national tier is seen as the level with sufficient commonalities (be they territorial or sectoral) to form the trust-based relationships that allows governance to flourish.<sup>25</sup> However, complicated multi-level governance models with no clear division of responsibilities were found to be more conducive to corruption.<sup>26</sup> Devolution, if not implemented correctly, can create additional bureaucracy, increased costs, incoherence, and duplication of institutions. All this can ultimately lead to declining public involvement in representative democracy, and waning trust in public institutions.<sup>27</sup>

Devolution and the establishment of subnational government and governance are common responses by nation states confronting economic and social change, albeit for a variety of reasons.<sup>28</sup> Ultimately, devolution is only as successful as its implementation. The elements of policy to devolve, and to which tier, require due consideration to avoid pitfalls of the implementation process.

## Does devolution work?

There is limited quantitative evidence available in the UK to demonstrate whether devolution supports 'levelling up'. In part, this is due to difficulties in drawing causal links between devolved institutions and positive economic conditions that prevailed during their lifespans.

For example, in England alone there are ten CAs each of which have different levels of funding and devolved powers. The lack of homogeneity makes it difficult to develop robust quantitative evidence of the impact of local institutions on productivity and economic growth. Further, only a few CAs were established early enough to have measurable economic impact. Some do have a longer history of being used as sites for policy initiatives stretching back to a local government re-organisation in 1974. However, evidence of devolution driving local economic growth, productivity or employment in those areas is scarce.

Much of the evidence around the impact of devolution is qualitative or based on informal conversations. For example, during the 2008/09 Global Financial Crisis businesses and local leaders in some areas felt they were more resilient and better able to react to the Crisis because of the institutions and infrastructure that were in place, compared to during the recessions of the late 1980s and early 1990s when they lacked the regional architecture to respond.<sup>29</sup>

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<sup>25</sup> Geddes, M. (2005). Op cit.

<sup>26</sup> Hooghe, L. et al. (2016). *Measuring Regional Authority: A Post-functionalist Theory of Governance*. Oxford University Press, Oxford.

<sup>27</sup> Stoker, G. (2002) *New Labour and Local Governance in Britain*, Springer, London.

<sup>28</sup> Pike, A. & Tomaney, J. (2004). Subnational Governance and Economic and Social Development. *Environment and Planning A* 36: 2091-2096.

<sup>29</sup> Quinn, M. (2013) New Labour's regional experience: Lessons from the East Midlands, *Local Economy* 28(7-8): 738-751.

Williams, N. & Vorely, T. (2014) Economic resilience and entrepreneurship: lessons from the Sheffield City Region, *Entrepreneurship & Regional Development* 26(3-4): 257-281.

Broadening out beyond the UK, an OECD study found that local fiscal power is positively associated with economic activity.<sup>30</sup> Doubling sub-central tax or spending was associated with an increase of around 3 per cent GDP per capita (irrespective of starting level). The study also found that revenue decentralisation was more strongly associated with income gains than spending decentralisation, suggesting the importance of places being able to self-fund. Further, a study of EU countries found the devolution of fiscal power to subnational governments was negatively correlated with the level of regional inequality within the sample countries.<sup>31</sup>

There is limited evidence to suggest that devolution has negative effects on the economy. Rather than presenting evidence 'against' devolution, the literature focuses on the limitations it can have if not implemented properly. Some argue that arbitrary boundaries can lead to unfair disparity (across a range of issues including power, rules, policies, charges etc) and confusion between neighbouring areas that fall on either side of the boundary.<sup>32</sup> Devolution can be asymmetrical and unfair if one place has more power than others do with little justification for the differences. Others fear that it may lead to the breakup of the UK because demands for independence will be fuelled by devolution.<sup>33</sup>

Ultimately, devolution has a role to play in supporting the 'levelling up' agenda, but its success depends on how the process is carried out and the principles that guide it. The aim of this report is to identify those principles that can support successful devolution. To do that, the next section explores the history of devolution in the UK, to understand how it has evolved and identify factors missing from the process which have hindered its effectiveness.

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<sup>30</sup> Note: Sub-central fiscal power measured by revenue or spending shares.

Blöchliger, H. (2013), *Decentralisation and Economic Growth - Part 1: How Fiscal Federalism Affects Long-Term Development*, OECD Working Papers on Fiscal Federalism, No. 14. Retrieved from: [https://read.oecd-ilibrary.org/taxation/decentralisation-and-economic-growth-part-1-how-fiscal-federalism-affects-long-term-development\\_5k4559gx1q8r-en#page3](https://read.oecd-ilibrary.org/taxation/decentralisation-and-economic-growth-part-1-how-fiscal-federalism-affects-long-term-development_5k4559gx1q8r-en#page3)

<sup>31</sup> Pike, A., Rodriguez-Pose, A., Tomaney, J., Torrasi, G. & Tselios, V. (2010). *In Search of 'Economic Dividend' of Devolution: Spatial Disparities, Spatial Economic Policy and Decentralisation in the UK*, SERC Discussion Paper 62. Retrieved from: <https://core.ac.uk/download/pdf/192488544.pdf>

<sup>32</sup> Herrschel, T. and Newman, P. (2000) 'New regions in England and Germany: an examination of the interaction of constitutional structures, formal regions and informal institutions', *Regional Studies* 37(7): 1185-202.

<sup>33</sup> Mitchell. (2013). Op cit.

## Section 2: Devolution in the United Kingdom

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An examination of the history of devolution in the UK helps in assessing current governance structures and understanding why devolution has not the impact suggested by the evidence. The purpose of this historical review is to try to identify lessons from the past devolution process to inform future devolution principles.

### A brief history of devolution in the UK

The policy landscape in the UK has been dominated by the national tier, punctuated by occasional initiatives from Westminster specifically designed to drive local economic growth. These initiatives have been largely inconsistent with regard to scale and longevity. This longevity point chimes with a previous Council report ('UK Regional Productivity Differences: An Evidence Review') which found that there is a need to end the tendency to abolish and recreate regional policy. Additionally, the powers and funding committed to the sub-national tier have also varied over time and across places. Scotland, Wales, and Northern Ireland were, with a few exceptions for Scotland, largely subject to the same national policies as England for much of the period leading up to 1998.

#### Pre-World War II

Prior to World War II economic policy was developed at the national tier. There were debates on Home Rule for Ireland and Scotland, but notably not for Wales, bearing out Christopher Harvie's famous description of English regionalism as the 'dog that never barked'.<sup>34</sup>

Local institutions and governance arrangements have long been in constant flux.<sup>35</sup> Historically, the country was composed of counties, parishes, boroughs, and towns. With industrialisation and population growth the need for urban and rural administrations increased. 'A key feature of the 19th century authorities was their 'municipalisation': each council acted on its own initiative, often funded by local property taxes, and provided services which it thought would best benefit its residents, such as gas, water, electricity, or tramway services'.<sup>36</sup> This complex system of local institutions was added to in 1939 by the creation of what is recognised today as the nine regions of England. These were based on earlier

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<sup>34</sup> Harvie, C. (1991) English Regionalism: The Dog that Never Barked, in Crick, B. (ed) *National Identities: The Constitution of the United Kingdom, The Political Quarterly*, pp 105 - 118, London, Blackwell.

<sup>35</sup> Industrial Strategy Council. (2020a). Op cit.

<sup>36</sup> Crewe, T. (2016). The Strange Death of Municipal England. *London Review of Books*, 38(24)

proposals by C.B. Fawcett and were initially implemented as Civil Defence Areas as a mechanism to run the country in the event of an invasion during World War Two.<sup>37</sup>

## Post-World War II

During the 1960s, the standard regions were used for the regionalisation of health and, to a degree, economic policy with Regional Economic Planning Councils. Local government reform in 1974 saw the creation of the Metropolitan Counties in Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands, and West Yorkshire, along the lines of the earlier Greater London Council (1968). As the post-war consensus was established across the Labour and Conservative Governments between 1945 and 1979, national industrial policy focused on supporting traditional industrial strengths with limited policy implementation powers at the regional tiers.<sup>38</sup> However, during the 1970s the Kilbrandon Commission was set up to explore proposals for devolution leading to unsuccessful referendums in Scotland and Wales.

## The 1980s to the mid-1990s

The Thatcher Government's break with post-war consensus saw an increase in centralisation with the abolition of the Greater London and Metropolitan County Councils, and few initiatives for Scotland, Wales or Northern Ireland. National industrial policy shifted to focus on the finance and service sectors. Policies that underpinned the growth in the finance sector in the 1980s are cited as leading to a rapid decline in traditional industries, and to an expansion of the gap between London and the rest of the UK.<sup>39</sup> In response to the decline of traditional industrial areas, some limited initiatives for the worst hit areas (led by Michael Heseltine) were launched alongside the new Training and Enterprise Councils.<sup>40</sup> Latterly, the Major Government created Government Offices for the Regions, using areas broadly similar to the nine regions of Fawcett, ensuring all of England was covered by some form of institutional infrastructure for the first time since the 1970s.

## From 1997 to 2010

The 1997 Labour election manifesto contained commitments to referenda on devolution for Scotland, Wales, and Northern Ireland. These supported the establishment of the Devolved Administrations.<sup>41</sup> The Good Friday Agreement and subsequent establishment of the Devolved Assembly at Stormont built on the extensive work undertaken by the Major Government on the Northern Ireland Peace Process. Following the 1997 referendum, the Scotland Act (1998) was passed, which set out in legislation, devolved and reserved powers. Anything 'not specifically listed in statute as being a responsibility of the UK Parliament is *de facto* devolved to

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<sup>37</sup> Smith, B. (1964) *Regionalism in England 2: Its' Nature and Purpose 1905 - 1965*, London, Acton Society Trust.

<sup>38</sup> Russel-Barter, W. (2000) *Regional Government in England: A Preliminary Review of Literature and Research Findings*, London, DETR

<sup>39</sup> Tomlinson, J. (2019) *De-Industrialization: Strengths and Weaknesses as a Key Concept for Understanding Post-War British History*, Cambridge, Cambridge University Press

<sup>40</sup> Pilkington, C. (2002) *Devolution in Britain Today*, Manchester, Manchester University Press

<sup>41</sup> Pilkington, C. (2002) *Op Cit*



Scotland'. (The Scotland Act powers of the Scottish Parliament were extended in 2012 and again in 2016.) Meanwhile, in Wales a weaker National Assembly was set up, which reflected the closer referendum result. Although subsequent referenda and acts of Parliament have strengthened the role and the remit of the Welsh Government, it still does not have the same powers as its Scottish equivalent.

Alongside this, the nine English regions were given significant budgets and institutions for the first time through the Regional Development Agencies Act (1998). Initial proposals for additional elected regional assemblies in England were defeated in the 2004 North East Referendum.<sup>42</sup> Following on from this, the Regional Assemblies<sup>43</sup> were established as unelected bodies largely limited to providing scrutiny of the RDAs. The RDAs, although unelected, were statutory public bodies and were given the capability to identify and address regionally and locally specific issues.<sup>44</sup> RDAs had a sizeable budget (an average of £1.9 billion a year) and received a Single Programme budget that allowed for the money to be spent flexibly on local priorities. RDAs had responsibility for developing 10-15-year regional economic strategies with local partners<sup>45</sup>, but they did suffer from lack of certainty over future budgets.<sup>46</sup> This absence of certainty remains one of the key obstacles in long-term planning and policy implementation.

The 2007 Sub-National Review saw the RDAs develop further plans at the sub-regional tier, moving closer to a multi-level governance model. Alongside this, Multi-Area Agreements were launched allowing local authorities to put in place structures to receive funding and create strategy. In addition to the scrutiny provided by the Regional Assemblies, the Government also created Select Committees in Parliament for each region. This infrastructure provided the regions with a degree of institutional and fiscal stability that has not been seen since. As described in more detail below, this lack of institutional and fiscal stability has transcended over institutional re-shuffles and remains one of the key obstacles in long-term planning and policy implementation.

## From 2010 to the Present Day

The 2010 election saw a significant reduction in funding for regions and another change in the make-up of the sub-national policy landscape in England.<sup>47</sup> The

<sup>42</sup> Byrne, D. & Benneworth, P. (2006) *Where and What is the North East of England?* in Hardill, I., Benneworth, P., Baker, M. and Budd, L. (2006), *The Rise of the English Regions*, London, Routledge.

<sup>43</sup> The regional chambers of England were a group of indirectly elected regional bodies that were created by the provisions of the Regional Development Agencies Act 1998.

<sup>44</sup> UK Parliament. (2012). *The role of the Department – Governance arrangements*. Retrieved from: <https://publications.parliament.uk/pa/cm201213/cmselect/cmcomloc/81/8106.htm>

<sup>45</sup> See Stuart McDonald (2005). *Regional Economic Strategies*, CLES Bulletin. Retrieved from: <https://cles.org.uk/publications/regional-economic-strategies/> for more info

<sup>46</sup> UK Parliament. (2009). *Role and Effectiveness of Regional Development Agencies*. Retrieved from: [https://publications.parliament.uk/pa/cm200809/cmselect/cmberr/89/8906.htm#:~:text=Since%20their%20creation%20in%201999,Programme%20\(April%202006\)%2C%20European](https://publications.parliament.uk/pa/cm200809/cmselect/cmberr/89/8906.htm#:~:text=Since%20their%20creation%20in%201999,Programme%20(April%202006)%2C%20European)

<sup>47</sup> Taylor, A. (2019). *The Realities, Challenges and Strengths of the External Funding Environment at LEP Level*. Smart Specialisation Hub, March. Retrieved from: [www.birmingham.ac.uk/Documents/college-social-sciences/business/research/city-redi/Projects-Docs/EXTERNAL-FUNDING-ENVIRONMENT-FINAL-REPORT-c.pdf](http://www.birmingham.ac.uk/Documents/college-social-sciences/business/research/city-redi/Projects-Docs/EXTERNAL-FUNDING-ENVIRONMENT-FINAL-REPORT-c.pdf)

Coalition Government led by David Cameron removed the regional tier in England and instead operated at a lower level (usually based around Counties or City Regions). This period also saw an increase in policy areas devolved to the Scottish, Welsh and Northern Irish authorities.<sup>48</sup> In England, the Government introduced a number of devolved elected leadership roles, including Mayoral Combined Authorities (MCAs) and Police and Crime Commissioners.<sup>49</sup> Sub-national funding was shifted to a competitive model with more stringent rules on spending along with ring-fenced budgets.<sup>50</sup> The May and Johnson Governments have maintained these principles with the recent Spending Review seeing the addition of MPs to the decision-making process.<sup>51</sup>

With reduced responsibility over administering funds and smaller budgets, the introduction of Local Enterprise Partnerships (LEPs) in 2011 has been considered by some critics as a move towards greater centralisation of power.<sup>52</sup> For the most part England (and to some extent Wales) heavily relies on central government to make “good decisions” for regions and as such, controls the majority of the funding by taking control of the vast majority of tax revenues.<sup>53</sup>

CAs can be set up by local authorities in England. Additional powers (e.g. local infrastructure, education and skills, housing, and planning) may be agreed through devolution deals with central government. However, it is important to note that each devolution deal is slightly different, meaning that each CA and MCA has its own characteristics and powers. In May 2021, there were ten CA areas in England, nine of which have metro mayors. In addition, a number of cities (including Bristol, Leicester, and Liverpool) have elected City Mayors.

To summarise this section, Table 1 presents the main policy developments in each constituent part of the UK by decade, while a more detailed outline is reported in Annex A.

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<sup>48</sup> Vlahos, N. (2020) *The Political Economy of Devolution in Britain from the Postwar Era to Brexit*, Palgrave MacMillan, London.

<sup>49</sup> Vlahos. (2020). Op cit.

<sup>50</sup> Bentley, G., Bailey, D., and J. Shutt. (2010). From RDAs to LEPs: A New Localism? Case Examples of West Midlands and Yorkshire. *Local Economy*, 25(7): 535-557.

<sup>51</sup> [www.gov.uk](http://www.gov.uk). Retrieved from: [www.assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/938052/SR20\\_Web\\_Accessible.pdf](http://www.assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938052/SR20_Web_Accessible.pdf)

<sup>52</sup> McCann, P. (2013). *Modern Urban and Regional Economics*. Oxford University Press, Oxford.

<sup>53</sup> McCann, P. (2020). Op cit.

Table 1: Summary of devolution in the UK

	England	Scotland	Wales	Northern Ireland
Pre 1960	Civil Defence Areas using 9 standard regions	Scottish Office, Secretary of State for Scotland	Ministry of Welsh Affairs (1951)	Home Rule (1921) Northern Ireland Parliament
1960s & 1970s	Regional Economic Planning Councils & Boards. Local Government Reorganisation	Barnett Formula. Scottish Devolution Referendum (No Vote)	Welsh Office & Secretary of State (1964), Barnett Formula. Referendum (No Vote)	Barnett Formula. Northern Ireland Parliament abolished (1973)
1980s	Abolition of 'Greater' Councils. Training & Enterprise Councils			Anglo-Irish Agreement 1985, Northern Ireland Assembly 82-86
1990s	Government Office for the Regions, RDAs	Scottish Devolution Referendum (Yes Vote), Scottish Parliament	Welsh Devolution Referendum (Yes Vote), Welsh Assembly	Good Friday Agreement (1998), Northern Ireland Assembly at Stormont
2000s	North East Regional Assembly Referendum (No Vote), London Mayor		Welsh Government 2006	
2010s	Local Enterprise Partnerships, Mayoral Combine Authorities	Independence Referendum (No Vote), Scotland Act 2016	2011 Referendum in favour of more powers, followed by more in 2014	
2020s	'Levelling up' Agenda			

This history helps explain how devolution and governance structures have evolved over time. Policies regarding sub-national governance have tended to be piecemeal rather than coherent strategies in their own right. Until 1997, devolution was not a significant policy area for Government. Since then, the scale, powers and extent of fiscal devolution have waxed and waned alongside changes of government. There has been limited political devolution, particularly in England. As a result, there are currently many disparate structures working at multiple scales across the UK, the roots of which can be traced back through to the changes in regional policy and administrations. The lack of longevity, scale and policy coordination over time has resulted in layers of complexity, with the remnants of former structures still, in some cases, influencing discussion today. Without these three factors (longevity, scale and policy coordination), history suggests devolution policy can have, at best, a limited positive impact on local economies.

## Section 3: Approach to evaluating devolution

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The complex and fragmented history of devolution in the UK demonstrates the need for a comprehensive review of its sub-national governance landscape. This report seeks to understand how sub-national governance structures currently work, and what could work better, with a view to developing a principles-based framework for future devolution policy.

Substantial qualitative primary and secondary research has been conducted to build the evidence base. In collaboration with WM-REDI, the Council conducted a survey, ran a series of focus groups, and conducted interviews, engaging with a total of over fifty local stakeholders.

The purpose of the survey was to collect data from LEPs and MCAs to gain information and insights into devolution and governance structures in England. The aim was to enhance understanding of how local institutions work together to drive policy implementation, which structures seem to work best, and what LEPs, CAs and other organisations think about greater devolution. There was a total of thirty-one responses to the survey (23 LEPs, six CAs and two from other types of government institutions) from across England and from both rural and urban areas. This variety of responses enabled the Council to gather quantitative and qualitative data which has been used to inform the recommendations in this report.

The purpose of the focus groups was to gain a deeper understanding of the specifics of what works well and what could work better within the local governance structures. Twenty-five attendees from the LEPs and CAs across England, from both rural and urban areas, participated in seven focus groups. Attendees included chief executives and other senior local officials. The focus groups explored in more detail the themes that emerged from the survey, particularly around funding, boundaries, structure, roles and responsibilities.

In addition to the survey and focus groups, six case studies were conducted covering Cornwall and the Isles of Scilly, Cambridgeshire and Peterborough, West Midlands, Leicester and Leicestershire, Glasgow, and Liverpool. This mix of areas was chosen because they were sufficiently different in terms of their governance structures, level of devolution, and economies. The case studies were primarily based on desk research, supplemented by interviews with academics, businesses, council workers and members of local bodies from the six areas who provided insight and information beyond what was publicly available. The report also drew on 17 interviews

conducted with key regional and local stakeholders in the West Midlands as part of the LIPSIT research project.<sup>54</sup>

The evidence from the survey, focus groups, case studies and interviews were grouped into themes, which have formed the basis of the findings in this report and resulted in the creation of the devolution framework in Section 5.

There are some limitations to the methodology. There was engagement with central government departments to share the findings of this report, however, there was no primary evidence gathered from central government. In addition, there may be some selection bias. Those who decided to respond to the survey and attend focus groups and interviews may have a vested interest in the recommendations stemming from this report.

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<sup>54</sup> The LIPSIT research project ‘aims to identify institutional and organisational arrangements at the regional level that tend to lead to the ‘good’ management of policy trade-offs associated with increasing productivity.

## Section 4: Where are we now?

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Throughout this report, the complicated nature of sub-national governance in the UK has been referenced, which has resulted in the multi-scalar set up we see today. The lack of institutional longevity, stability and coordination has resulted in a patchwork of governance structures. In this section, the complexity of sub-national governance has been simplified by:

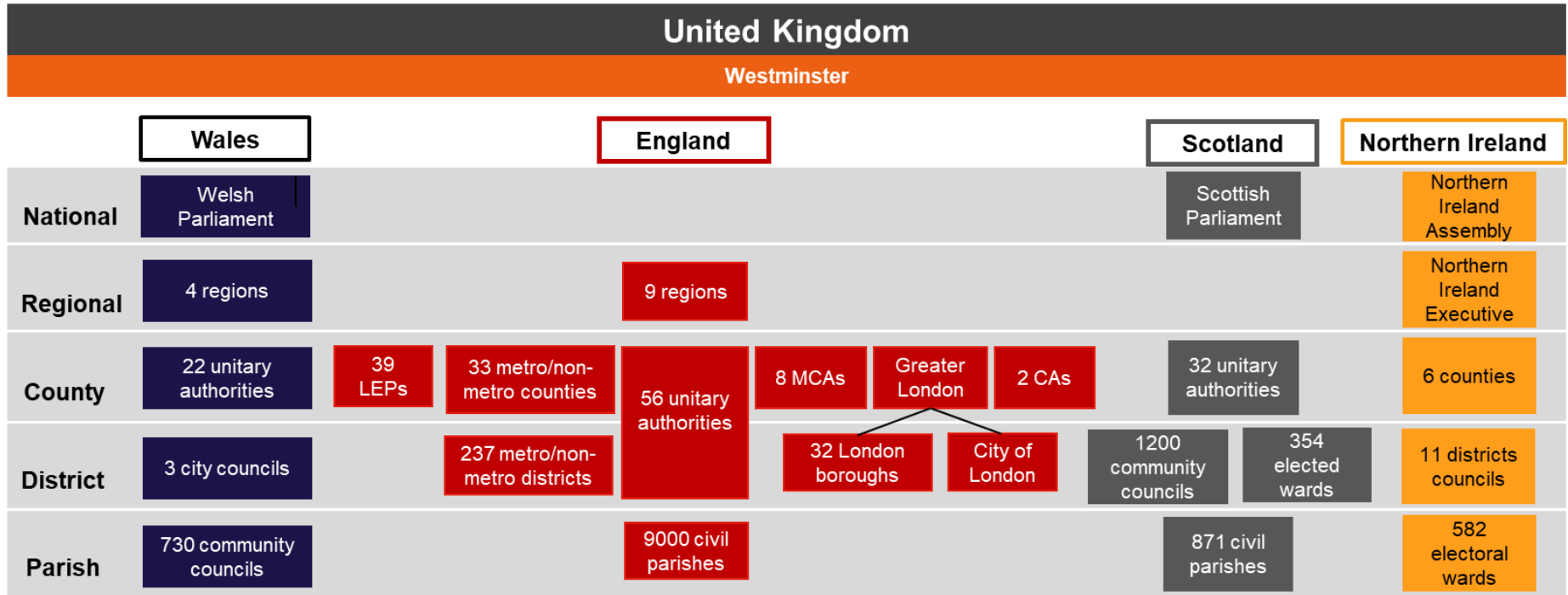
- providing an overview of the structures in place in the UK by tier (Figure 3),
- contextualising current devolution structures relative to one another in terms of fiscal and political devolution (Figure 4),
- analysing six heterogeneous areas across the UK within a common framework of governance. This serves to illustrate that the structures within each place vary, making each structure unique to the area that it serves (Figure 5).

Figure 3 provides an overview of the landscape in the UK by tier (national, regional, county, district and parish). England, the largest nation by population and area, has the largest sub-national governance structure with several different institutions across each tier of governance. The Scottish and Welsh structures are more streamlined by comparison, with unitary authorities only. Whilst Scotland has considerable national devolution, there has been limited sub-national devolution beyond Holyrood. The Welsh devolution deal deviates from the Scottish deal, particularly in areas of justice and policing and some social security elements, where those powers remain reserved to Westminster.<sup>55</sup> Northern Irish governance structures are relatively streamlined, but the nature of their evolution has been difficult and historically complicated.

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<sup>55</sup> Gov.uk. (n.d.). *Devolution: Factsheet*. [www.gov.uk](http://www.gov.uk) accessed January 2020. Retrieved from [www.assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/770709/DevolutionFactsheet.pdf](http://www.assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/770709/DevolutionFactsheet.pdf)

Figure 3: UK governance structures by tier

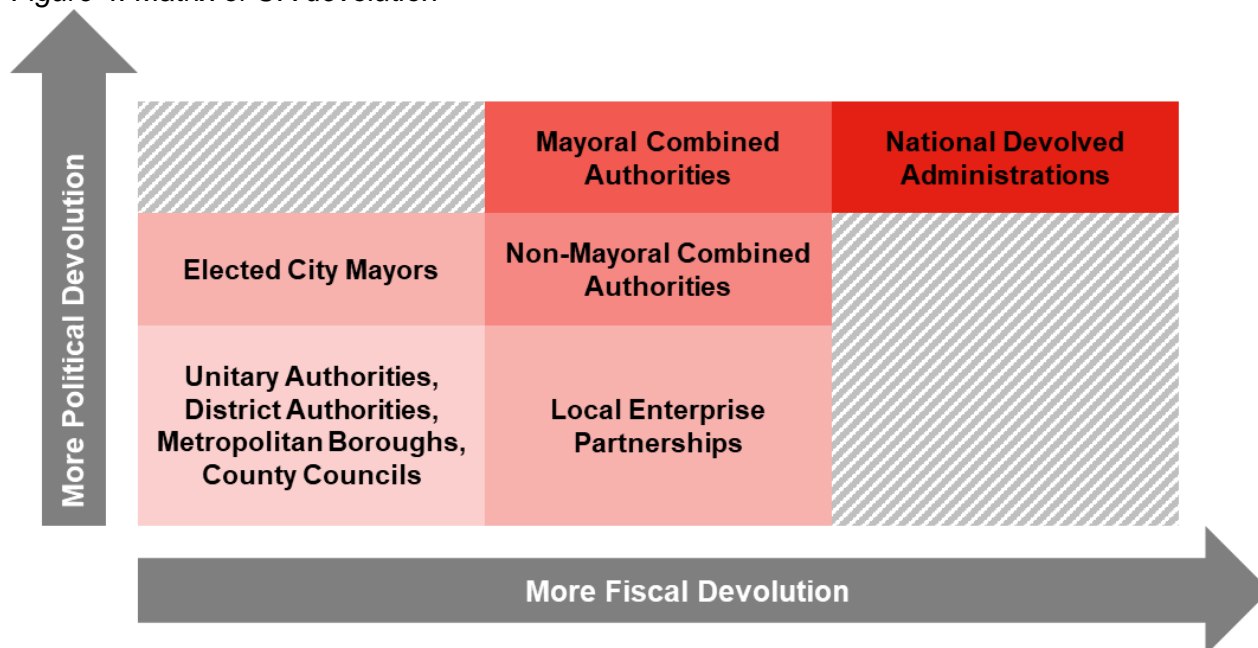


## Current devolution policies

Figure 4 illustrates how existing devolved institutions sit relative to each other on a legislative basis in terms of political and fiscal devolution. The Figure is designed to provide an insight into how devolved these governance structures are in practice. This is done on a scale between existing local government powers through to the powers of the Devolved National Administrations of Scotland, Wales, and Northern Ireland.

The political powers include the democratically elected positions and institutions involved as well as the policy areas that have been devolved. In placing each initiative on the matrix, only legislation has been considered and not the impact of either people or place on their implementation. The impact on people and place, resulting from the heterogenous experiences due to varying structures, have been added in note form at the bottom of the table. This is a purposefully simplified figure for illustrative purposes only and has not been designed to capture the nuances of each institutional set up.

Figure 4: Matrix of UK devolution



Notes: Local Enterprise Partnerships which were formed in areas of economic functionality or where partnerships were already in existence before 2010 were better able to make most of the fiscal powers they were awarded.

Each MCA has a slightly different devolution deal from Central Government. The Greater Manchester deal, for example, also includes control over the functions of the Police and Crime Commissioner. In addition, those MCAs not based on coherent geographies or without an effective leader have struggled to implement the political and fiscal powers they have been awarded.

Elected City Mayors have been placed on the table based on the statutory powers they were given when set up. However, in a number of cases (for example Leicester and, to a degree, Bristol) the holders of those positions have acted beyond their statutory remit and over time the positions are more aligned to the MCA Mayors politically.

Each of the Devolved Administrations has different powers and responsibilities. Whilst all three belong in this box, The Scottish Parliament has more political and fiscal powers devolved to it than either the Welsh Parliament or the Northern Irish Assembly.



## Sub-national governance framework

The case studies developed for this report help build the picture of complexity and variance across and within UK sub-governance tiers. To emphasise the point, Figure 5 shows the unique governance frameworks in each of the six case study areas. The Figure has been purposefully simplified to add structure, but in doing so, the nuances within each of the places will have been omitted. The centre of the structure is the city/unitary authority tier, followed by the county or city region tier, then the region or pan region tier, and, finally, the national tier. For each tier bodies have been added that sit at that level.

Comparison of the case studies demonstrates that each area has a unique governance arrangement across tiers. Some places have institutions at every tier whilst other places, like Cornwall and the Isles of Scilly, have institutions only at the national and county tier. Furthermore, there is substantial variation within tiers between the regions. Whilst at a high level there can be a general categorisation for governance structures across the UK, the detail of these structures reveals they are distinct and have evolved around a specific place in response to national policy.

Figure 5: Comparison of governance structures across the six case study areas

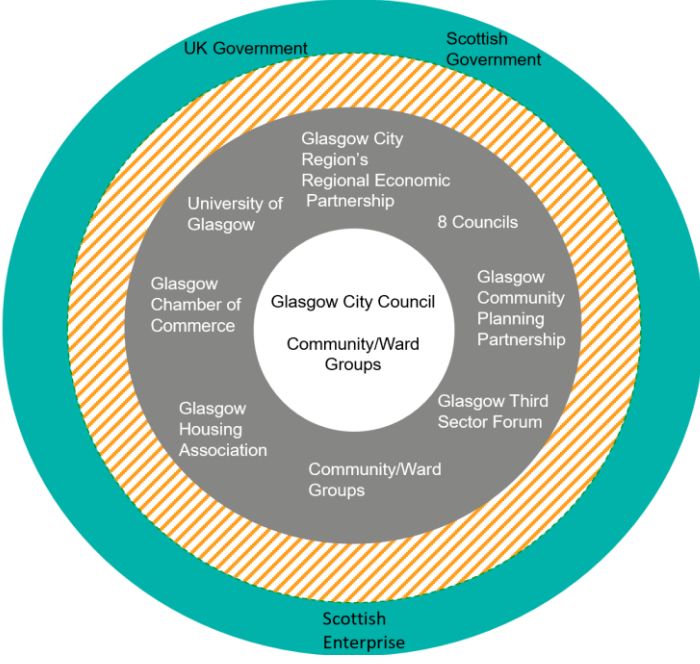



<p><b>Cambridgeshire &amp; Peterborough</b></p> <ul style="list-style-type: none"> <li>• The Greater Cambridgeshire and Greater Peterborough (GCGP) CA has a population of nearly 900,000.<sup>56</sup></li> <li>• Peterborough is ranked the 3<sup>rd</sup> fastest growing city in the UK and Cambridge has the 2<sup>nd</sup> highest percentage of people with high-level qualifications.<sup>57</sup></li> <li>• In this example, there are no institutions at the regional / pan regional scale and at the city tier there are two unitary councils.</li> </ul>	
<p><b>West Midlands</b></p> <ul style="list-style-type: none"> <li>• The West Midlands ranks among the largest urban conurbations outside of London, with a population of around 4 million.<sup>58</sup></li> <li>• It is at the heart of the UK's transport networks and benefits from strong international connections.</li> <li>• This example has an institution at every tier, with numerous structures at the regional /pan regional tier. It also has several institutions at the city tier.</li> </ul>	

<sup>56</sup> Marlow (2019). Local Enterprise Partnerships: Seven-year itch, or in need of a radical re-think? – Lessons from Cambridgeshire and Peterborough, UK. *Local Economy*, 34(2): 139-148. [www.cambridgeshireinsight.org.uk/population/](http://www.cambridgeshireinsight.org.uk/population/)

<sup>57</sup> Centre for Cities (2020). *Cities Outlook 2020*. Retrieved from: [www.centreforcities.org/reader/cities-outlook-2020/city-monitor/](http://www.centreforcities.org/reader/cities-outlook-2020/city-monitor/)

<sup>58</sup> West Midlands Regional Economic Development Institute Partnership. (2020). *State of the Region 2020. Full Report*. Retrieved from: <https://www.wmca.org.uk/media/4240/state-of-the-region-2020-final-full-report.pdf>

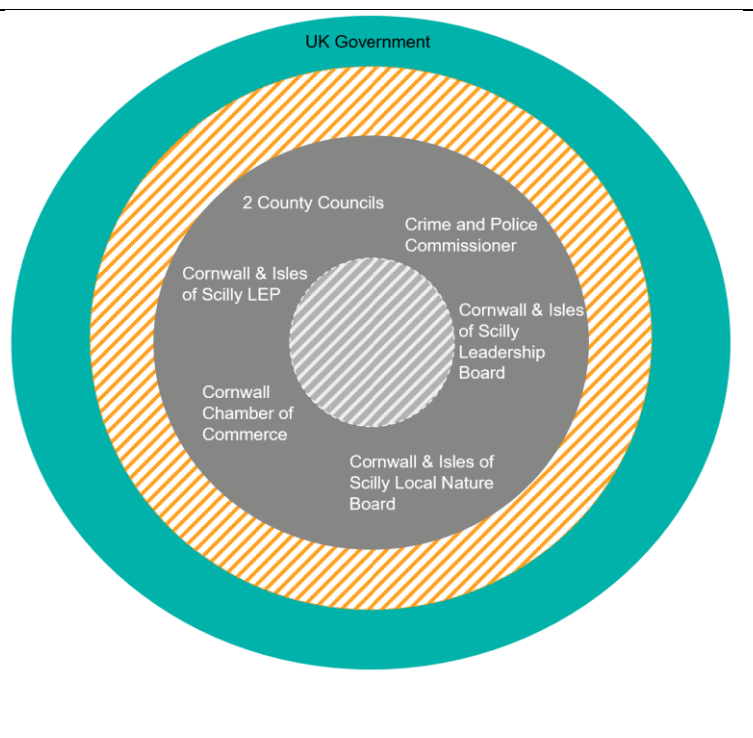
<p><b>Glasgow</b></p> <ul style="list-style-type: none"> <li>• Glasgow City has a population of 633,120 (2019).<sup>59</sup></li> <li>• Key growth sectors include digital technology, finance and business solutions, creative economy, low carbon, life sciences, engineering and design, advanced manufacturing.<sup>60</sup></li> <li>• In this example, there are no institutions at the region/pan-region tier. Rather Scotland is a devolved administration.</li> </ul>	
<p><b>Liverpool</b></p> <ul style="list-style-type: none"> <li>• Alongside a large cultural and retail economy, another significant driver of economic activity in the City Region is the substantial output delivered by the manufacturing sector.</li> <li>• This example has an institution at every tier, however, compared to the West Midlands there is only one institution at the regional /pan-regional tier.</li> </ul>	

<sup>59</sup> National Records of Scotland. (n.d.). *Glasgow City Council Area Profile*. Retrieved from: [www.nrscotland.gov.uk/files/statistics/council-area-data-sheets/glasgow-city-council-profile.html#:~:text=Population%20Estimates,-Last%20updated%3A%20April&text=On%2030%20June%202019%2C%20the,of%20Scotland%20increased%20by%200.5%25.&text=Glasgow%20City%20had%20the%20highest,32%20council%20areas%20in%20Scotland](http://www.nrscotland.gov.uk/files/statistics/council-area-data-sheets/glasgow-city-council-profile.html#:~:text=Population%20Estimates,-Last%20updated%3A%20April&text=On%2030%20June%202019%2C%20the,of%20Scotland%20increased%20by%200.5%25.&text=Glasgow%20City%20had%20the%20highest,32%20council%20areas%20in%20Scotland)

<sup>60</sup> BBC Archive (n.d.). *Modern Scotland: Introduction*. Retrieved from: [www.bbc.co.uk/history/scottishhistory/modern/intro\\_modern3.shtml](http://www.bbc.co.uk/history/scottishhistory/modern/intro_modern3.shtml)

### Cornwall & Isles of Scilly

- Cornwall and the Isles of Scilly (CloS) has a population of 570,000, which has an older age profile than average.<sup>61</sup>
- CloS is a predominantly rural area and in the summer has a thriving tourist industry.
- In this example, there are only institutions at the county/city region and national level.



<sup>61</sup> Cornwall & Isles of Scilly LEP. (2020). *Local Industrial Strategy: Evidence base*. Retrieved from: [www.cioslep.com/assets/file/CloS%20LIS%20Evidence%20Base%20Final%20Draft%20-%20March%202020.pdf](http://www.cioslep.com/assets/file/CloS%20LIS%20Evidence%20Base%20Final%20Draft%20-%20March%202020.pdf)

## Section 5: Research Findings

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This section of the report presents the findings from the survey of LEPs and MCAs, the focus groups, the case studies and the interviews. These findings are grouped under each of the four pillars: Fiscal, Administrative, Powers, and People and Place. A detailed narrative of the findings under each of the pillars is presented. Examples and quotes from the cases studies, surveys, interviews and focus groups have been weaved throughout to bring the findings to life.

Throughout this section, the bullets summarise the main points. Quotes and evidence supporting the findings are contained in the boxes.

### Political Pillar

**There is substantial appetite for greater devolution to a sub-national level.**

- Over-centralised powers result in a lack of significant focus on local regional economic development. Greater devolution across the country would benefit both regions and the UK by driving local economic growth.
- Devolution should be a staged process rather than a sudden wholesale reform. This gives time for institutions to develop, evolve and build capacity. This is in line with the findings from the Council's previous report on international examples of levelling up.
- Greater devolution across the board is needed (skills, infrastructure, planning, transport, housing) to empower local areas to develop local policies to drive local growth.

*Box 1: Illustrative examples and evidence of the need for more devolution*

**Sub-national devolution in Scotland:** The current picture presented from interviews conducted is that Scotland is quite centralised. Further devolution (more control over infrastructure, skills, more management of needs geared towards the city region) would be welcomed in Glasgow City Region. In particular, gaining additional planning powers was suggested as being important in supporting growth in the area, as there are a considerable number of brownfield sites lying vacant as investors wait for the value to increase. Glasgow City Council has limited control, as it does not possess the appropriate powers to change this behaviour. (Case Study & Interviews)

**Reliance on soft powers:** "Formal powers devolved to CAs are currently relatively narrow; getting things done is therefore reliant on formal and informal partnership building, using the convening power of the organisation to bring stakeholders together to agree plans for the region". (Survey)

**Limited Powers:** "A major challenge is the lack of alignment in the powers, resources and accountability arrangements associated with work to drive local

economic growth. For example, while CAs have responsibilities for driving economic growth, some core policy and funding decisions remain with central government departments.” (Survey)

**Devolved funding:** “We have consistently argued for a more flexible and devolved approach to the funding of local economic growth highlighting the huge potential that exists for Mayoral Authorities to go further faster when it comes to economic development.” (Focus Group)

**Benefits of devolution:** “The devolution of funding and powers gives greater ability to bring partners together around shared agendas. Devolution has enabled the rationalisation and integration of governance arrangements, allowing for better more timely decisions.” (Survey)

## Administrative Pillar

### There is a need for more clarity and long-term planning.

- Numerous institutions in some local areas/regions are charged with a similar remit causing tension, duplication and creating inefficiencies.
- Roles and responsibilities of individuals are not always clear, which reduces accountability and transparency on who makes decisions.

#### *Box 2: Illustrative examples and evidence of the need for more clarity*

**Devolved Administrations (Scotland):** There was a mixed response in terms of Glasgow City Regions’ economic and strategic direction. Some interviewees suggested that there was a lack of strategic focus, with no coherent plan for economic development. In their view, further work is required to develop coherent policy. Others suggested that recently, in particular with the City Deal, Glasgow City Region had got its “ducks in a row”. Transparency was also a concern: “governance was not always transparent for example it is not always obvious who the decision makers are... and it takes time to figure out the system, keep up to date with it and...typically [people] only engage with and learn to navigate the parts of the structure they needed to work with.” (Case Study & Interviewees)

**Roles and responsibilities:** The research identified a perception of a lack of accountability among LEPs in some instances. LEP Boards are made up of voluntary, un-paid members and there is a lack of understanding of the role of LEPs and CAs among the public. It was suggested that accountability can be strengthened through the implementation of strong systems to measure, monitor and report LEP outcomes. “It’s a voluntary role, so no-one in the LEP is paid. So actually, you’ve got a whole bunch of people who are giving up their time for free because they believe in what we’re all trying to do. To hold everyone to account, it’s quite difficult.” (Interviewee).

**Clear mandate:** “We need a clear remit and Terms of Reference from central government to charge responsibility down to an agreed tier of delivery

architecture (e.g. national, regional, sub-regional (LEP/Upper Tier LAs/CAs), local tier (borough/districts), hyper local (town and parish councils / neighbourhood plan areas).” (Survey)

**Complicated governance structures are a problem but there is no “one-size-fits-all” model. Different areas need different structures.**

- Governance structures need be clear and streamlined and reflect the geographical and economic differences of places.
- Unitary structures are flatter by nature and, therefore, can accelerate change and facilitate more streamlined local decision-making. However, they also need to be on a scale that allows for meaningful collaborations to emerge.
- Two-tier systems can work better ‘as they are closer to the ground’. However, success is contingent on clarity of roles and responsibilities and cohesion between the tiers.

*Box 3: Illustrative example and evidence of issues with complicated governance structures*

**Streamlined governance:** Cambridge & Peterborough LEP is incorporated within the CA and staff have positive views of the governance structure. Sharing staff across the LEP and CA was suggested to improve complementarity and make the organisation more democratic. The structure was seen to harness close working and enhance decision-making. (Case Study)

**Confusing structures:** “The system, at the moment, is convoluted, it's fair to say. The trouble with adding authorities matters. On top of that, you potentially add yet another layer... but on the other hand, having a CA [...] actually can bring some of these strands together so you can create more efficiencies.” (Focus Group)

## Fiscal Pillar

**Multi-year funding, more streamlined pots of funding with inbuilt flexibility.**

- Greater fiscal devolution, particularly in terms of more devolved spending powers, would allow funding to be spent on targeted, long-term interventions that address place-specific issues rather than issues that are priorities for the centre.
- Multi-year, single pot funding settlements are needed to create more certainty and enable longer-term strategic planning and implementation. More long-term investment from the public sector is needed to unlock local economic growth and ensure private investment follows.

- Funding uncertainty creates over-reliance on consultants, who are often more costly and have a limited positive impact on building institutional knowledge.
- Funding uncertainty and a lack of flexibility in terms of budget spend negatively impact skills and capacity, particularly, in relation to recruitment and retention, which is a major challenge for delivery. Ringfencing of funding means money cannot be reallocated efficiently to adapt to change.
- Internal capacity, particularly in analytical functions, was considered insufficient and held institutions back in terms of developing coherent evidence-based, long-term strategies and securing funds from central pots. Insufficient skills and capacity also limit their ability to conduct evaluation and learning.
- Competition for central pots of money is too resource intensive, can drive poor behaviours (free riding) and lacks transparency (asymmetric information). This issue is compounded by the fact that there are variances in capacity across institutions.

*Box 4: Illustrative examples and evidence of the need for devolved funding*

**Improving local infrastructure:** The rail network in Cornwall has received little investment in infrastructure improvements and suffers from low line speeds and capacity limitations.<sup>62</sup> Along with this, there are gaps in the rail service; therefore, not all places can be reached by direct travel. To solve this issue, the area's 2030 Vision plans to invest more into local transport to support rural and coastal areas. Equally, their Local Industrial Strategy aims for Cornwall to become a fully connected economy with a transport system powered by a zero-carbon smart grid and accessible green infrastructure.<sup>63</sup> However, these plans hinge on hopes to secure more central funding in the future. (Case Study)

**Constraints to collaboration:** In [one of the regions studied], collaborative working is hindered by limited resource, which contributes to organisations and stakeholders prioritising their own needs over those of the wider region. Resource-based competition exacerbates these tensions, partly because of the lack of a formal fiscal arrangement between the region and central government. "...if it was clear as to what the Local Authority should be funding, and what the LEP should be funding, and what the CA should be funding, and the government was clear about how they were going to actually use those funding streams to deliver certain outcomes, I think it would be hugely helpful to ensuring high levels of collaboration." (Interviewee)

**Funding opportunism:** "The problem with the bidding process that we've got at the moment is that effectively you're bidding for free money. Therefore, you will always bid for more than you actually need. And there's also going to be a bit of a tendency to bid for things that sort of [...] tick the right political boxes."

<sup>62</sup> Cornwall and Isles of Scilly. LEP (2020). Op cit.

<sup>63</sup> Cornwall and Isles of Scilly .LEP (2020). Op cit.



Whereas if you're forced to consider how you're going to pay for something at the same time as investing in it, then I think that drives a different set of decisions. (Focus Group)

“There should be the principle of having funding flexibility, because in some areas, for example, it might be the right thing to put the whole pot of money into a flood alleviation programme, and that will have a long-term impact on the economy, but, in other areas, it might be a transport project.” (Focus Group)

**Incentivising short-term outcomes over long-term strategy** - “Having a sort of plethora of pots, some of which, let's be honest, the decision-making process is quite opaque I think what we'll end up with is a set of outcomes that are not clear.” (Focus Group)

“Some form of statutory redistribution for the regions of England, along the lines that we've had for Scotland, Wales, and Northern Ireland, economically is, I personally think, a no brainer.” (Focus Group)

**Powers and spending:** “It's great to devolve power and decision-making, but without the ability to actually do so through fairly significant funding, it's difficult to see how that might work.” (Focus Group)

**Long-term planning** - “The key issue is the ability to plan beyond a year. A commitment to a multi-year investment in the organisations that will help to deliver on the ground is needed. Providing longer term assurance of core funding for LEPs and Growth Hubs would ensure delivery of recovery and growth of local areas.” (Survey)

## People and Place Pillar

**Partnerships and collaboration are utilised to deliver on shared priorities and strategies.**

- LEPs and MCAs work very closely with the private sector, the public sector, the third sector and further and higher education partners to identify specific interventions for their regions and to deliver stronger future growth in their areas.
- Building effective working partnerships with neighbouring institutions on shared areas of interest helps drive forward common policies and strategies.
- Positive relationships are key to enabling effective collaboration.
- Local civic and business engagement is crucial to ensure the identity of the region is fostered and maintained.
- Working together can be a way to overcome the skills gap.

- Central-local collaboration is important in developing local policies that are aligned to national policies and vice versa.

*Box 5: Illustrative examples and evidence of the importance of partnerships and collaboration*

**Governance structures and collaboration:** The collaboration between the Cornwall and the Isles of Scilly LEP, Cornwall Council, the Council of the Isles of Scilly, and other private organisations shows that coterminosity and strong strategic relationships are needed to deliver effectively. The CloS LEP does not overlap with any other LEP and this coterminosity allows them to design and implement policies more effectively. It was reported that strong relationships between strategic partners is one of the key aspects that has worked well in driving local policy implementation within the region. (Case Study)

**Leadership-led collaboration:** The Glasgow City Region City Deal is seen by some as an example of effective collaboration, in particular distributive leadership working in practice. The City Deal Cabinet is comprised of representatives from the eight councils and each council leader leads on a portfolio for Glasgow City Region. “Distributional leadership with collective decision-making on all strategies seems to work well.” (Interviewee)

**Cross-party collaboration:** In one of the areas studied the City and County work well together, partly due to personal relationships and a recognition that they need each other. Again, this is linked to the close economic ties between the two areas. The personal cooperation has worked across political parties (traditionally the City is Labour, the County is Conservative), and has been forged by different leaders. (Case Study)

**Local engagement of key partners:** “We work very closely with private sector, public sector and education partners to identify specific interventions. For example, our proposals on interventions needed to rescue the Gatwick economy, which is massively affected by COVID, rely on partnership with all of these to deliver our vision of stronger future growth in that area.” (Survey)

**Boundaries, in particular overlapping boundaries, added to the inefficiencies created by complicated governance structures.**

- Generally, LEP-CA relationships are thought to be effective where they are coterminous and involve clear division of labour and responsibilities between the Mayor and the LEP CEO.
- There is a need to wrap common geographies around service provisions by the public sector.
- Functional economic areas are more important than pre-defined geographic regions. Pre-defined geographic regions may not be cohesive, particularly if that region contains urban and rural areas, which have different needs. In reality, it is difficult to always ensure every place fits equally into the functional

economies they are part of. Informal partnerships with neighbouring areas can play an important role in delivering on strategy and policy.

- Economic interventions at scale are key to successful local policies and strategies, therefore the size of the area within the boundary matters.
- Longevity and commitment to one structure matter.

*Box 6: Illustrative examples and evidence of the importance of boundaries*

**Overlapping boundaries:** Overlapping geographic boundaries within the West Midlands mean that devolution is complex within the region as boundaries are unclear. This limits the effectiveness of devolution. “I think the difficulty with LEPs can often be that the geography of LEPs was never really bottomed-out. So, for the [...] LEP, we’ve got lots of authorities that are in more than one LEP... the overlap between the three LEPs, the CA and the individual local authorities within them, it makes it very challenging.” (Interviewee, Local Authority)

**Roles and responsibilities:** Institutional congestion at the sub-national level between the CA, LEPs and local authorities contributes to a lack of clarity regarding institutional roles and responsibilities. As a result, efforts are being duplicated and resource inefficiencies can be identified. “I think working with local authorities would be easier if there were a clearer divide between here’s what the CA does, here’s what a local authority does and here’s how you should work together.” (Interviewee, CA)

Leicestershire County represents a coherent area of economic functionality, meaning it has been easier to agree strategy across governance boundaries. However, Leicester City is under-bounded. The current population is estimated to be almost 400,000 by the time of this year’s census, however the bordering districts have, to all intents and purposes, been swallowed up by the City as suburbs, even if they haven’t been rolled into the Local and Mayoral Authorities. The City Mayor’s Office believe the true population of the City to be between 600,000 – 700,000 people, which would make Leicester one of the biggest cities in the UK. There are tensions between the roles of the District and County, and the different roles are not well understood by either the community or the business sector. There are overlaps in remit and clashes on the production of strategies. Each district has an Economic Development Team, as does the County, which are different from, but contribute to, the LEP. Many of the councillors sit on both their district and the County Council causing conflicts of interest in voting at County level. (Case study; Interview)

**Coterminosity**<sup>64</sup>: “I think the other thing about geography is about trying to bring together some of the other key blue light services, health authorities, etc, which there are so many examples of where the administrative boundaries don’t correspond to some other areas. It partly comes down to functional economic areas. [...] on the economy, but it gets very, it gets rather pointless working with two areas on the same patch”. (Focus Group)

<sup>64</sup> Boundaries need to be distinct and aligned to service provision areas.

**Constant flux:** “The challenge in terms of functional economic geographies is you're always going to have nuances and differences. What you need to find is something that can be settled on and agreed on. But every 10 years redrawing the map, whether it is RDA regions, LEP geographies, going back Training and Enterprise Council geographies, that just seems to be a real sideshow, which inevitably, people focus on every 10 years”. (Focus Group)

“I think it's less about the geography and more about kind of doing things at scale. And, recognising that working across boundaries is part of the mix” (Focus Group)

### **Place-based, evidence-led policy is key to ‘levelling up’.**

- Greater local engagement leads to greater impact as it enables investments to be tailored to local needs.
- Identity is important – if people have a sense of belonging to an area, they will engage more readily and want to contribute to the progression of their area.
- Local areas need to feel empowered to act.

#### *Box 7: Illustrative examples and evidence of the importance of place*

**Local leadership:** The City Mayor of Leicester is a powerful position that has helped to bring the City together and provided a focus for leadership and strategy. The additional decision-making powers that come with this role, combined with the outward facing nature of the Mayoral mandate has allowed the Mayor’s Office to quickly establish itself as the leadership authority in the city.

**An attractive place to live:** “Building a quality of place is fundamental, not just to jobs in the hospitality industry and those industries, but actually for the success of the economy because people locate because people want to live there, that's the biggest driver, so making sure we continue to invest in making sure these are great places to live is massively important” (Focus Groups)

**Rural investment:** “There's historically been a sense that, invest in new cities, and you'll get a bit of a trickle down in the rural areas or a benefit on the back of that. And I think history will show that that that hasn't actually worked that well. I think it's really important that we understand that the drivers in the economy (in a rural area) are slightly different to what they are in an urban area where it's all about agglomeration and coming together, the drivers of the economy in a rural area are much more about place.” (Focus Group)

**Place-specific policies:** “When you look at how the money has been spent (by LEPs), it has bounced out because it's reflected local places. And what we've been able to do is properly understand those places. So we can spend the time and effort to properly understand the issues” (Focus Group)

“I think you can't be one size fits all. And it's got to kind of reflect the local economy and an important thing about LEPs is the ability to engage locally, and understand the dynamics of the local economy and then make decisions around what that is.” (Focus Group)

“There are many factors impacting on regional productivity levels, the top priority that needs to be addressed to unlock local growth is the ability of places to take the integrated strategic investment and policy decisions that are needed. Productivity is impacted by skills deficits, underinvestment in transport infrastructure, inefficient business management practices, etc. Tackling any one of these issues will have impact; but giving places the flexibility to address these issues in an integrated way, targeted to the specific needs of the place, would have greater impact and deliver more sustainable results.” (Survey)

**Connection to a place:** “There needs to be a sense of belonging for local areas; some residents don't really buy into these government structures, because they don't feel affiliated to it. Similar to businesses that do not know who to go to for support and advice, residents might not be aware. So because it is so complicated, it makes it really difficult for people to buy into that system, for residents and businesses.” (Focus Group)

“Actually, the whole thing is, it's not just about the pure economics of what works. It's also about the intangibles, of how people identify with something.” (Focus Group)

### **Business engagement with the governance structure is important.**

- A significant role of the LEPs is to engage with business and their independence is seen as a catalyst for bringing a wide range of stakeholders together, enabling them to work effectively towards common goals.
- Business engagement needs to be cohesive and form one organisation to avoid confusion.

#### *Box 8: Illustrative examples and evidence of how public structures can support business*

**Business and business voice:** “The value of LEPs is about business voice, the importance of business leadership, evidence-based decision-making, not political decision-making evidence, but also education, part of our membership on our board, universities and colleges is really important because there is a kind of a triangle in terms of economic growth. [...] so, education, innovation, business, and local authority partners.” (Focus Group & Survey)

“It's about trying to get better cohesion; the confusion happens when businesses are approached by various organisations with support rather than a single flow of delivery that might work”. (Focus Group)

“LEPs have really pioneered across the country, in bringing private sector led projects and public private sector projects together”. (Focus Group)

**Positions of leadership are vital to the success of a structure and what that structure can deliver in terms of outcomes and growth.**

- The leadership position needs to have legitimacy and authority.
- The leader needs to have clout, influence, networks, and ability to attract public funding.
- The legitimacy of having an elected Mayor is an important benefit. In addition, Mayors were seen to give weight to the voice of their local area in dealings with central government.

*Box 9: Illustrative examples and evidence of the role of leadership*

**Democratic mandate:** “MCAs are a good thing because it brings greater and indeed a merit gives greater clout, funding, direction”. (Focus Group)

**Belonging and unity:** “Perceptions of players is important. And when you've got a really strong narrative, that's consistent and being led from across different parts of the economy, council leaders, education leaders, etc. I think that demonstrates a real sort of sense of what a place is and what the place is trying to achieve, which is obviously helpful in terms of attracting investment, as well local pride and building up what at a local level people want their area to be and feeling connected to that.” (Focus Group)

**Soft powers:** “Our key lever is influence. We have a policy of recruiting experienced senior staff in the core LEP economic policy-making functions. The credibility they bring to the policy-making debate means that they are listened to and can successfully persuade others to follow the LEP's lead.” (Survey)

“The convening power of the Mayor's Office [is] to bring together key [...] stakeholders to respond to a policy challenge.” (Survey)

“As a MCA, the visible political leadership from our elected mayor ensures [...] has a voice in national debates and national issues of importance, but that our priorities are always shaped by our local business community and local political leaders.” (Survey)

**Leadership profile:** “We believe MCAs are ideally and uniquely placed to deliver local growth as we are established within recognised functional economic geography and offer and the benefits of the Mayoral leadership and accountability and the ability to working collaboratively across the public and private sectors. We would be keen to see the Government's Devolution White Paper accelerate action on devolution, empowering MCAs with a track record of delivery to take on much more local determination of place-based drivers of growth including transport, skills, and science.” (Survey)

Despite exiting the EU and the challenges posed by the Covid-19 pandemic, the research indicates that securing greater devolution of powers remains a strong priority for LEPs and (M)CAs. LEPs and (M)CAs are pre-empting budget challenges over the short to medium term, with resources continuing to be distributed from the centre focused on recovery. Whilst LEPs and (M)CAs agreed that resources should be diverted towards recovery to protect businesses and maintain jobs, they reinforced the importance of tailoring resource distribution and policy development to the different needs of the regions. Bringing all of this evidence together, it is clear that there needs to be further devolution policy, as set out in the recommendations section below.

## Section 6: Recommendations

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The history of devolution in the UK is a lesson in the pitfalls of a piecemeal approach. Too often, this has led to periodic repeats of similar conversations and processes. Building on this, a review of the current landscape has been presented with the aim of simplifying the complexity that has emerged overtime. In addition, significant primary research was gathered to underpin our findings and ensure they are representative of the local voice. Taken together, this provides a rich source of evidence for future devolution policy in the UK.

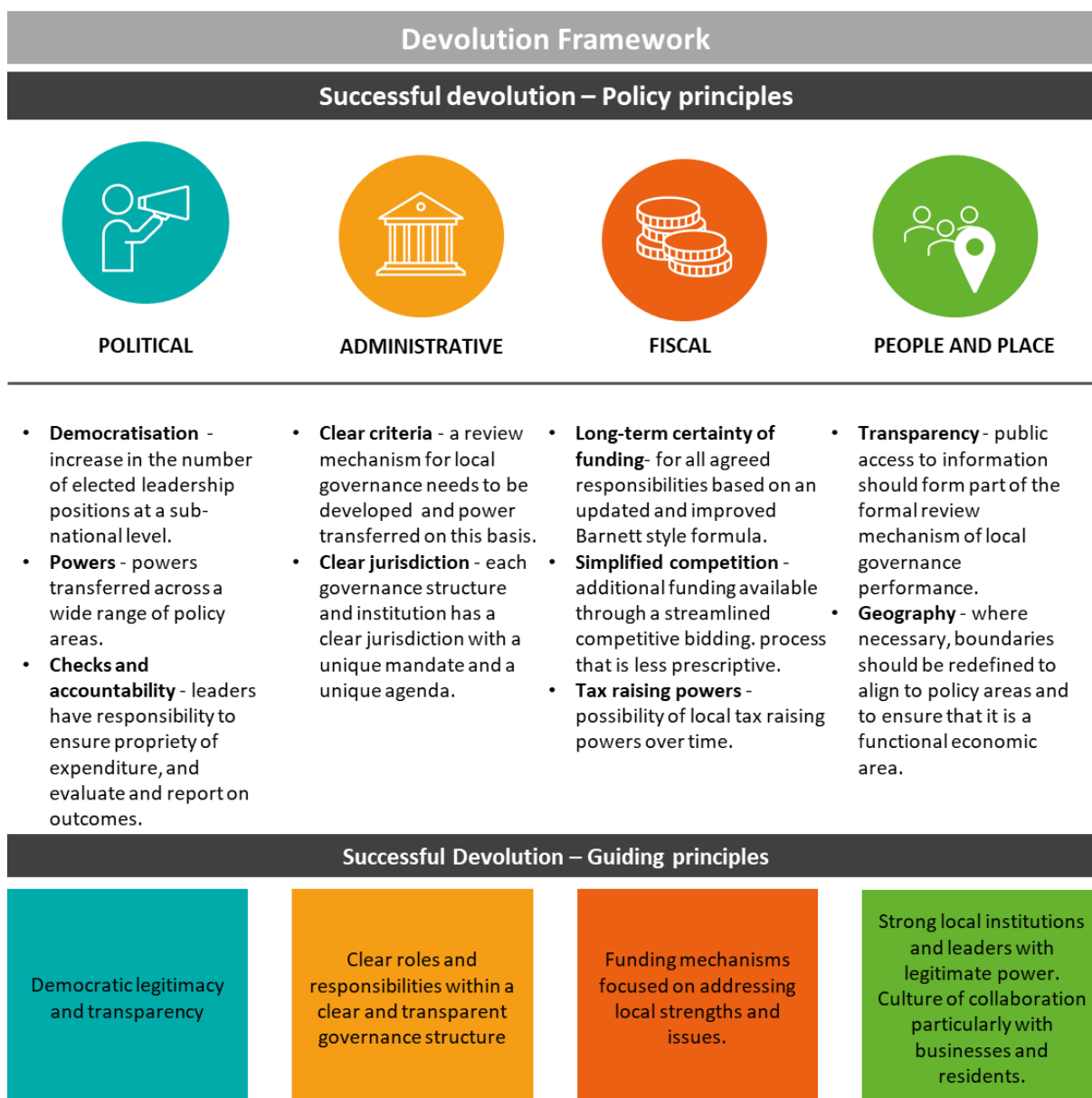
This section translates the evidence presented into a devolution framework that can inform both local and national policymaking, set out in Figure 6. The framework is designed to provide a structure and a set of principles that can survive changes of government and ensure that this process does not have to be repeated. It contains two parts: Policy Principles and Guiding Principles. The Policy Principles are tangible, actionable recommendations. Good devolution policy will meet all the criteria set out under each of the pillars in this policy framework. The Guiding Principles are a set of behaviours, which should be embodied by those who work with, or in sub-national governance structures. They were derived from the Council's research and align with the 'Corporate governance code for central government'.<sup>65</sup>

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<sup>65</sup> Cabinet Office and HM Treasury (2017). *Corporate governance code for central government departments 2017*. Retrieved from <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>.



Figure 6: Policy and Guiding Principles for Devolution and Governance



To implement this framework, the Council believed that it would be best applied to a multi-scalar devolution model. Current governance in the UK operates to some extent under this model already. The Council proposes that this model is formalised and strengthened in the UK system.

## Multi-scalar devolution policy: a possible approach to devolution

Building on the principles of devolution and core findings emerging from the fieldwork, this section sets out a possible implementation model. It is designed to complement the UK’s existing multi-level governance structures.

The Council's research has confirmed previous findings that there is no one optimal scale at which to implement devolution in the UK. Successful examples of sub-national governance in the UK cut across scales, and do not share the same institutional set ups. However, it is apparent that, where success has occurred, the scale, institutions and governance networks tend to have emerged from the location itself. These have subsequently been hooked into available funding and policy mechanisms from central government, rather than as a result of being implemented top-down.

A prime example is Leicester & Leicestershire, which put together its Multi Area Agreement in the late 2000s. This was, in part, a reaction to not being made a 'Core City',<sup>66</sup> and to the decision to locate the East Midlands Development Agency in Nottingham. The subsequent creation of the elected Mayor position for the City has not been rolled out into a MCA to cover the whole County, but the governance structure works nonetheless. This stands in contrast with another case study area, the West Midlands, where the formation of an MCA has given impetus to the governance in that region. These varied examples of success pose a challenge for central government. It needs to find a way to intervene at the sub-national tier without proposing either a one-size-fits-all structure to cover the whole of the UK or creating initiatives like the MCAs or LEPs that risk some areas not being covered.

The multi-scalar model satisfies the need for both place-led solutions and good governance. It prioritises strengthening the extant multitude of structures already in place by drawing on the concept of 'slack resources'.<sup>67</sup> This argues that in order for governance and leadership to flourish at a sub-national tier, and crucially be effective, flexibility (or 'slack') needs to be a feature of the policy and political process across all four pillars of devolution. The flexibility enables resources to be moved between tiers as appropriate. Having 'slack resources' ensures that institutions are sufficiently agile, such that they have adequate capacity to absorb new or additional responsibility quickly. In reality, most organisations operate according to these principles, as they need to be able to respond to external shocks and mobilise resource quickly. However, slack resources must be balanced with safeguards.

## Criteria for a transfer of powers

The next step in the devolution process would then be to allow smaller areas (possibly based around City-Regions, or areas of economic functionality) to put in place governance structures of their own, which would then take on the powers and finance from the larger tier. Those areas that are unable to form such structures would remain under the remit of the original tier, thus still being the recipient of some form of devolution. To facilitate this, a set of criteria (i.e., safeguards) should be developed that areas would need to meet to then be in receipt of further devolution along the four pillars previously identified.

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<sup>66</sup> Core Cities represents a cooperative structure in which the councils of England's eight largest city economies outside London are represented. They are Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham, and Sheffield.

<sup>67</sup> Stimson, R., Stough, R., & with Salazar, M. (2009). *Leadership and institutions in regional endogenous development*. Cheltenham: Edward Elgar, Northampton MA.

The criteria could include:

- Binding commitments to collaborative working and power sharing from the local authorities.
- Support from business networks in the proposed area, with clear roles for business.
- Support from community groups and significant institutions such as universities.
- Evidence of economic functionality in the area proposed.
- Clear governance structures with agreed roles and responsibilities from the outset.

Those areas which meet the criteria would automatically see further devolution to their governance structures. This could involve:

- The creation of new institutions to manage economic development and drive strategy.
- The creation of elected leadership roles such as elected mayors.
- Fiscal devolution of guaranteed levels of funding over a fixed term of at least five years.<sup>68</sup>
- More spending decisions taken locally, for example covering infrastructure, skills and transport.
- Local tax raising powers (although more evidence is needed on the costs and benefits of devolving tax raising powers).
- Planning and infrastructure decision-making powers.

## Implementation of the 'multi-scalar' model

To implement this multi-scalar model in the UK, it is necessary to define the broad areas where the first stage of devolution might occur. This poses questions regarding which tier to begin implementing the multi-scalar model and how to divide the UK in to appropriate regions.

Scholars have debated the different kinds of regions that exist (including, but not limited to, political, historical, economic, cartographical, and cultural)<sup>69</sup>. Some stress that it is possible to create "new" regions within a nation, but issues of how that region binds together need to be taken into account. Research on the "new" German

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<sup>68</sup> One possible way of deciding funding levels could be a reworking and improving of the Barnett Formula. This would be distributed on a "needs-based" distribution system through consultation between central and local government and would be reviewed periodically.

<sup>69</sup> Paasi, A. (2009) The resurgence of the 'region' and 'regional identity': theoretical perspectives and empirical observations on regional dynamics in Europe, *Review of International Studies* 35(1): 121-146; Tomany, J. (2009) Region, in *International Encyclopaedia of Human Geography*, London, Elsevier Press.

region of Baden-Wurttemberg (created in 1945) demonstrates that regional devolution and governance structures can be successfully created.<sup>70</sup> However, the region had existing connections and a clear and coherent economic rationale for its creation. Work in the UK context, which examined the experiences of using one of the least coherent English regions (East Midlands) for the Regional Development Agencies, found that the area used caused significant issues for the RDA as it tried to establish pan-regional strategies.<sup>71</sup>

Given the difficulties inherent in establishing new regions, the obvious starting point for the multi-scalar model would be to use the existing devolved administrations for Scotland, Wales, and Northern Ireland, alongside the nine regions of England used for the RDAs, due to their existing histories and the infrastructures already in place. An alternative option would include using the devolved administrations, the Northern Powerhouse and Midlands Engine with pan-regional tiers for the rest of England.

The subsequent steps would be iterative, which fits with the idea of devolution as a process and not an event. The starting point of devolved administrations and English regions are intentionally “too big”, particularly for roles like elected mayors (in England), and devolution would need to continue below this tier. The bigger area would retain strategic oversight roles, provide support, and retain funding for any areas left out of those secondary settlements. The prize of greater devolution provides the incentive for smaller areas to establish the necessary and appropriate governance structures at a lower tier. As devolution transfers to lower tiers, this will need to be done with caution to avoid competition and duplication of effort with the subsequent governance structures.

Recognising that devolution needs to be a long-term, flexible, set of policies, the higher tier would also have a role if some partnerships were dissolved after a period of time or if boundaries need to change. In such circumstances, the powers and funds would transfer back to this tier and not to central government.

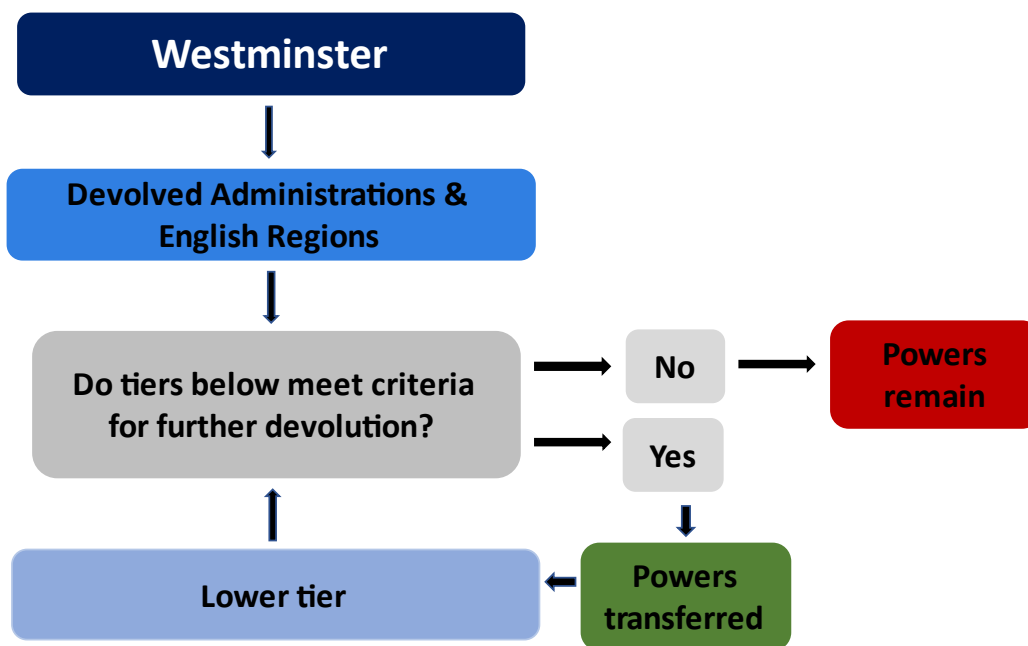
An illustrative example is helpful to root the model in the UK context, for instance the North West region in England. Westminster’s role is to set up the first tier of devolution and establish the criteria for further devolution. At this point, spending, infrastructure, and planning decisions, for example, would transfer to the North West region (the “too big” tier) where discussions and decisions about further devolution to the Merseyside and Greater Manchester MCAs (based on current setups) would be held. The rest of the North West (Cheshire, Cumbria, and Lancashire) would then be part of the North West devolution deal until such time as they were able to meet the criteria set out above. Once the criteria were met, they would then be in receipt of further devolution from the regional tier. The regional tier would retain responsibility for economic strategy as well as capacity building in those areas to allow them to eventually meet the criteria for further devolution. A stylized version of the process is presented in Figure 7.

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<sup>70</sup> Cooke, P. and Morgan, K. (1998) *The Associational Economy: Firms, Regions and Innovation*, Oxford, Oxford University Press

<sup>71</sup> Quinn, M. (2015) The Impact of Place on Policy Outcomes, *Regional Studies Regional Science* 2 (1): 230-236.

Figure 7: A multi-scalar approach to devolution



# Conclusion

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This report has set out the context for devolution in the UK and explained the evolution of governance structures over time. The report has shown how a lack of institutional scale, longevity and coordination has resulted in a patchwork of governance structures which are complicated and confusing. This complex history of devolution merited a comprehensive review of the current sub-national governance structures across the UK, how they work and what could work better. To do this significant primary evidence was gathered through a survey, a series of focus groups and interviews. The evidence gathered was analysed and used to develop a devolution framework, which includes policy principles and policy guidelines that can be used to support future devolution policy. Finally, the report has presented a proposed implementation model, building the multi-scalar governance structures that are already in use within the UK.

In putting the Council's recommendations into practice, the Council are not advocating another reconfiguration of sub-national governance structure. Rather, the Council is suggesting ways to improve on what already exists, harnessing the positives like corporate memory and institutional knowledge and adapting and revising those elements that are currently not working so well. The 'levelling up agenda cannot be solved with a single policy intervention, but will instead need an iterative, flexible approach to tackle embedded imbalances in local economies in the UK. The Council believe devolution has an important role to play in this.

# Annex A: Detailed policy developments in each constituent part of the United Kingdom

GOVERNMENT / Policy Drivers	POLICY INITIATIVES INTRODUCED			
	ENGLAND	SCOTLAND	WALES	NORTHERN IRELAND
<p><b>Pre 1960</b></p> <p><b>National policy agenda. Debates on Home Rule for Ireland also include considerations for Scotland.</b></p>	<p>Civil Defence Areas established in 1939 based on the newly defined nine standard regions.</p>	<p>Scottish Office (1885), Secretary for Scotland (1885), Secretary of State for Scotland (1926).</p>	<p>Council for Wales &amp; Monmouthshire (1949) Ministry of Welsh Affairs (1951).</p>	<p>Home Rule (1921 Fourth Home Rule Act) established the Northern Ireland Parliament.</p>
<p><b>1960s &amp; 70s</b></p> <p><b>Post-war consensus in place across Governments of MacMillan and Home (Conservative), Wilson (Labour), Heath (Conservative), Wilson and Callaghan (Labour)</b></p> <p><b>National Industrial Policy supporting traditional industrial strengths with limited organisation of policy implementation at the regional tiers.</b></p>	<p>Standard regions used for Regional Economic Planning Councils, Regional Economic Planning Boards. Regional health authorities established.</p> <p>Establishment of the Greater London, and Metropolitan County Councils</p> <p>Local Government reform of 1974. Establishment of Metropolitan Boroughs.</p>	<p>Barnett Formula (1978).</p> <p>Regional Economic Planning Councils &amp; Regional Economic Planning Boards.</p> <p>Scottish Devolution Referendum to create an assembly. Narrow victory for the 'Yes' campaign, but turnout did not meet minimum threshold for implementation.</p> <p>Scottish Select Committees in Westminster.</p>	<p>Welsh Office &amp; Secretary of State for Wales (1964).</p> <p>Barnett Formula (1978).</p> <p>Regional Economic Planning Councils &amp; Regional Economic Planning Boards.</p> <p>Referendum in 1979 sees heavy defeat for proposals for a Welsh Assembly.</p>	<p>Barnett Formula (1978).</p> <p>Regional Economic Planning Councils &amp; Regional Economic Planning Boards.</p> <p>Norther Ireland Parliament prorogued and then abolished in 1973 during the Troubles.</p> <p>Northern Ireland Constitutional Commission fails to restore parliament.</p>

<p><b>Kilbrandon Commission (set up by Wilson) explores proposals for devolution.</b></p> <p><b>West Lothian Question posed by Tam Dayall</b></p>				
<p><b>Thatcher Conservative Governments 1979-1990</b></p> <p><b>Break with post-war consensus. National industrial policy shifts to focus on the finance and service sectors. Monetary policies, which underpin growth in the finance sector, see a rapid decline in traditional industries and an expansion of the gap between London and the rest of the UK.</b></p> <p><b>In response, some limited initiatives for the worst hit areas.</b></p>	<p>Training &amp; Enterprise Councils.</p> <p>Abolition of Greater London, Manchester &amp; Merseyside Councils.</p> <p>Heseltine plan, including Garden Cities.</p>		<p>Training and Enterprise Councils.</p>	<p>Northern Ireland Assembly 1982 – 86</p> <p>Anglo-Irish Agreement 1985 establishes protocols on security and justice between the Irish and UK Governments.</p>
<p><b>Major Conservative Governments 1990 – 1997</b></p>	<p>Government Office for the Regions (one for each standard regions).</p>			<p>Negotiations leading to IRA ceasefires.</p>



<p><b>Return of the nine standard regions. All of England covered by this policy. Maintenance of the TECs.</b></p>				
<p><b>Blair &amp; Brown Labour Governments 1997 – 2010</b></p> <p><b>Election manifesto contained commitments to referendums on devolution for Scotland, Wales and Northern Ireland.</b></p> <p><b>English regions given significant budgets and institutions for the first time. Initial proposals for elected regional assemblies defeated in 2004 North East Referendum.</b></p>	<p>Regional Development Agencies &amp; Regional Assemblies on the standard regions.</p> <p>Learning &amp; Skills Councils replace the TECs</p> <p>Identification of eight 'core' cities.</p> <p>Sub-national review of 2007 – led to sub-regional strategic partnerships.</p> <p>Multi-Area Agreements.</p> <p>Establishment of elected Mayor for London.</p>	<p>Scotland Act 1998 following 'yes' vote in devolution referendum.</p> <p>Establishment of Scottish Parliament at Holyrood, Scottish Executive and the position of First Minister.</p> <p>Gradual transfer of powers on rail, planning, and fiscal matters.</p> <p>Executive renamed – Scottish Government</p>	<p>Government of Wales Act (1998) creates Welsh Assembly following narrow victory in 1997 referendum. More limited devolution than the Scottish Parliament.</p> <p>Powers extended in the Government of Wales Act (2006) which sees the Welsh Government formed as an executive body.</p>	<p>Good Friday Agreement (1998) building on diplomatic work of the Major Administration creates a new Northern Ireland Assembly at Stormont.</p> <p>Assembly suspended 2002 – 2006 but reinstated in the St Andrews Agreement</p> <p>Additional policing and justice powers devolved 2010</p>
<p><b>Cameron Coalition Government 2010 – 2015, Cameron Conservative Government 2015-16, May Conservative Government 2016 – 2019</b></p> <p><b>Significant reductions in funding to</b></p>	<p>Abolition of regional infrastructure.</p> <p>Local Enterprise Partnerships (initially areas bid for status, some with overlapping boundaries, some not covered at all).</p>	<p>Independence Referendum in 2014 rejects independence.</p> <p>Smith Commission explores further devolution of power from Westminster.</p> <p>Scotland Act 2016 – income tax, rail, energy,</p>	<p>2011 referendum votes in favour of more legislative powers being devolved, this is followed in 2014 by further fiscal devolution.</p>	

<p><b>regions. Removal of Regional tier in England. Increase in number of devolved elected leadership roles. Funding moves to a competitive model.</b></p>	<p>Regional Growth Fund</p> <p>Elected Mayors for several Cities and Towns.</p> <p>Mayoral Combined Authorities.</p> <p>Police and Crime Commissioners.</p> <p>City Deals.</p>	<p>transport police, powers devolved.</p>		
<p><b>Johnson Conservative Government 2019 –</b></p> <p><b>Continuation of competitive funding models. Addition of MPs to the decision-making process.</b></p>	<p>‘Levelling up’ Agenda.</p>			<p>Brexit places pressure on the power sharing arrangements and open border with the Republic of Ireland.</p>

## Annex B: Glossary

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**Decentralisation:** “The transfer of control of an activity or organization to several local offices or authorities rather than one single one”.<sup>72</sup> In the UK context, decentralisation has involved moving Government Departments and state functions out of London to the regions.

**Devolution:** “The transfer or delegation of power to a lower level, especially by central government to local or regional administration.”<sup>73</sup>

**Devolved Administration:** The UK has four Devolved Administrations (all elected), the Scottish Parliament, the Senedd (Welsh Parliament), the London Assembly, and the Northern Ireland Assembly.

**Elected City Mayor:** These positions are separated from the Local Authority but sit alongside them. The mayors have additional powers and influence in comparison to Council Leaders.

**Governance:** The “...process of steering localities which is multi-sectoral and in which networks, alliances and coalitions play an important part and may become formalised into structural arrangement such as partnerships.”<sup>74</sup>

**‘Levelling up’:** In the absence of a standard government definition and for the purposes of this report ‘levelling up’ is defined as raising living standards, economic opportunities and social outcomes to at least the national average.

**Local Enterprise Partnerships:** Local Enterprise Partnerships (LEPs) in England were established in 2011 by David Cameron’s Coalition Government following the abolition of Regional Development Agencies. These bodies are charged with producing economic development strategies for their areas and are expected to combine the public and private sectors in their leadership structures. There are currently 38 LEPs.

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<sup>72</sup> Oxford English Dictionary

<sup>73</sup> Oxford English Dictionary

<sup>74</sup> Hambleton, R., Savitch, H. V., and Stewart, M. (2003) *Globalism and Local Democracy: Challenge and Change in Europe and North America*, Basingstoke, Palgrave MacMillan.

**Local Government:** The UK has a system of Local Government authorities including County, Shire, District, Metropolitan, Unitary, City, Community and Parish Councils. These are elected bodies, which collect Council Tax and are responsible for the administration of local services.

**Mayoral Combined Authority:** Mayoral Combined Authorities (MCAs) are partnerships of a number of Local Authorities who have negotiated the transfer of power and additional spending resources from Central Government as part of a devolution deal. Nine MCAs are in existence, each with a slightly different deal and range of powers. Each one has an elected Mayor as its figurehead.

**Midlands Engine:** Pan-regional body responsible for producing an overarching strategy for the East and West Midlands.

**Nine Regions:** The Nine regions of England (North West, North East, Yorkshire & the Humber, West Midlands, East Midlands, East of England, South East, South West, and London) were first established as Civic Defence Areas in 1939. Since World War Two, they have been used as a tier for decentralisation and the implementation of Government policy by most administrations. Currently, they are largely used for NHS administration.

**Northern Powerhouse:** Pan-regional body for the North of England responsible for producing an overarching strategy across the North East, North West and Yorkshire & the Humber.

**Regional Development Agency:** RDAs were the flagship English devolution policy between 1998 and 2010. The RDAs were unelected statutory public bodies with large fiscal resources (compared to the LEPs) which developed economic strategies for the nine regions of England. Abolished by the Cameron Government in 2010, many of the sub-regional partnerships they put in place became the basis for the LEPs.